

LIBERIA

Rural Community Finance Project

Detailed design report

Main report and appendices

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Currency equivalents

Currency Unit	=	Liberian dollar
USD 1.00	=	LRD 90.00 (July 2014)

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometer (km)	=	0.62 mile
1 meter	=	1.09 yards
1 square meter	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Note: Liberia has two legal tenders, the Liberian dollar and the US dollar. All amounts in this report refer to the USD, unless stated otherwise.

Abbreviations and acronyms

AFB	Afriland First Bank Liberia Limited
AGM	Annual General Meeting
ASCA	Accumulative Savings and Credit Association
AWPB	Annual Work Plan and Budget
BOD	Board of Directors
CAADP	Comprehensive Africa Agriculture Development Programme
CARP	Complaints, Appeals and Review Panel
CB	Community Bank
CBL	Central Bank of Liberia
CU	Credit Union
DHS	Demographic and Health Survey
ERR	Economic Rate of Return
FAO	Food and Agriculture Organization of the United Nations
FIO	Financial Inclusion, Gender & Youth Officer
FSA	Financial Service Association
GDP	Gross Domestic Product
GOL	Government of Liberia
HDI	Human Development Index
IA	Internal Auditor
ICB	International Competitive Bidding
IRR	Internal Rate of Return
IT	Information Technology
KM	Knowledge Management
LASIP	Liberia Agriculture Sector Investment Programme
LCS	Least Cost Selection
LCUNA	Liberia Credit Union National Association
M&E	Monitoring and Evaluation
MFDP	Ministry of Finance and Development Planning
MFI	Microfinance Institution
MIS	Management Information System
MOA	Ministry of Agriculture
MSEs	Micro and Small Enterprises
MTR	Mid-Term Review
NCB	National Competitive Bidding
OSS	Operational Self-Sufficiency
PAR	Portfolio-at-Risk

PBAS	Performance Based Allocation System
PEFA	Public Expenditure and Financial Accountability
PIU	Program Implementation Unit
PMU	Programme Management Unit
PPC	Public Procurement and Concessions
PPCC	Public Procurement and Concessions Commission
PSC	Programme Steering Committee
QCBS	Quality and Cost Based Selection
RB-COSOP	Results-Based Country Strategic Opportunities Programme
RCFI	Rural Community Finance Institution
RCFP	Rural Community Finance Project
RCU	Regional Credit Union
RFF	Rural Finance Facility
RFI	Rural Financial Institution
RIMS	Results and Impact Management System
ROA	Return on Assets
ROE	Return on Equity
ROSCA	Rotating Savings and Credit Association
SME	Small and medium enterprises
SOE	Statement of Expenditures
TAA	Technical Assistance Agency
TASC	Technical Assistance and Supervision Company
TASU	Technical Assistance and Supervision Unit
TOR	Terms of Reference
UNCDF	United Nations Capital Development Fund
VSLA	Village Savings and Loan Association
VSO	Voluntary Services Overseas
WOCCU	World Council of Credit Unions

Map of the project area



Executive Summary

Background. The outreach of formal financial institutions in Liberia is comparatively weak. A survey commissioned by the Central Bank of Liberia (CBL) in 2013¹ revealed that only about three out of ten adults kept a personal or joint account with a formal financial institution, making this one of the lowest penetration rates of the formal financial sector in Africa. The presence of commercial banks is concentrated in the capital, Monrovia, where about 60% of the branch offices are located. Four rural counties do not yet have any commercial bank branch. The networks of microfinance institutions and credit unions, including the recently created Regional Credit Unions (RCUs), only offer limited and rudimentary services in terms both of depth and quality of service and geographical spread. As a result, the rural population mainly uses the informal sector, which is widespread and dynamic, but does not offer anonymous safekeeping of savings and access to loans above one's savings. The amount of liquidity in circulation is exceptionally high at about three times the total value of bank deposits and there is a highly pronounced savings habit: 23% of respondents to the above-mentioned survey stated that they regularly set aside money as savings, and another 51% stated that they did so 'sometimes'. The economy is highly dependent on remittances; World Bank data indicate that the annual inflows of remittances were in the magnitude of USD 360-380 million during 2011-2013, equivalent to 20.4% of GDP in 2013².

Rationale. Under the current circumstances, substantial progress towards financial inclusion of the rural poor can only be achieved by helping rural communities create their own financial institutions. A suitable model for this is the Rural Community Finance Institution (RCFI), a simplified version of the rural/community banks and financial service associations that exist in several West African countries and elsewhere. The purpose of the RCFI is to establish a locally accessible, locally owned and operated financial institution that aims to become an important part of the mainstream formal financial sector. The RCFIs capitalize on informal local rules, customs, relationships, trust and local knowledge, while also introducing solid banking concepts and methods. People buy shares and save with the RCFI because it is owned and operated by local residents and their elected representatives within the community, and because they trust them. They reinforce the sense of ownership by belonging to the local community where they have their roots. Loans are financed mainly from equity and savings mobilized from shareholders. RCFIs customize their services to shareholder requirements and to local conditions. The RCFI concept has a strong emphasis on local institution-building, good governance and sustainability, in order to keep providing valuable services to the economically active poor. Regulations in place permit RCFIs to provide all products and services not only to the shareholders, but also the community and public. CBL regulations permit the creation of RCFIs authorized to accept deposits and intermediate these into loans with a minimum share capital of USD 50,000. Nine RCFIs have already been established with support from CBL and a private commercial bank.

Outreach targets. The Rural Community Finance Project (RCFP) will provide the resources needed to establish about 13 RCFIs and to consolidate the nine existing RCFIs already created in Liberia. Towards the end of the five-year period, the network will serve at least 31,000 shareholders and depositors (~117,000 household members). Shares will be available at USD 5 to any Liberian national, and all shareholders will be eligible to vote at any general assembly.

The **project development** objective is to improve access by rural people to formal financial services on a sustainable basis, enabling the development of the rural sector. This objective will be achieved if, by the end of the project period:

- RCFIs reach out to at least 20% of the adult rural population above 16 years in the supported districts;

¹ Of these, 18% had an account in a commercial bank, 3% with a microfinance bank, 1% with a MFI and 9% with a credit union (CU). Central Bank of Liberia: National Financial Inclusion Survey Project for the Update of the Liberian Strategy for Financial Inclusion (LSFI) 2014 – 2019. Monrovia 2013

² <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html#Remittances>

- RCFIs have granted loans to at least 50% of shareholders; and
- At least 75% of the RCFIs supported achieve at least 100% Operational Self-Sufficiency (OSS).

The results of the RCFP are to be achieved by implementing **three components**:

- Component 1: Rural financial services(USD 13.0 million);
 - Sub-component 1.1: RCFI creation and operation (USD 9.5 million);
 - Sub-component 1.2: Technical assistance and supervision (USD 3.0 million);
 - Sub-component 1.3; Grant to mitigate the effects of the Ebola Virus Disease (EVD) outbreak (USD 0.5 million);
- Component 2: Enabling environment for rural finance (USD 0.4 million);
- Component 3: Project management and coordination (USD 0.6 million).

Component 1 includes 3 sub-components. Under sub-**component 1.1**, the project will directly support the creation of 13 RCFIs and extend support to the nine RCFIs already created with support from CBL and a commercial bank. Three different sizes of institutions are envisaged to cater for the needs of communities with less than 5,000 inhabitants (category A), of those with a population of 5,000 to 10,000 (category B) and of those with a population above 10,000 (category C). Support will comprise logistical assistance during the start-up phase when community members are mobilized; training and capacity-building activities are carried out; bank buildings commensurate with the expected volume of transactions are built and given both an initial endowment of equipment, power, hardware and software for recordkeeping and financial transactions and a grant to cover the first year's operating losses. Savings products will include the emulation of informal financial practices which the population is well familiar with, deposit collection, ordinary savings and fixed deposits. Loans will be granted predominantly for income-generating activities, starting with petty trading, and the trading and processing of agricultural products, before more complex purposes are financed.

Under **sub-component 1.2**, a Technical Assistance and Supervision Unit (TASU) will be created under the CBL, both to implement sub-component 1.1 and to provide support to the RCFIs. The project will support the establishment of the unit, involving a slowly growing number of RCFIs and TASU staff in Monrovia and in the counties, along with a growing number of RCFIs and the complexity and scale of operations. With the endorsement of the mid-term review mission, the TASU will be transformed into a Technical Assistance and Supervision Company (TASC) owned by the RCFIs. Its board of directors will comprise a majority of representatives of the RCFIs, plus representatives from the CBL and the Ministries of Agriculture and Finance and Development Planning. The TASU/TASC will exercise, at the sole discretion of CBL, its supervisory role on the basis of delegated authority from the CBL, easing the work of CBL. As from the start, the TASU/TASC will be presented as a professional, for-profit organization created to support rural finance institutions, and charging fees for its services at least beginning in the medium-term (i.e. in the third year of operations of each RCFI). At the end of the project, fees and other income may cover about 26% of its core overheads.

Under **component 1.3**: the country specific grant will mitigate some of the effects of the EVD outbreak. Given the negative economic effects of the EVD on household incomes, earning capacity, financial and other reserves, saving capacity, IFAD will support the recovery process of the existing RCFIs and the establishment of the first new ones with an amount of USD 0.5 million. Activities comprise coaching of the existing RCFIs to improve their operational self-sufficiency levels and capacity, granting USD 20 to each new shareholder buying two shares worth USD 10 to facilitate their rapid access to financial services, and coaching of micro enterprises around the establishments of RCFIs.

Component 2 will support the CBL for the improvement of an existing regulatory framework for the microfinance sector, the RCFIs, credit unions, and the related supervisory systems. Support will focus mainly on international technical assistance, meetings and training of regulators and operators.

Component 3 comprising project-related coordination, monitoring and evaluation, reporting, financial management and procurement oversight, will be assured by the Program Implementation Unit (PIU)

operating under the Program Management Unit (PMU) within the Ministry of Agriculture. The PMU is charged with overall coordination and harmonization of all agricultural donor funded projects.

Implementation. All technical work under the components will be carried out by the TASU/TASC (component 1) or the CBL (component 2). The PIU will not be engaged in any technical work under components 1 and 2, but assure the tasks envisaged under component 3. A Project Steering Committee will be set up to monitor, guide and supervise the RCFP, with members representing the CBL and the Ministries of Agriculture and Finance and Development Planning; these institutions will also be represented on the board of the TASC.

The **main risks** related to project implementation include competition by subsidized credit programs, caps on interest rates, weak interest hence patronage by local communities, reluctance of CBL to delegate supervision authority to the TASC and weak cooperation from the microfinance sector regarding efforts to improve existing regulatory and supervisory frameworks. The ratings for the residual risks after risk mitigation are, however, low or moderate.

Total costs including contingencies are estimated at USD 13.965 million, with base costs at USD 13.526 million. Of these, 93% relate to component 1, 3% to component 2, and 4% to component 3. Main funding will be contributed by IFAD to the tune of USD 7.65 million, through a loan on highly concessional terms of USD 7.15 million and a grant of USD 0.5 million. Other direct contributions will come from the Government of Liberia (GOL) (USD 0.52 million) in the form of foregone taxes and excise duties, the RCFIs (1.48 million) and the CBL (0.12 million for office space and salaries) and shareholders (USD 4.1 million). Additional contributions to the project objective will be made by all actors, ranging from community members (investments in their businesses); the RCFIs (contributions to operating costs of TASU/TASC) and the CBL (staff time), which are excluded for simplicity.

Direct benefits of the RCFP will accrue to: (1) about 31,000 shareholders and users and their household members (from deposit and loan facilities, and eventually dividends); (2) the communities at large where the RCFIs will be located (from the investments made in the local economy); (3) the RCFIs (net profits realized); and (4) the State (from additional tax revenues payable by RCFIs). **Non-quantifiable benefits** will include: (1) bringing more informal financial transactions into the formal financial sector; (2) a denser network of financial institutions, through which remittances and transfers can be made from within and outside the country, and through which salary payments can be effected; (3) improved safekeeping of excess liquidities and savings in rural areas; and (4) higher levels of integrity of the rural financial sector and of confidence of the rural population in the financial sector as a result of the improved regulatory framework and the improved supervisory systems under the guidance of the CBL.

Economic and financial analysis. Based on estimations of the number of borrowers from RCFIs, the sectoral distribution of loans, the anticipated returns for these loan purposes, and the number of RCFIs, total project benefits are expected to increase from USD 66,000 in year 1 to USD 3.7 million in year 5, and will remain around USD 3.7 million during the years 7-15. The economic analysis shows that the project has the capacity to generate an economic rate of return (ERR) of 22% over a 15-year period, with a net present value of USD 7.2 million. Given the many un-quantifiable benefits, the actual ERR will likely be higher than 22%. Sensitivity analysis shows that the ERR is relatively robust with regard to higher costs, lower benefits and time lags. The highest contribution to the ERR will derive from investments to be made by borrowers from RCFIs. The number of RCFIs to be supported under the RCFP is constrained by the amount available for their financial and technical support. There is a potential to increase their number beyond the 13 for which funding is available. Should additional funds be made available, the ERR would be higher than the 22% projected above.

Experience shows that it takes considerable time to create a new network of rural financial institutions in whatever form and make it sustainable, and certainly more than the five years envisaged for the RCFP. This project should therefore be seen as the first phase of a program approach to support inclusive finance in Liberia, building on the inclusive finance strategy and various support measures of the CBL.

Logical Framework

Narrative Summary	Key Performance Indicators (*= RIMS indicator)	Means of Verification	Assumptions / Risks
Goal: Contribute to reduction in rural poverty and household food insecurity on sustainable basis in Project areas	<ul style="list-style-type: none"> Improvement in household assets ownership index based on additional assets in project areas* Reduction in the prevalence of child malnutrition (stunting)* Increased food security (decrease in duration and frequency of hungry season)* 	<ul style="list-style-type: none"> Demographic, health, income, food security surveys UNICEF reports RIMS Baseline and completion survey 	<ul style="list-style-type: none"> Stable political and macro-economic environment Government's monetary/fiscal policies and macro-economic reforms are conducive to poverty reduction.
Development objective: Access to rural financial services is improved on a sustainable basis, enabling development of the rural sector	<ul style="list-style-type: none"> 31 000 / 23 000 households shareholders and depositors will be serviced by the network of RCFIs 20% of the adult rural population above 16 years in project districts using financial services of RCFIs supported by the project) (disaggregated by gender/age) 50% of RCFI shareholders have received loans (disaggregated by loan size/terms, gender, age, purpose) 75% of RCFIs at 100% OSS* at project end (<i>RCFI sustainability</i>) 	<ul style="list-style-type: none"> TASC annual and external audit reports Project monitoring reports Project supervision mission reports MTR report PCR assessment 	<ul style="list-style-type: none"> Commitment of all stakeholders (govt., donors, private sector) to participate in poverty reduction efforts No interest caps policy Absence of political interference into the autonomy of RCFIs
Outcome 1: Rural Community Finance Institutions (RCFIs) deliver demand-driven and efficient financial services to their clients	<ul style="list-style-type: none"> Portfolio at risk (PAR) > 90 days* <5% (<i>RCFI performance/sustainability</i>) 90% of RCFIs clients satisfied with RCFI services 	<ul style="list-style-type: none"> TASC annual reports CBFI consolidated monthly reports Project monitoring reports Project supervision mission reports MTR report Client satisfaction survey PCR assessment 	<ul style="list-style-type: none"> Human resources capacity and experience available for RCFIs Communities willing to buy shares in RCFIs Strict compliance of RCFIs with rules and regulations Effective fraud and loss control systems in place Availability of technological solutions to reduce operating costs and fraud losses
Outputs: 1.RCFIs established 2.Share capital and savings mobilized 3.Financial products offered by RCFIs to shareholders	<ul style="list-style-type: none"> 22 Savings and credit organizations (RCFIs) formed and/or strengthened* Average use of available lending resources for lending 75% Value of paid up shares and savings at project end* at least USD 12m 8 products offered per RCFI to shareholders 12% agricultural loans in total loan portfolio at project end Value of voluntary savings at USD 3.2 million at project end * 		
Outcome 2: Professional and	<ul style="list-style-type: none"> All RCFIs affiliated with TASC had their annual financial 	<ul style="list-style-type: none"> TASC external audit reports 	<ul style="list-style-type: none"> RCFIs have liquidity available

Narrative Summary	Key Performance Indicators (*= RIMS indicator)	Means of Verification	Assumptions / Risks
efficient technical support and supervision services rendered by TASU/TASC to RCFIs	<ul style="list-style-type: none"> statements audited by TASC by the next June 30 TASC OSS 26% excluding project proceeds and non-core expenses (community training) at project end 45% of loans disbursed to women and 15% to youth (18-35 years) 	<ul style="list-style-type: none"> Field reports of the micro enterprise facilitator Project monitoring reports Supervision mission reports MTR report PCR 	(internally or through credit lines) <ul style="list-style-type: none"> Willingness of RCFIs to finance MSEs and smallholder farmers Agreement between CBL and TASC on RCFI support and supervision
Outputs: 1. Financial products developed 2. Other support services for communities rendered	<ul style="list-style-type: none"> 1500 MSEs accessing advisory services facilitated by the project* 		
Outcome 3: A more conducive regulatory and supervisory environment promotes the rural financial sector	<ul style="list-style-type: none"> New regulatory framework for RCFIs, CUs and MFIs in place 	<ul style="list-style-type: none"> CBL annual reports TASC annual reports Project monitoring reports Supervision mission reports MTR report PCR assessment Board minutes Certificate of incorporation Register of shareholders of TASC 	<ul style="list-style-type: none"> CBL willing to delegate some supervisory functions over RCFIs to TASC Other stakeholders in the microfinance sector willing to cooperate in the process of designing a new regulatory framework
Outputs: 1. Policy/ institutional framework set-up for the RF sector 2. Technical Assistance Agency established	<ul style="list-style-type: none"> Certificate of incorporation of TASC by end of PY 3 All RCFIs are TASC shareholders by year 5 All TASC board meetings of TASC held regularly 		

NB.: (1) All indicators will be disaggregated by gender and age to the extent possible. (2) Reference values to be determined by the baseline survey. (3) Available lending resources are defined as total shareholder funds including donated equity minus fixed assets plus depreciation plus loan loss provisions made plus total deposits minus regulatory reserves.

Strategic context and rationale³

A. Country and rural development context

1. **Liberia's formal financial sector** is composed of nine commercial banks, one development finance institution, one deposit-taking microfinance institution (MFI), 23 registered non-deposit-taking MFIs⁴, 20 insurance companies, about 225 credit unions (CUs) of which only 60-100 are estimated to be sustainable, nine rural community finance institutions (RCFIs) and 111 foreign exchange bureaux⁵. The **informal financial sector** comprises an unknown, but very large number of (a) accumulative savings and credit associations (ASCAs) operating either as donor-initiated village savings and loan associations (VSLAs⁶) or informal yearly savings clubs, (b) rotating savings and credit associations (ROSCAs), commonly referred to as 'susu', but also known under different vernacular terms, (c) daily deposit collection on markets, and (d) moneylenders. Financial institutions as defined in the banking and central bank laws and regulations, operate under and are supervised by the Central Bank of Liberia (CBL). As credit unions currently operate under an older legislative framework and outside the CBL (see para. 3 below), they may be best categorized as semi-formal financial institutions.
2. The **commercial banking sector** has gained stability over the past years and expanded relatively rapidly. Banks are concentrated in and around the capital, where all head offices and about two-thirds of all branches are located. Some rural counties do not even have one commercial bank representation. Rural branches act more as payment offices, to disburse salaries of civil servants, handle corporate accounts and mobilize some excess liquidity for the urban centres. Lending in these branches is at very low levels. The level of intermediation is comparatively low, ranging from about one-third to about one-quarter of total assets in lending only, and only about one in eight loans being a term facility. Where banks lend, it is mostly for short-term working capital and trade financing. Nominal interest rates charged by banks may be around 15% p.a., but add up to about 18-24% p.a. effective in the end. However, no ordinary person in rural areas has assured access to such facilities.
3. **Credit unions** (CUs) have existed for about 40 years but with a few notable exceptions, are not well managed, do not operate sound management information systems (MIS), are not properly governed and supervised, and offer only rudimentary services. The newly created regional credit unions (RCUs), which operate along fixed business hours similar to rural banks or RCFIs, suffer from almost the same deficits as the ordinary CUs, in addition to an improper institutional design and business model. The RCUs and the apex body are currently supported by WOCCU and UNCDF. The **nine existing RCFIs** created with highly laudable assistance by a

³ Mission composition: Michael Marx, Sen. Credit and Rural Finance Officer, FAO Investment Centre, team leader; Alok Kumar, Apex Bank Sierra Leone, rural finance specialist, consultant; Ms Claire Bilski, gender and poverty specialist, consultant; Davis Atugonza, economist, consultant. The mission in Liberia was preceded by a study tour to the RFCIP and experience of Financial Service Associations and Community Banks in Sierra Leone, which took place from 21 to 27 May, 2014, and which comprised team members Messrs Marx and Kumar in addition to Deputy Minister for Agriculture, Technical Services, Dr Subah; Mr Howard, Microfinance and Financial Inclusion Unit, and Mr Jay G. Brown, Banking Supervision, Central Bank of Liberia; and Mr Alex Colee, Ministry of Agriculture. In Liberia, the mission briefed Mr Hubert Boirard, Country Portfolio Manager, Ms Tamara Lampe, and Mr Ides De Willebois, Director, West and Central Africa Division, on the design progress. The mission proper in Liberia took place between 28 May and 14 June, 2014.

⁴ Of the non-deposit taking MFIs, only three are larger ones. One of these larger ones has however initiated bankruptcy proceedings in 2014.

⁵ Sources: CBL, Annual Report 2014 and CBL data update.

⁶ The CBL Annual Report 2014 mentions 599 VSLAs at the end of 2014. The Most recent data updates of the Savings Groups Information Exchange lists 11,486 VSLA members, or 534 groups with an average of 21.5.

commercial bank, Afriland First Bank Liberia (AFB), and the CBL, are properly designed and implemented, but suffer from inadequate technical support, poor product design, and weak supervision and training. The first RCFI started to operate in December 2013, two more were created in early 2014, another two in mid-2014, and the remaining ones in late 2014 and early 2015. These RCFIs were above all intended to ease payment, transfer and deposit-taking constraints in locations that do not have any other commercial bank presence. Fortunately, none of them has as yet started lending, because none of them seems to be prepared to manage the lending process and they need substantial technical assistance before they are in a position to properly manage the loan appraisal and recovery process. The dilemma is that so long as they refrain from lending, they generate little revenues to cover expenses, and share capital is being used to cover their losses. On the other hand, should they start lending in order to generate income from interest, they are very likely to lose money because they do not seem to be able to manage the lending process.

4. **The Microfinance subsector** has seen some 3-4 years of downturn in Liberia, and is institutionally weak. One of the three large microfinance institutions (MFIs) has closed due to bankruptcy, and the other two have reduced the scale of their operations due to mismanagement, low repayment, and staff fraud and embezzlement. It is unlikely that the sector will become an important player in Liberia within the next five years. The microfinance sector also comprises of one commercial bank with its main focus microfinance lending and a new microfinance deposit-taking institution licensed in 2014. While the former is being regulated and supervised as a commercial bank, the regulatory framework gives due consideration to the nature of its business; the latter institution is being regulated and supervised based on the Regulations for Deposit-Taking Microfinance Institutions. These regulated microfinance institutions are allowed to take deposits from the public; however, the important distinction between their operations and regular commercial banks is the loan size.
5. The most current MIX market report shows the details of four MFIs in the country of which Access Bank, BRAC Liberia and Liberty Finance are in operation. Loans outstanding amounted to USD 17.8 million, with 53106 active borrowers (average of USD 335/loan outstanding). They held a deposit volume of USD 15 million mobilized from 97,721 depositors⁷. LEAP closed down its operations in 2013 due to high delinquency rates resulting in huge losses. BRAC put a lending ban in year 2013 to handle the high rise in delinquency. Ghost loans and insider lending were causes behind many of the delinquent loans. However, the experience of Access Bank is more positive compared to other MFIs in the country.
6. Access Bank started its operation in 2009 as a fully-fledged commercial bank, but is the first Liberian bank to focus specifically on the micro and small business clientele. The bank provides micro and small loans to eligible business owners. Regarding banking services, current, savings and fixed deposit accounts are offered. All accounts can be held either in Liberian dollars or in US dollars. The bank had a relatively healthy portfolio at risk (>30 days) of 8.8% by the end of 2013. The bank has standardized lending policies and procedures that are fundamental in maintaining a good portfolio quality. Amounts for micro loans range from USD 100 USD to 7,000, with a duration from 3 to 15 months. Access Bank charges 4% as disbursement fee and a 6% monthly interest rate (on declining balance). Collateral requirements to avail of loans include real estate, reference from an employer, vehicles, home equipment, stocks and personal guarantors. The repayment could be monthly or bi-weekly in equal instalments.
7. **Other Regulated Financial Institution.** There is presently one development finance company with focus on lending to the medium and small enterprise sector regulated and supervised by the CBL.

⁷ Liberty Finance and LEAP have not reported to the MIX Market since 2012 and 2009 respectively.

8. The insurance sector which also is an important part of the financial sector is regulated and supervised by the CBL. As at December 2014 there were twenty (20) licensed insurance companies. A new Insurance Act was passed by the National Legislature in 2014. The reform of the insurance sector led by the CBL is underway, with new capital and other regulatory requirements being finalized.
9. **The informal sector** has been and remains the only reliable source of capital for the rural poor. Women in particular have embraced the VSLA concept; these continue to operate even where external support has ended and continue to make good use of their own resources. Without any external support, large numbers of yearly clubs have been created and are operating on the same principles that the VSLA borrowed from them. 'Susu' groups exist on almost all markets and wherever women and micro and small enterprises (MSEs) undertake their businesses. Susu clubs are popular with almost all the motorcycle drivers providing local transport services, particularly among youth who are strongly engaged and who save on a daily basis. The annual savings under any of the informal sector arrangements average out at around LRD 10,000 - 15,000. Interest rates charged by the VSLAs and yearly clubs are most frequently 10% per month, but rise to 20-25% p.m. in the case of moneylenders. It is evident that people want to avoid borrowing from moneylenders at all costs, and that investments are unlikely to be profitable under conditions where the loan duration rarely exceeds 4 months at effective interest rates higher than 100% p.a. Both the VSLAs and the yearly clubs suffer from liquidity constraints during certain periods of the year, when almost all members are interested in getting loans. Only a few can be served at the same time.
10. The **outreach** of formal financial institutions in Liberia is comparatively low. A survey commissioned by the CBL in 2013⁸ revealed that only three out of ten adults kept a personal or joint account with a formal financial institution⁹. This is one of the lowest penetration rates of the formal financial sector in Africa. At the same time, the money in circulation is exceptionally high, amounting to three times the total value of bank deposits. In addition to significant flows of remittances and transfers from both within and outside the country, the survey revealed a highly pronounced savings habit: 23% of respondents stated that they regularly set aside money as savings, and another 51% stated that they did so 'sometimes'.
11. **Regulation and supervision of financial institutions.** There is a comprehensive regulatory system for commercial banks, the prime concern of CBL. Regulations also exist for different non-bank financial institutions, with emphasis on the larger ones (insurance underwriters, finance houses etc.), and the regulated microfinance institutions. The non-deposit-taking microfinance sector (that is those not allowed to take deposits from the public) is not adequately regulated. . In 2012, prudential regulations were introduced for 'Non-Bank Financial Institutions' and 'Microfinance Deposit-Taking Institutions', the latter requiring a minimum share capital of USD 1 million and the former requiring a minimum capital of USD 2 million. Below this, the CBL has accepted and granted licenses to RCFIs on the basis of a first regulation, which is currently being reviewed; the licenses allow RCFIs to operate within a geographically determined area and accept deposits on the basis of a minimum share capital of USD 50,000. Regulation of credit unions (CUs) is outdated and split over several legal documents; the first cooperative law of 1936 is still in place and no prudential regulation is in place even for larger CUs. The CBL does not have sufficient capacity to supervise CUs, MFIs and RCFIs.

⁸ Central Bank of Liberia: National Financial Inclusion Survey Project for the Update of the Liberian Strategy for Financial Inclusion (LSFI) 2014 – 2019. Monrovia 2013

⁹ Of these, 18% had an account in a commercial bank, 3% with a microfinance bank, 1% with a MFI and 9% with a credit union. Similar results appear on the basis of the number of accounts operated in commercial banks as reported recently by the CBL (Annual Report 2014).

B. Rationale

12. Based on the National Strategy for Financial Inclusion adopted in 2009, the Government aims to create an enabling financial environment through the delivery of financial services to the people of Liberia. The 2013 CBL National Financial Inclusion Survey for the update of this strategy recommends the promotion of access to finance for more opportunities for small income earners, youths, market women and small business owners in particular. The Government has also launched affirmative action aimed at integrating women and youth into the development process, notably through the National Youth and Gender Policies, National Gender Action Plan and gender mainstreaming strategy of the Ministry of Agriculture.
13. In its search for possible solutions to improve access to finance, the CBL has assessed several different options to advance the financial inclusion agenda. With regards to the regulatory and policy environment for rural finance, to date, the efforts in Liberia to promote access to rural finance are at a nascent stage. However, the CBL and AFB have taken the first significant steps towards formalizing support and promotion for extending financial services to the rural population, through the recent establishment of nine RCFIs. This was based on a long practice of AFB in Cameroon with decentralized financial institutions closely linked with and supervised by AFB. Owned and managed by the communities in which they are located, these RCFIs receive technical and advisory support from AFB and a long-term refinancing facility from the CBL serves as quasi equity. The initiative is highly laudable, but the depth and extent of support is below the actual needs in terms of system development, MIS, products, training, on-site monitoring and supervision. Four other relevant initiatives of the CBL to enhance access to finance are: (a) the “Liberian-owned Small and Medium Enterprise (SME) Credit Stimulus Initiative”, under which more than 100 loans have been granted; (b) the Loan Extension and Availability Facility, through which more than LRD 360 million has been granted to 764 MFIs, CUs and VSLAs all across Liberia since January 2011, for three years at an interest rate of only 3% per annum, with the provision to on-lend the funds to members at only 8% p.a.; (c) the “Agricultural Stimulus Initiative”, through which USD 7.5 million has been granted through AFB to beneficiaries with a focus on the rehabilitation of existing farms and with priority to investments with minimal gestation periods; and (d) a loan of USD 7 million and LRD 271.5 million granted to LBDI for onward mortgage loan lending. While these initiatives attract substantial public interest, their impact, including their potential to distort markets and repayment morale, has not yet been studied in depth.
14. **Mobile Money Services.** Mobile money services are being offered in thirteen (13) counties. There has been considerable increase in the number of mobile money users/customers and merchant over the period. There are about 186 thousand mobile money customers and 263 mobile money agents around the country. During 2014 (up to end September), there were 51,072 mobile money transactions involving LRD 211 million. Two banks in partnership with one GSM company have authorization to provide mobile money services in Liberia. Meanwhile, the CBL has issued a new mobile money regulation. This regulation replaces the guidelines for mobile money which was issued in 2011. The new regulation allows for the establishment of non-bank financial institutions for the provision of mobile money services.
15. Credit unions, which operate as financial cooperative societies, the most frequent type of formal financial institution in Liberia, act on the basis of an outdated Cooperative Societies Act dated 1936. They do not have any mandatory financial regulations or prudential guidelines, other than contractual ones emanating from the apex body LCUNA. Some of the regional credit unions recently created, and some of the older, well-established credit unions have a potential to consolidated and expand services, if they are properly oriented and guided. MFIs operate on a narrow basis between commercial banks, credit-only and deposit-taking institutions, for which no appropriate operating regulations have been prepared. The draft RCFI regulation is awaiting finalization. No prudential regulations have been prepared and made mandatory.

16. Considering the low banking density in Liberia and the fact that rural areas can hardly develop without formal financial services for deposit, payment, transfer and credit requirements, the conclusion is that the expansion of formal financial services is much higher on the country's development agenda for enabling broad-based economic growth, food production and income and employment generation. As a consequence, the promotion of VSLAs and similar forms, including some up-scaling under expanded business models and their linkage with the financial sector, are less relevant options for supporting the Government's financial inclusion agenda. Supporting the creation of more VSLAs without some reforms of the model and operations and of the support systems (depth and length of support, support after the intensive care period, MIS), would simply not help the country in expanding access to financial services, in reducing the liquidity in circulation, and in providing institutional credit to larger numbers of MSEs in the rural areas.
17. Given the above institutional framework and the need for additional investment finance, there are three remaining options for enhancing access to financial services in Liberia: (a) down-scale the operations of commercial banks to make them more relevant and meaningful for ordinary people, MSEs and the agricultural sector; (b) substantial investments in the MFI sector, including new ones from outside Liberia that may be interested to start operating; and (c) the creation of new, more appropriate financial institutions in the formal sector. While the first option is highly recommended for a medium- to long-term strategy, it is not an option for IFAD given the current orientation of the banks, their lack of interest and skills for rural lending, and the low levels of competition and market saturation. Due to the very small number of MFIs, their very low outreach and their recent downscaling, the second option is not promising, even if in the near future, there could be new entrants in the market. In light of the excellent results being achieved under the IFAD-supported Rural Finance and Community Improvement Project (RFCIP) in neighbouring Sierra Leone with the creation of new and the rehabilitation of existing rural financial institutions, the good results being achieved with the creation of new rural banking institutions in other West African countries and the positive outcome of the efforts of the CBL and a commercial bank to create RCFIs in Liberia, the new IFAD project should focus on the expansion and consolidation of this model. As things now stand, no other option is likely to offer similar returns and outcomes on a sustainable basis.

Project description

A. Project area and target group

18. **Project area.** The project will facilitate the creation of new community-based financial institutions – RCFIs – in selected rural areas throughout the country. Locations for new RCFIs will be identified on the basis of technical feasibility studies and adopting a mix of clear criteria including degree of commitment by the host community and absence of banking facilities as well as viability considerations taking into account the Strategic Goal and Objectives of the CBL. Priority will be given to locations with significant business volumes or serving large rural areas, including perhaps also a few central towns with very high unsatisfied demand for financial services. The project will not operate in Monrovia, where almost two-thirds of all transaction counters are already located, or in towns where the population is engaged mainly in mining, plantations or resorts. Project area will also include all locations where RCFIs already exist.
19. Although the project will be nation-wide in scope excluding urban Montserrado, its coverage may initially be divided into implementation clusters. At district/county level, the following criteria will be used to identify potentially suitable communities: (a) social, poverty and demographic indicators for identifying vulnerable communities with good potential; (b) complementarities with on-going and planned government and donor initiatives; (c) potential for commercial activity, including the production of cocoa and coffee and value addition; (d) potential for poverty

- reduction and employment creation; (e) potential for mobilization of shares and savings; and (f) demand for financial services, particularly among the low-income groups.
20. **Target group and strategy.** The primary target group will be the economically active rural population (petty traders, smallholder farmers, food processors, local transporters, craftsmen and artisans, as well as ex-combatants) who demonstrate an interest and willingness to expand their activities and commercialize. Special attention will also be given to reaching women and youth in both on-farm and off-farm activities, and micro- and small-scale entrepreneurs, particularly women. However, as a project to promote improved access to rural finance, targeting will be inclusive, and by virtue of the fact that the RCFIs will be community-owned and community-based, access to the financial services will be open to the community at large.
 21. **Targeting beneficiaries of on-going IFAD projects.** Partnerships with on-going projects will reinforce the complementary nature of the RCFP and leverage impact on the target group. The proposed new project will develop strong partnerships with the cooperatives and farmers' organizations supported under existing projects where these are interested in financial services.
 22. **Target population and expected RCFI coverage.** The proposed project will target at least 31,000 shareholders¹⁰, at least 50% of whom should be women and 25% youth, equally divided between female and male youth.
 23. **Poverty targeting.** Towards the creation of new, more responsive rural financial institutions in the formal sector, the project's poverty targeting strategy will involve: (a) geographical targeting by prioritizing the poorer, more vulnerable areas of the country; (b) adjusting the sizes, operations and systems of the RCFIs so that the smaller, poorer and more remote locations can also qualify for support to create their own RCFI; (c) inclusion strategies focusing on tailored approaches to meet the needs and potential of IFAD's target groups, particularly women and youth; (d) innovative approaches involving the adaptation of technologies that are more appropriate and accessible to the target groups; (e) self-targeting measures; and (f) tracking of clients' evolving level of poverty¹¹. Following the scant information available on the effects of the EVD, the number of rural poor has significantly increased as a result of the EVD. Statistical data on poverty before the crisis may be outdated by now.
 24. **Gender and youth mainstreaming strategy.** A key element of inclusion and targeting is the focus on women and youth, and the application of mechanisms to facilitate their involvement in project interventions. The gender mainstreaming strategy has three key focus areas: (a) RCFI clients; (b) RCFI staff and board; and (c) staff of the Technical Assistance and Supervision Unit/ Company (TASU/TASC). The strategy for expanding female RCFI membership envisages a range of approaches and savings and loan products naturally targeting women; every effort will be made to improve gender balance among the staff and board of RCFIs, and to develop the capacity of support staff (TASU/TASC) to address gender issues, social inclusion and women's microenterprise development. Targeting of young people will concentrate on two aspects: (a) employment creation and (b) fostering their entrepreneurial spirit and skills.
 25. Other measures for gender, youth and poverty targeting include ensuring outreach in communication/sensitization campaigns, as well as gender and youth-disaggregated monitoring and evaluation, and mechanisms for monitoring the impact of products and services on target groups, including the use of participatory monitoring and evaluation (M&E).

¹⁰ Shareholders are those who purchased and own shares of a RCFI; at times, the term 'member' is also used as a synonym. Savers are those who have a deposit account with a RCFI; they do not need to be a shareholder. Other users of RCFIs are using the payment and remittance services; they also do not have to be a shareholder. The average household size is 5.1. The total number of beneficiaries is adjusted to reflect the fact that some households will have more than one user. For details, see Annex 10 for details.

¹¹ In line with the CBL guidelines, the RCFIs in the communities they serve will provide financial services to all citizens. Understanding that RCFIs will ultimately decide which mix of clients will be most profitable and appropriate, the aim of the project is not to serve any segment exclusively but to cover the economically active with a clear focus on the lower income brackets.

26. **Women's empowerment strategy.** To assist with the provision of non-financial services linked to increased livelihood skills and empowerment, an experienced international gender expert will be engaged to carry out three key tasks: (a) conduct an organizational gender audit on a sample of RCFIs as the basis for developing the most efficient and effective gender mainstreaming strategies; (b) conduct in-depth assessments of the situation of women shareholders and borrowers, including the profitability of their enterprises, investment opportunities in the local economy, etc.; and (c) deliver tailored training based on identified needs. Tools will be developed to help the women, themselves, identify and act upon opportunities for MSE development, as well as for linkages with potentially profitable markets, services and assets, and appropriate technology and knowledge. A system of mutual learning and knowledge-sharing between women's and youth groups will also be developed.

B. Development objective and impact indicators

27. The overall development goal is to reduce rural poverty and household food insecurity on a sustainable basis by facilitating access to finance by at least 31,000 rural individuals and their families. The project's development objective is to improve access to rural financial services on a sustainable basis, enabling the development of the rural sector. This project development objective will be assessed through three indicators:
- **Outreach of RCFIs:** At least 20% of the adult rural population (>16 years) in the project districts use financial services of the RCFIs supported by the project (disaggregated by gender/age);
 - **Lending operations of RCFIs:** At least 50% of RCFI shareholders have received at least one loan (disaggregated by loan sizes/terms, gender, age, purpose); and
 - **Sustainability of RCFIs:** At least 75% of the RCFIs supported achieve at least 100% Operational Self-Sufficiency (OSS) by the end of the project.
28. Experience shows that it takes considerable time to create a new network of rural financial institutions in whatever form and make it sustainable, and certainly more than the five years envisaged for the RCFP. This project should therefore be seen as the first phase of a program approach to support inclusive finance in Liberia.

C. Outcomes/Components

Outcomes

29. The three main outcomes of the proposed RCFP are:
- RCFIs deliver demand-driven and efficient financial services to their clients;
 - Professional and efficient technical support and supervision services are rendered by TASU/TASC to RCFIs;
 - A more conducive regulatory and supervisory environment promotes the rural financial sector.

Components

30. The RCFP will be a five-year project geared at enhancing access to sustainable and affordable rural financial services in Liberia. It will comprise three components, namely: (a) Rural financial services; (b) Enabling environment for rural finance; and (c) Project management and coordination. The rural financial services component will have two sub-components: RCFI creation and operation, which will support the creation of grassroots rural community finance institutions (RCFIs) along the institutional models already practiced in Liberia; and Technical assistance and supervision, involving the creation of a Technical Assistance and Supervision Unit/Company (TASU/TASC). No sub-components are envisaged for Components 2 and 3.

Component 1: Rural financial services

Sub-component 1.1: RCFI creation and operation

31. **The RCFI Model.** The RCFI is a share-holding financial institution through which rural communities can have access to a broad range of financial services. It is a hybrid between a community bank and a Financial Services Association (FSA), a model of its own, not a downgraded version of a commercial bank. The RCFI aims at establishing a locally accessible and locally owned and operated financial institution that will become an important part of the mainstream financial sector. The model capitalizes on informal local rules, customs, relationships, trust and local knowledge, while introducing solid banking concepts and methods. RCFIs are envisaged to be well capitalized, and avoid over-dependence on short-term deposits. People buy shares and save with the RCFI because it is owned and operated by the local residents and their elected representatives, and because they trust them. The RCFI reinforces the sense of belonging within the community where it has its roots. It operates within a geographically determined area, and there will be only one RCFI for this area. RCFIs thus do not compete with each other.
32. Loans are financed principally from locally mobilized funds, i.e. share capital and savings mobilized from the shareholders. It can customize its services to the shareholder requirements and to local conditions. The concept carries a strong emphasis on local institution-building, good governance and sustainability to keep providing valuable product services to the economically active poor. All products and services with the exception of loans will be available to all community members, while only shareholders qualify for loans. Shares may be bought at USD 5 or its equivalence in LRD, and all shareholders are eligible to vote at any general assembly. A minimum of 10 shares will be required to be eligible for directorship. This is to encourage directors to have bigger stake. An individual opens a savings account with a RCFI by paying USD 4 for a passbook. Should a prospective borrower not have sufficient shares and savings as collateral, any other shareholder may stand as guarantor.
33. Shareholders can buy several shares. They are eligible to borrow up to four times their paid-up shares and two times their savings. In accordance with prudential norms, loan sizes are subject to the provision that the amount does not exceed 1% of the net worth of the RCFI. RCFIs will charge interest rates at levels that will cover the cost and risks of operations and generate a profit. The RCFI may start declaring dividends after covering all the losses incurred during the initial year of operation. The general rule is that 50% of the net profit will be declared as a dividend to the shareholders, with the balance going to reserves.
34. **Legal Status.** The RCFI will be registered as a company limited by shares, as this status offers more opportunities and has fewer restrictions than others. Given the absence of strong leadership in the cooperative sector, the lack of a solid legal framework (which is currently under revision), the lack of clarity over highly important operational aspects, such as the capacity to declare dividends, the status as a company limited by shares is more advantageous and straightforward. However, communities opting for cooperative status shall also be eligible for support. The memorandum of association and articles of association of the RCFI will be prepared and signed by the promoters who mobilized the initial share capital. The first General Assembly will be called only after the RCFI has at least 150-300 shareholders (depending on the location) and a total share capital of USD 10,000. The first General Assembly, to be chaired by a chief promoter, will elect the first Board of Directors (BOD) and ratify the memorandum of association and articles of association.
35. The RCFI will apply to the CBL for a license as “other deposit-taking institution”, with the required feasibility study report, start-up business plan, operations manual and any other document that may be required by the law or by the CBL.
36. **Capital.** Each RCFI will be required as per current regulation to raise USD 50,000 in order to be licensed by the CBL as an RCFI with the authorization to accept deposits. Where existing

- RCFIs would not have complied with the minimum capital requirement, they would be assisted by drawing and implementing a new business plan geared at achieving compliance.
37. **Governance and Management.** The RCFI has three principal organs: (a) General Assembly; (b) Board of Directors; and (c) Management. Its supreme organ is the Annual General Assembly (AGM) of shareholders. The AGM will be called every year after the external audit has been conducted (to be held within 180 days of end of the fiscal year).
38. **RCFI Board of Directors (BOD).** The BOD of each RCFI will have a minimum of five and a maximum of seven members. At least a third of the directors must be women and at least two-thirds must be residents in the area where the RCFI is located. The chairperson will be elected by the AGM. All other positions (such as vice-chairperson) and memberships in committees will be determined by election within the board. If the chairperson is male, the vice-chairperson shall be a woman, and vice versa. All boards shall create a Credit Committee comprised of three directors. Other committees (budget and finance committee or internal audit committee) shall be established as operations grow; this will automatically be assumed to be the case once the total assets of the RCFI exceed USD 150,000. The BOD will meet quarterly and the Credit Committee will meet monthly.
39. The chairperson and other directors will provide leadership and guidance but they will not be involved in the day-to-day running of the RCFI. The Credit Committee will be in charge of the approval, monitoring and recovery of loans. It will also advise the BOD on lending policies and procedures. While recruited staff will be remunerated, officeholders will not be remunerated until the RCFI has recovered all its losses incurred and commenced declaring a dividend.
40. The essential element in the RCFI governance is to ensure that real (not just formal) ownership lies with the shareholders who must participate actively and regularly in discussing the policies and activities of 'their' institution. The BOD, in consultation with TASU/TASC, appoints a management team comprising a manager, an accountant, a loan officer and a cashier depending on the scale of RCFI operations (see below the discussion on the assumptions). All RCFI staff will be offered a one-year service contract, which can be extended several times by one additional year subject to achieving the targets set down in the business plan and also considering audit reports.
41. **Accounting policies and procedures.** RCFI accounting process will comply with Generally Accepted Accounting Practices, the laws of Liberia and with the statutory requirements of the CBL. An RCFI will conduct its accounts and prepare financial statements based on a chart of accounts. The RCFI accounting method will be on accrual basis of accounting. Under accrual accounting, transactions are recorded when they occur, not when cash is received or paid.
42. **Internal control.** The internal control approach for an RCFI is to integrate internal control measures into its methodologies and operations, and for the BOD and the manager to set the tone of the control environment. This approach takes into consideration the scale of operations of an RCFI which is comparatively small and the high cost of hiring a full time internal auditor. The TASU/TASC is conceived and mandated to provide additional support to RCFIs.
43. **Other provisions.** In the absence of a national identity card and proper "know-your customer" (KYC) documents, technological solutions are needed to assist RCFIs in offering their deposit services to a large number of clients. These solutions should emulate informal sector practices and develop deposit collection and loan packages at lower transaction costs for clients and RCFIs, and should also contain fraud and financial mismanagement to the extent possible; such solutions do exist in the markets and/or can be conveniently developed at reasonable cost to supplement existing software programs being used in Sierra Leone under the RFCIP, including biometric identification of shareholders. It would be very beneficial to connect the biometric identification system of the RCFIs with the credit reference system that the CBL has already established serving the banking sector, with a high potential to extend the outreach and effectiveness of the existing system. Furthermore, given the near absence of public power

supply in the rural areas, the high operating costs of generators and the relatively well protected areas where RCFIs will be located, solar panels will be used as a source of power.

44. **Credit policies and procedures.** An RCFI will only lend to shareholders who reside within its operational area. Lending is for income generation only, the only exception being salary advances which RCFIs may introduce only after some time. An adapted Grameen lending methodology will be used, involving lending through groups before individual loans can be taken out. Borrowed amounts shall not exceed 1% of the equity funds of the RCFI and four times that of the share capital plus two times the blocked savings, subject to meaningful absorptive and investment capacity. As from the 3rd loan, borrowers will be required to produce more collateral and a guarantor. Guarantors must be existing shareholders who do not have any outstanding loan and who have a good credit history with the RCFI. Critical factors for successful loan analysis are the “5 Cs”: character, capacity, capital, collateral and conditions. While all these factors matter, the most important for the economically active poor are the first two – character and capacity to repay the loan.
45. **Savings.** Each RCFI will endeavour to mobilize savings from its clients. The savings products will be tailor-made to attract the low income population and build the savings habit that is pre-requisite to credit. The RCFI will offer at least three savings products:
 - (a) Voluntary savings for all clients, with all payment and withdrawal transactions being recorded in a savings passbook;
 - (b) “SUSU 1” emulates the existing informal daily deposit collection system on daily markets, primarily for market women who want to save a fixed amount every day for a period of one month;
 - (c) “SUSU 2” is a weekly recurring savings product emulating the informal savings practices through which subscribers agree to save a fixed amount every week for a period of at least three and up to twelve months.
46. **Other savings products** may be added as per the desire of the RCFI and as guided by the TASU/TASC. These will most likely include fixed deposits of three and six months, initially. The interest and fees related to each product are discussed below, in the assumptions of RCFI financial projections. In the near vacuum of deposit-taking by formal financial institutions in rural Liberia, the deposit-taking of RCFIs is expected to be a major success.
47. **Loan products.** RCFIs will offer a range of loan products, each one tailored to the specific technical requirements and cash flow patterns of the respective clients. The TASU/TASC has the mandate to undertake the respective market research and propose the framework conditions for the introduction of these products (including the operating and accounting manuals), and also provide the extent of variation which RCFIs should respect. Obviously, RCFIs will be key partners in the design of the respective products. Loan products may include:
 - a) Working capital loans for petty trade;
 - b) Working capital loans agricultural trade;
 - c) Working capital loans agricultural processing ;
 - d) Working capital loans for transport operators (“okada” motorcycle drivers among the youths);
 - e) VSLA re-finance;
 - f) Working capital loans agricultural production;
 - g) Short term housing loans for finishing construction, extension, repairs and maintenance;
 - h) Working capital loans for small and medium enterprise;
 - i) Salary advances/consumption loans for wage earners;

- j) Medium term loans for equipment for SMEs, food processors, transport operators and farmers.
48. It is evident that not all products will be introduced at the same time, and that products not requiring much expertise with a corresponding high demand will likely be introduced first. Without preempting the decisions of the boards of directors of the RCFIs, the working capital loans for petty and agricultural trade, food processing and okada drivers are the ones that can be more easily introduced, because most people have personal experience with these, as the profitability is not too complex to determine, and as the demand is overwhelming. Where there are wage earners who are able to provide a guarantee from their employers on the loan amount, and where the salary payment will be domiciled to the respective RCFI, a loan product for wage earners could also be introduced at early stages. This may be relevant more for cases where salaries are paid late, rather than stimulating consumption among this target groups. Nurses, teachers and police officers may also be a client group highly interested in a savings scheme targeted to their needs, and their joint decision to use a RCFI could have a very positive impact on the profitability of the RCFI. As a third step, the facility for VSLAs is also not very complex, and could be introduced at early stages where such VSLAs exist, and have demand and absorption capacity. The other types of loans listed above require more technical expertise, and should only be introduced where boards and management of a RCFI feel confident about the existing demand, their capacity to appraise the loans, and their ability to recover loans. Term finance facilities should only be introduced where the asset-liability situation permits term finance; the Rural Finance Facility (RFF) may be used here to refinance the term portions of a term loan, i.e. those amounts exceeding 12 months.
49. **Rural Finance Facility.** In view of the negative effects of the EVD outbreak on rural incomes, reserves and ability to save of the rural population, a small “Rural Finance Facility” (RFF) will be added to boost the lending activities of the young RCFIs. The RFF will also be necessary as the commercial bank that offered to refinance RCFIs before the outbreak of the EVD may not be willing to extend its offer to present times. Modalities of the RFF will be worked out during the first six months after the start of the project; these will be prepared on the basis of good international practice and the experience in Sierra Leone. The terms and conditions shall comprise: (1) available lending resources have been exhausted; (2) no negative effect on the interest of the RCFI to mobilize share capital and savings; (3) clearly defined financial performance parameters as minimum conditions (including portfolio at risk); (4) good past lending outreach of RCFI to low income groups for their income generating activities; (5) good governance system in place; and (6) expected positive impact on outreach and financial performance of the RCFI. The RFF shall be established as gap filler where available resources are insufficient; no effort shall be made to entice RCFIs to grant term loans via the resources received from a refinancing or revolving loan facility. The RFF will be managed using a profit centre approach, first by the TASU under the supervision of CBL, and then by the TASC once it has been established and is operational. The RFF will be provided by the MFDP in form of a low interest loan, not a grant. The grace period shall be ten years, and repayments of the capital will then be made in ten equal instalments stretched over five years. The loan interest rate payable from the income shall only be marginally higher than the service fee payable by the GOL to IFAD to enable TASU/TASC create an additional income for the network. The TASC will be fully liable for the loan.
50. **Partnerships with the ongoing projects** will be sought for complementary interventions in the finance and agricultural sector, reinforcing the complementary nature of the RCFP and leveraging impact on the target group. Where RCFIs will be supported under the RCFP, these will develop business partnerships with cooperatives and farmers’ organizations supported under existing projects where these are interested in financial services. In the case of the STCRSP, farmers supported have a very high demand for specific financial services, most of which is at present not offered at all to them. These services include: (1) deposit facilities for

capital formation and targeted investments/purposes; (2) payment and money transfer¹²; (3) short term loans to finance inputs and labour; and (4) long term finance for the expansion of plantations. Once established, RCFIs will be immediately able to offer deposit and payment services to all clients. As lending to the agriculture sector requires some specific expertise, such loans will be offered to farmers and their organizations once such expertise has been created. As regards term finance, the two key constraints are the depth of experience of the emerging RCFIs in lending and recovery, and second the availability of longer term financial resources for lending. It is evident that RCFIs will under normal conditions not be able to grant term loans in their first 4-5 years of operations¹³.

51. **Management Information System (MIS).** A core banking solution will be installed in each RCFI as from the first day of its operations. Given the cost advantages and the tried-and-tested capability of the software being used by RCFIs in Sierra Leone ("Bank Manager"), this system will be preferred. It is capable of handling an unlimited number of savings and loan products with variations on interest rate, instalment period, instalment term (principal or interest), intermediary sources, purposes of loans, lending methodology (group/individual), overdraft facility, etc. The software has a separate saving module that provides options for several savings products such as recurring deposits, general fixed deposits, special fixed deposits and other forms of voluntary savings. Linkages between savings, loans, shares etc. are also envisaged in the menu. The system has a built-in "know-your-customer" and biometric client information feature. Transactions at the counters and daily deposit collection services will be initiated through fingerprints. All RCFIs will be connected to the internet via mobile phone technology and all transactions will be transmitted to a central data base at TASU/TASC for external control, mentoring and data security purposes.
52. **Regulation, monitoring and supervision.** The CBL is overall responsible for the issuance of a financial intermediation license, regulation and supervision of RCFIs. The CBL will, based on the legal provisions and after due assessment at its sole discretion, delegate the responsibility for first tier supervision to the TASU/TASC on a temporary basis. The RCFI will submit monthly and weekly reports to TASU/TASC and CBL. The TASU/TASC has direct access to RCFI data on its servers.
53. The following operational rules will apply to RCFI operations:
 - Start of lending operations 3-4 months after the start of deposit-taking and other operations;
 - Phased approach regarding loans, starting with simple products that can be easily managed and moving on to more complex products; the TASU/TASC will propose a range of savings and loan products and provide the associated manuals and risk management safeguards;
 - Limitation to short term loans in the beginning, before starting term loans;
 - Grace periods to be granted in accordance with the borrower's repayment capacity and not solely based on the cash flow of the financed project;
 - Borrowers for seasonal agricultural inputs may choose between monthly payment of interest plus repayment of capital at the end, or monthly payment of capital and interest in equal instalments;

¹² As per one of the core principles of STCRSP, farmers are obligated and responsible for paying back 40% of the labour cost for one ha of rehabilitated, recommended to be paid through a dedicated account in a commercial bank to effectively monitor repayment and ensure transparency and accountability. Field visits in Lofa County confirmed the absence of micro-finance institutions, with only one commercial bank serving the population.

¹³ It should be noted here that commercial banks in Liberia shy away from term finance, mostly because of the associated risks, the absence of risk management approaches and the short term nature of their deposit base. Where they provide term finance, loans are fully collateralized with mortgages on land and property.

- Borrowers must borrow through a group “Grameen style” before they can qualify for individual loans; as some potential good clients cannot be reached through group lending approaches, such as individual food processors, craftsmen and artisans, RCFIs will be assisted in designing a convenient loan product for such target groups during the second phase, i.e. after about 2.5 years;
 - Stopping of lending in the moment where PAR 30 days+ exceeds 15%;
 - Allowances paid to BOD only after OSS has exceeded 100% at the end of a financial year;
 - The TASU/TASC field officer to participate in all loan appraisal and disbursement activities of an RCFI during the first six months after commencing lending operations;
 - No staff will be permitted to take deposits outside the established procedures;
 - The TASU/TASC will establish a Code of Conduct/Ethics in partnership with the RCFIs, which will contain regulations pertaining to malpractices, such as insider lending.
 - Clear risk management systems will be established to curb staff and board malpractices, such as manipulation of customer accounts or fake lending.
 - During the first four months of operations, the TASU will establish a set of prudential guidelines for RCFIs comprising at least the following:
 - (a) Capital adequacy norm of at least 15% of total assets¹⁴; this initial rule will thus replace standard regulations on minimum capital requirements differentiated by size (category A, B or C RCFIs);
 - (b) Intermediation limits for deposits into loans (variable in accordance with performance and capacity, ≈ 50-80% of deposits);
 - (c) Depositing of excess liquidity in commercial banks or with other RCFIs.
54. **Size of RCFIs.** Three different sizes of RCFI are envisaged to reach out to small, medium and large villages and rural towns. Different categories of RCFIs are required to ensure maximum financial inclusion while keeping their sustainability constantly in view. For convenience, these are categorized as A-, B- and C-RCFIs. As the most important determinant of size of operations is the local population and the resulting business opportunities, these two indicators shall serve primarily to distinguish between the different categories. While the latter will differ in terms of size, location, number of shareholders, volume of operations and transactions, complexity of operations, they will all be emanations of the one and the same banking model. The decision as to which category an RCFI may belong will be made by the TASU/TASC on the basis of a feasibility study. The main eligibility and selection criteria are presented under component 1.2.
55. The main differences between A-, B- and C-RCFIs and the differences in terms of extent of support and evolution are presented in Table 1 below.

Table 1: Summary of main assumptions for category A, B and C RCFIs

Assumptions	Category A	Category B	Category C
Population criteria	Average population size below 5,000	Average population size between 5,000 and 10,000	Average population size above 10,000
Building & manager's quarters	Smaller RCFI building with possible expansion (≈ USD 45,000)	Medium size RCFI building and manager's quarters with possible expansion (≈ USD 57,000)	Large RCFI and manager's quarters (≈ USD 70,000)
Inflation	7.5%		
Foreign exchange	1USD = 85LDR		
Fixed asset	Start-up fixed assets and software cost to be provided as a project grant including solar panels		

¹⁴ More complex systems based on risk-weighting may be introduced in years 4-5 depending on capacity of RCFIs and the need to introduce more elaborate computations of risks.

Table 1: Summary of main assumptions for category A, B and C RCFIs

Assumptions	Category A	Category B	Category C
grant			
Operating cost grant covering:	1. 100% of operating cost during the first four months, excluding the non-cash expenditure; 2. 75% of operating cost during the second four months, excluding the non-cash expenditure; 3. 50% of operating cost during the third four months, excluding the non-cash expenditure.		
Ceiling for operating grant	USD 14,500	USD 22,100	USD 22,500
Staffing by the end of year 5			
Manger	1	1	1
Credit officer	1	2	5
Accountant	0	0	1
Cashier	1	2	2
Security	1	1	2
Office assistant	1	1	1
Salary increment	At the rate of inflation per year		
Operating cost increment	At the rate of inflation per year		
Share capital & shareholder growth	Share capital & shareholder growth at 8% for the first year, reduced by 2% points every year. During the first months, the RCFI will mobilize 100 shareholders and USD 10,000 as share capital.	Share capital & shareholder growth at 7% for the first two years, after which it declines by 1% point every year. During the first months, the RCFI will mobilize 100 shareholders and USD 10,000 as share capital.	Share capital & shareholder growth at 10% for the first year and then reducing by 2% points every year. During the first months, the RCFI will mobilize 100 shareholders and USD 10,000 as share capital.
Individual share capital grant	First 700 shareholders will receive USD 20 as grant		
Savings product SUSU 1	30 market women will participate in the daily savings scheme saving USD 1 each/day. A service fee of one day's savings will be charged per cycle. The growth is projected at 10% in the 2 nd year and will rise by 2% points every year.	100 market women will participate in the daily savings scheme saving USD 1 each/day. The service fee is one day's savings/cycle. The growth rate is 10% in 2 nd year and will rise by 2% points every year thereafter.	200 market women will participate in daily savings scheme saving USD 1 each/day. The service fee is one day's savings/cycle. The growth is expected to reach 10% from the 2 nd year and then increases by 2% points every year.
Savings product SUSU 2	25 people will save USD 5 per week for a period of 3 months. The interest paid by RCFI on the fixed deposit will be 12% p.a. The growth is projected at 10% in the 2 nd year and will rise by 2% points every year.	60 people will save USD 5 each week for a period of 3 months. The interest paid by RCFI on the fixed deposit will be 12% p.a. The growth is projected at 10% in the 2 nd year and will rise by 2% points every year thereafter.	250 people will save USD 5 each week during a 3-month period. The interest paid by RCFI on the fixed deposit will be 12% p.a. The growth is projected at 10% from the 2 nd year, rising by 2% points every year.
Term deposit	10% of the accountholders will have term deposits of USD 100 with an annum growth rate of 20% on the deposit amount. Interest paid is 5% per annum monthly compounded.		
Voluntary savings	Voluntary savings are based on the minimum balance of USD 5 per shareholder. The interest paid will be 5% per annum on the average deposit balance.		
Liquidity requirements	Liquidity requirements will be 20% for SUSU1, 10% for fixed deposits and 30% for voluntary savings.		
Remittances	Money transfer will begin in the 3 rd month of operations and will attract an average commission of 2.5% on the amount transacted.		
Growth rate of remittances	2% per month	4% per month	5% per month

Table 1: Summary of main assumptions for category A, B and C RCFIs

Assumptions	Category A	Category B		Category C		
Intermediation of deposits into loans	70% of the available resources. Lending resources are defined as total shareholder funds including donated equity, minus fixed assets, plus depreciation, plus loan loss provisions made, plus total deposits, minus regulatory reserves. Lending commences in the fourth month after the start of RCFI operations.					
Interest rates	Assumptions for interest rates are based on the need to cover the cost of capital, operating expenses, loan losses, equity protection against inflation and profit margin ¹⁵ .					
		Year 1	Year 2	Year 3	Year 4	Year 5
	Interest rate per month (on reducing balance)	5%	5%	4%	4%	3%
	Average loan term (in months)	6	7	8	9	9
	Loan losses	1%	3%	4%	4%	4%
Sectoral distribution		Year 1	Year 2	Year 3	Year 4	Year 5
	Petty trade	40%	35%	30%	30%	30%
	Agricultural trade	30%	20%	20%	12%	14%
	Agricultural processing	5%	5%	5%	10%	10%
	Transport	10%	10%	5%	5%	5%
	VSLA re-finance		10%	10%	10%	10%
	Agricultural production	5%	7%	10%	12%	13%
	Housing			5%	5%	5%
	Small and medium enterprise		3%	5%	6%	6%
	Salary advances/consumption	10%	10%	10%	10%	10%
	Total	100%	100%	100%	100%	100%
Loan size	Loan purpose	Loan size range (in USD)				
	Petty trade, agricultural trade	USD 200-500				
	Agricultural processing	USD 1000 -2000				
	Transport	USD 800-1000				
	VSLA re-finance	USD 800-3000				
	Agricultural production	USD 200-500				
	Housing	USD 500-1000				
	Small and medium enterprise	USD 500-1000				
	Salary advances/consumption	USD 200-1000				
Audit fee	USD 2,000 per annum to TASC/TASU					
Software	Annual maintenance fee of 15% of initial license costs					
Administrative expenses	Administrative expenses are based on the data of FSAs in Sierra Leone under RCFIP					
TASC/TASU service fee	Service fee of 1.0% on the total loan amount disbursed to TASC/TASU as from second year of operation					

¹⁵ This rate has been set arbitrarily taking into consideration the rates charged in urban and rural areas before the EVD. The only microfinance bank in the country, serving exclusively its clients in the capital, charges an interest rate of 6% p.m. plus 4% disbursement fee. As most loans are for a duration of 6-18 months, the effective final rate would be in the 8-10% range for most loans. In the informal sector, VSLAs charge usually 10% p.m. Most credit unions operate under an instruction to charge low interest rates; those who comply with the directive, usually incur losses, those charging more survive more or less. Moneylenders charge rates well above 10% p.m.

Table 1: Summary of main assumptions for category A, B and C RCFIs

Assumptions	Category A	Category B	Category C
Dividend	Dividend may be declared only after recovering prior year's losses and amount to 50% of the net profit during the current year.		

56. Under the above assumptions, (conservative) detailed projections have been made for these three sizes of RCFIs. Their outcomes are presented in the table below.

Table 2: Key performance indicators for RCFIs after 5 years of operations (amounts in USD)

Indicator	Category A RCFI	Category B RCFI	Category C RCFI
Total assets	245,189	423,534	679,935
Total deposits	54,106	101,623	171,476
Loans outstanding	160,591	286,798	501,309
No. of loans outstanding	876	1,394	2,528
No. of clients	1,073	1,943	2,935

Sub-component 1.2: Technical assistance and supervision

57. **TASU/TASC Model.** As the creation and support to RCFIs requires central support services on a wide range of dimensions and as no service provider exists, a Technical Assistance and Supervision Unit (TASU) will be created in the CBL at the start of the project. In Year 3, upon recommendation by the mid-term review (MTR), the TASU will become the Technical Assistance and Supervision Company (TASC). The TASU/TASC is conceived as a second tier institution owned by the RCFIs and providing the latter with various products and services that are integral to their sustainability. The mission of the TASU/TASC will be to provide vital non-banking services to the RCFIs with the aim of improving their operational efficiency and effectiveness.
58. The objectives of the TASU/TASC are:
- To promote the interests of its shareholder RCFIs by providing non-banking services where applicable and necessary, on a sustainable basis;
 - To assist the shareholding RCFIs to become operationally profitable as soon as possible;
 - To monitor, inspect and supervise the operations of shareholding RCFIs through off-site review of their prudential returns and on-site examinations, and ensure their compliance with banking laws, mandatory prudential regulations and internal regulations, in order to complement the supervisory role of the CBL;
 - To provide training for directors and employees of RCFIs, and other related bodies or entities;
 - To provide a forum for the board and management of the respective RCFIs, to share best practices, ideas, challenges, skills and savoir-faire to enhance the developmental objectives of shareholding RCFIs;
 - To coordinate, collaborate, partner, work with or engage in joint ventures with other financial services institutions or bodies, both locally and internationally, in the acquisition of funds, the procurement of technical and managerial support, equipment supply and the provision of advisory or consultancy services geared towards advancing the TASU/TASC objects.
59. **Creation of TASU and transformation into TASC.** At the beginning, the TASU shall be established as a unit under the Non-bank Financial Institution Division of CBL's Banking

Supervision Department. This approach guarantees the full understanding by CBL's staff of the principles and operations, and secures the harmonization of all support measures provided to RCFIs. During the early period of about two years, the TASU will be housed by the CBL. During the second year of RCFP implementation, preparatory steps for transforming the TASU into the TASC will be undertaken: the drafting of legal documents, the collection of contributions from the RCFIs for the purchase of shares, and the registration as a company limited by shares. Shareholding will be limited to RCFIs which subscribe to the principles of sustainable and efficient provision of affordable rural financial services and the support provided by TASC. Shares will be issued at a nominal value of USD 1,000 per share. RCFIs will be obliged, through a memorandum of association with the project, to purchase shares worth 3% of the shares mobilized themselves. Calculations, based on the rhythm of creation of RCFIs and their expansion, show that the available share capital of TASC may reach approximately USD 140,000 by the end of the project. The TASC will be licensed by CBL as a non-deposit-taking financial institution, which would in accordance with current regulation require a minimum share capital of USD 50,000. The TASC will enter into a memorandum of association with the CBL on the temporary delegation of first tier supervision of RCFIs by TASC, after due assessment by the CBL.

60. **Governance structure.** As a company, the TASC will be ruled by a BOD. The initial number of directors will be seven, four of whom will be elected from among the chairpersons of the RCFIs holding shares in the TASC. During the first three years of operations, the other three directors of the TASC will be one representative from the Ministry of Agriculture and two representatives from the CBL (i.e. one from the Regulation and Supervision Department and one from the Unit in charge of financial inclusion, microfinance and informal finance promotion). After this period, the three seats will be filled by independent professionals with specific skills that are needed to complement those of the RCFI representatives. These could comprise legal, accounting/auditing, business management, or MSE development expertise.
61. **Management.** The TASU/TASC will initially be managed by one manager (to be seconded or appointed from the CBL), one rural finance officer-cum-deputy manager, one lawyer, one chartered accountant/auditor, one analyst, two Information Technology (IT) officers, and one accountant. The secondment of the manager from CBL is intended to facilitate transfer of regulatory and supervisory knowledge and engender smooth development of the RCFI sector. The project's Financial Inclusion, Gender & Youth Officer (FIO) will act as a business development agent of RCFIs, conceiving various linkages to increase the outreach of the RCFIs and at the same time helping clients to be successful in their own business ventures. Field inspectors will be in close contact with the RCFIs. The management structure is shown in Appendix 4 under Component 1.2.
62. **Products and services.** The TASU/TASC will offer a range of services to its client base, namely the RCFIs. These comprise inspection, centralized MIS support, specialized training, technical advice, market research and product development, networking and liaison services, policies and procedures, recruitment, knowledge-sharing, correspondent bank linkage facilitation, conflict resolution, governance and staff performance analysis and review, and external audit.
63. **Relationship with RCFIs.** The TASU/TASC will play a variety of roles in supporting the RCFIs as outlined above and fulfil supervisory functions on a delegated authority basis on behalf of the CBL. Other support functions will be provided on the basis of memoranda of association between the TASU/TASC and RCFIs. Once the TASC has been established, RCFIs will provide oversight over its activities through their representatives on the BOD, in conjunction with the three external board members.
64. It is highly desirable to ensure that the management team of the TASU/TASC is staffed by highly qualified professionals from Liberia and outside. The TASU/TASC will try to obtain two international experts from the British Voluntary Services Overseas (VSO) to provide technical

assistance services to the RCFIs. Cross-border collaboration with the Apex Bank of FSAs and CBs in Sierra Leone is also envisaged. The CBL will second one senior-level staff for at least two years to the TASU/TASC to provide advice on regulations and related functions.

65. **Initial feasibility studies.** Before making any decision on the creation of an RCFI, and the support to be provided, the TASU/TASC will undertake a detailed feasibility study designed to: (a) determine whether a location is suitable for the creation of a RCFI; (b) classify the proposed RCFI into category A, B or C; (c) determine the extent and phasing of support to the proposed RCFI; (d) determine the responsible persons and preparation committees and their roles and responsibilities; and (d) propose a time frame for the next two years. The report will also comprise a detailed analysis as the basis for applying for a license from CBL. Draft eligibility and selection criteria for new RCFIs are presented in Appendix 4, under Component 1.2.
66. Ideally, the creation of new RCFIs shall follow a cluster pattern, where the potential in a given county or neighbouring counties shall be explored to the extent possible rather than spreading them over the whole of Liberia at the same time. The above criteria shall also be developed in such a way that smaller locations shall have the same opportunity as larger ones. Ideally, the RCFI portfolio should represent a balanced mix of A-, B- and C-type of RCFIs.
67. **Sustainability of the TASC.** In order to achieve medium- to long-term sustainability of the RCFI network, both the RCFIs and the TASC must be set up and structured as profit-making enterprises from the start. In the case of TASC, the aim of profit-making is not to pay out dividends to shareholders, but rather to generate sufficient resources to be able to continue providing highly professional and efficient services at affordable rates to shareholders. It is obvious that this aim cannot be achieved in the relatively short period of the project's five-year lifetime. Conservative projections show that the TASC will reach an OSS level (before taxes and depreciation) of 26% by year 5.

Sub - component 1.3: IFAD grant to mitigate the effect of the EVD outbreak

68. Given the negative economic effects of the EVD on household incomes, earning capacity, financial and other reserves, saving capacity, IFAD will support the post-Ebola economic recovery process of the existing RCFIs and the establishment of the first new ones with an amount of USD 0.5 million over a 24-month period. The grant objective is to ensure the sustainability of existing RCFIs and enhance access to income generating activities during the period between project approval by the Executive Board and the 1st project disbursement which can take up to one year. **The grant described in detail in attachment to appendix 4** comprise the following activities: coaching of the existing 9 RCFIs to improve their operational self-sufficiency levels and capacity, granting USD 20 to each of the first 7000 new shareholders buying two shares worth USD 10 to facilitate their rapid access to financial services, and coaching of micro enterprises around the establishments of RCFIs.

Component 2: Enabling environment for rural finance

69. This component will provide technical assistance to the CBL to develop a sound regulatory and supervisory framework for deposit-taking and credit-only financial institutions. Under component 2, an attempt will be made to put some order into the regulatory context and create a sound framework, including prudential regulation and reporting formats, for RCFIs, MFIs and CUs. This will be done in an open and participatory process involving, among others, the LCUNA, the Cooperative Development Agency, the MFIs and the RCFIs. This will be supplemented by: (a) printing the respective set of documents; (b) training of trainers and training of rural financial institutions (RFIs) on the new regulations and obligations; (c) training of CBL staff in charge of supervision, on supervisory techniques, models and approaches. In addition, and funds permitting, limited support will be provided to the CBL to execute its supervisory mandate over MFIs, RCFIs and CUs.

Component 3: Project management and coordination¹⁶

70. This component will ensure that the project is efficiently and effectively managed to achieve the expected results. Gender, youth, knowledge management and communications considerations will be integrated in all aspects of project management. The performance indicators of this component will include quality and timely execution of annual work plan and budgets, timely submission of progress reports and annual audit reports, and operational M&E able to document key indicators and actual levels of disbursements in line with planning.
71. During the first phase, and until the transfer of responsibilities from TASU to TASC, the implementation of component 1 activities will be vested with the CBL, and thereafter transferred to TASC. Component 2 activities will be implemented by the CBL. The PIU and CBL will be jointly in charge of creating the TASU. Once created, the CBL will take responsibility for all technical oversight, staff monitoring, asset monitoring, financial management, audit, reporting, etc. The PIU will be responsible for providing operating cost and fixed assets support to the TASU/TASC and to carry out financial and organizational audits of the TASU/TASC. Additionally, the PIU will, jointly with the GOL, commission the mid-term review and a beneficiary impact assessment on the changes in terms of ease of access to rural finance generated by project activities, contributions to rural poverty alleviation and to the agricultural sector, etc. Once the TASC has been fully established, the annual external audit commissioned by the TASC BOD will supplement the PIU audit function. In accordance with the overall agreements of the GOL and donors supporting the agriculture sector, the Program Management Unit (PMU), which has been established under the Ministry of Agriculture for the overall coordination and harmonization of all projects operating in the agricultural sector of Liberia, will also assume this function for the RCFP.

D. Lessons learned and adherence to IFAD policies

72. The design incorporates a number of lessons learnt from the creation of FSAs/CBs, support operations and assistance provided through the RFCIP in Sierra Leone, from the RCFI creation, operations and support provided in Liberia, and from other rural finance operations and institutions in Liberia:
- True ownership of the RCFIs is an indispensable element of success of the financial institution. This requires that the entire community in which a RCFI is to be created takes up fully the concern to create a financial institution in its midst, remains in charge to get sufficient numbers of shareholders, finds a suitable location for the building and donates the land to the new RCFI, is fully involved in general meetings, is aware of all issues and concerns involved in creating an RCFI, helps in screening staff and directors, and takes decisive measures to support loan recovery. Everything they do must be supported from outside with full transparency and adequate capacity-building.
 - Sustainability of the new RCFI and the protection of investments and savings must be introduced right from the beginning and fully anchored in the mind-sets of all shareholders as the main determinants for success. In particular in the beginning, and for quite some time, safety of deposits will be the main attraction, followed by transfer and payment services; these will be far more important than credit.

¹⁶ As required by IFAD design guidelines, a financial management and procurement assessment of the PMU responsible for IFAD-financed projects has been undertaken. The result is satisfactory, recommending only a few improvements, including the need to ensure segregation of duties between the financial management and procurement aspects, and to strengthen the documentation of contract award approvals (see Appendices 7 and 8). These also define the financial and procurement arrangements between the TASU/TASC and PMU.

- Meaningful credit services can, under the current circumstances, only be provided without asking for full classical collateral coverage, such as mortgages. However, loans should be tied to the shareholding of an applicant. Given the option to take deposits under the Liberian legal framework, collateral requirements are to be expressed in initial phases as a multiple of shares and savings. Where loan amounts and risks increase, the extent of collateral coverage would also have to increase beyond the 30-35% initially requested.
- Substantial external support and supervision is indispensable to enable the RCFIs to operate successfully in their markets and become financially sustainable. Such support services comprise: (a) institutional design and set-up; (b) mobilizing the local populace as shareholders and users of the RCFIs; (c) accounting; (d) MIS; (e) product design; (f) management; (g) governance and internal control; (h) external audit and supervision; (i) reporting to the authorities; and (j) networking. Tools to achieve this comprise, among others: training, on-site coaching and mentoring of staff, arranging for peer reviews and feedback, off-site surveillance, on-site inspection, external audit and fraud control, and provision of MIS.
- The TASU/TASC as technical assistance provider is an indispensable element for sustainability of a network of RCFIs. In Sierra Leone, the Technical Assistance Agency (TAA) would have been more beneficial had it been created as from the start of the project. The equivalent institution should therefore be established in Liberia upfront, before the first RCFIs are created, with a full set of systems, procedures, manuals, products, and supervision instruments.
- In Sierra Leone, shareholders were promised dividends, even during the start-up phase and very few FSAs and CBs have paid any dividends to date. The same applies to the RCUs in Liberia. This has generated mistrust in the eyes of many shareholders and this may be a main reason why the selling of shares has slowed considerably over the past 2-3 years. It is therefore important not to promise any dividend payment until the moment the RCFI starts recording profits, and to declare dividends as from the moment the RCFI actually makes profits. From the point of view of rural communities in Liberia, an equal sharing of profits between the RCFI and the shareholders would be an acceptable solution. This implies that the initial interest rates will have to be high enough to approach profit-making as soon as possible.
- The two major risks for RCFIs are default on loans and fraud of staff. Staff will find it difficult to resist the temptation to embezzle RCFI funds if opportunities arise and are associated with a low probability of serious sanctions. It is necessary to develop near perfect rules and a supervisory framework so that fraud will not go undetected for long. The four eyes principle in all transactions and decisions, comprehensive internal control and supervision by management and board, and thorough external audit and supervision by TASU/TASC, detailed reporting requirements, daily reporting on closing balances, prohibition to accept cash from clients outside the prescribed processes (outside the offices, without official receipt, etc.) will have to be established and enforced.
- There is a very high demand for safe deposit facilities in Liberia. Efforts should be made to attract as many deposits as possible, by offering those products to the clientele that have the highest chances of acceptance and secure the optimum between the longest, highest and cheapest funds. It would also be useful to offer marginally higher interest rates on deposits than those paid by the commercial banks in order to generate a good inflow of deposits and public recognition, subject however to the ability to fully absorb such additional funds invested in lending.
- The capacity of rural communities to successfully manage their RCFI is far lower than the enthusiasm to do so. As a consequence, the respective knowledge and skills basis has

to be introduced gradually, and be carefully developed over time as operations and complexity grow. This applies to managers and directors, and also to shareholders.

- RCFIs, in whatever form, must serve the entire community where they operate, have all types of clients in mind, become part of the formal financial sector and operate under CBL supervision. They will not be able, or should, concentrate on the poor, or on smallholders, or on women, but should, like all other financial institutions living on deposits from the general public, be concerned with risk management. As prescribed in the laws, the protection of the saver should remain the highest priority for managers and directors of RCFIs.
- The profitability of an RCFI will depend largely on its ability to manage the loan process, because interest income will make up 70% or more of total income. At the same time, the demand for credit is also very high. However, the capacity of RCFIs owned by local communities to grant and recover loans as required by a deposit-taking financial institution will not exist right from the beginning, and has to be built up over time. This in turn requires that at the beginning, loan products, loan appraisal process and loan monitoring are kept very simple. Given the high attention paid by the GOL on financial inclusion of women, and IFAD's emphasis on promoting women, it is highly recommendable to have group lending for petty trade purposes as a first product.
- Once the first simple set of products is managed well, additional products with new challenges may be added. Given the demand situation, capacity, lending resources, and risk management options, the most logical order for adding new loan products seems to be: (a) refinancing VSLAs; (b) trade on agricultural commodities; (c) processing of agricultural commodities; (d) local transport business (motorcycle loans for the youth); (e) salary advances; (f) consumption; (g) short term/seasonal agricultural production; and (h) housing.
- Low interest rate policies are nice for borrowers, but not good for savers (as their interest rates are low), not good for shareholders (as they do not earn dividends) and not good for RCFIs (unable to break even within a reasonable period of time). This has been clearly demonstrated by the case of the RCUs and many CUs, which are not able to break even with a lending rate of 12% p.a. This affects the ability to attract share capital and deposits. In addition, the network cannot afford and pay for the costs of the supervisory agency/secondary organ, external audit etc., and remains dependent on external subsidies.

73. **Overall compliance with IFAD Policies.** The design of RFCEP is aligned to all relevant IFAD strategies and policies, including:

- (a) Strategic Framework 2011-15;
- (b) Targeting Policy – Reaching the Poor (2010);
- (c) Gender Equality and Women's Empowerment;
- (d) Rural Finance Policy;
- (e) Private-Sector Development and Partnership Strategy;
- (f) Rural Enterprise Policy;
- (g) Policy on Supervision and Implementation Support
- (h) Climate Change Strategy (2010);
- (i) Environment and Natural Resource Management Policy (2011); and
- (j) Environmental and Social Assessment Procedures.

74. **Targeting.** In order to ensure that project benefits reach IFAD's target group, the latter have been defined, a targeting strategy has been developed and means of operationalizing it strategy has been integrated into project design and implementation modalities. The strategy includes geographic targeting of poor districts; self-targeting as related to economic opportunities for the poor, and empowerment/capacity-building.
75. **Gender.** The proposed RCFP is fully in line with IFAD's policies on Gender Equality and Women's Empowerment. The project will ensure that women and youth benefit equally from its interventions. By envisaging the target of assuring that half of the shareholders/clients of the RCFIs will be women, the RCFP will contribute to achieve SO1 (economic empowerment) and SO2 (decision-making and representation) of the Gender Policy. The gender and targeting check lists are provided as Attachments to Appendix 2.
76. **Compliance with IFAD's Rural Finance Policy.** The proposed project will create new rural financial institutions and an apex body. This is a typical "green-field" operation, which should normally be avoided given the high risks. However, Liberia has almost no financial institution that caters for the needs of the rural population and what the country needs most are formal financial institutions in rural areas (something that the CBL and AFB have already started doing) not more informal ones such as VSLAs. Neither the downgrading of commercial banks, nor supporting the shallow and weak MFIs are reasonable options for IFAD or the Government. As the RCFI concept is the preferred model and approach of the CBL to cater for the needs of the rural population, and as similar institutions have been created with very good success in neighbouring Sierra Leone (generating lessons that have been adopted in the RCFP design), the usual concerns attached to the creation of new financial institutions do not apply.
77. Apart from this, the proposed project will establish the new RCFIs as savings- and share-based financial institutions, which intermediate the resources mobilized into credit granted to support the local economy. Emphasis is placed on the emulation of existing informal rural finance practices, which are widely practiced and known to everybody¹⁷, and which will reduce psychological barriers to accessing the services. With the adoption of a share-based system of ownership, the project will attempt to mobilize entire local communities – as shareholders and owners of the new institutions. Where additional capacity and demand for additional financial resources will exist, access to a credit facility from a local commercial bank shall be facilitated through the TASU/TASC, without however providing any guarantees for such. Finally, the design creates a framework for high standards of prudent rural finance operations, protection of depositors and shareholders, careful expansion of lending activities, prudent selection of loan products and borrowers, and organic growth models. The institutional set-up and external support remain flexible and can be attuned to the actual performance of an RCFI.

Project implementation

A. Approach

78. The institutional design of the RCFP is simple and straightforward. This is possible thanks to the existence of a centralized PIU for all IFAD-funded projects under the MOA, and because all rural finance activities can be clearly allocated to two implementation bodies.
79. The main institutional parameters comprise:
- (a) Implementation of all grassroots operations under component 1 will be exclusively vested with the TASU/TASC;

¹⁷ For details see Appendix 2, section 1

- (b) Implementation of the activities under component 2, which are related to CBL's core mandate, will be exclusively implemented by the CBL;
 - (c) The central PIU within MOA will take care of all activities pertaining to its defined mandate (see below);
 - (d) A Project Steering Committee (PSC) will be established to provide guidance on major issues;
 - (e) Beyond this, no implementation unit will be required.
80. Actual implementation will therefore be vested with two institutions, the TASU/TASC and the CBL. The TASU/TASC will be fully responsible for component 1, while the CBL will be vested with the responsibility to implement component 2. This complies with the international consensus to limit project interventions under central banks to those immediately or very closely related to their primary mandates, which in this case is regulation and supervision of financial institutions. To implement this, memoranda of agreement will be signed between the PIU on the one hand and, respectively, with the TASU/TASC and the CBL on the other hand. Memoranda of agreement will also be signed between the TASU/TASC and each of its affiliated RCFIs.
81. **Conditions for disbursement.** Other than opening the RCFP Designated Account in USD and the RCFP Operations Account in USD in a commercial bank acceptable to IFAD by the MOA, as represented by PIU, no other conditions for the first disbursement of program funds will be established.

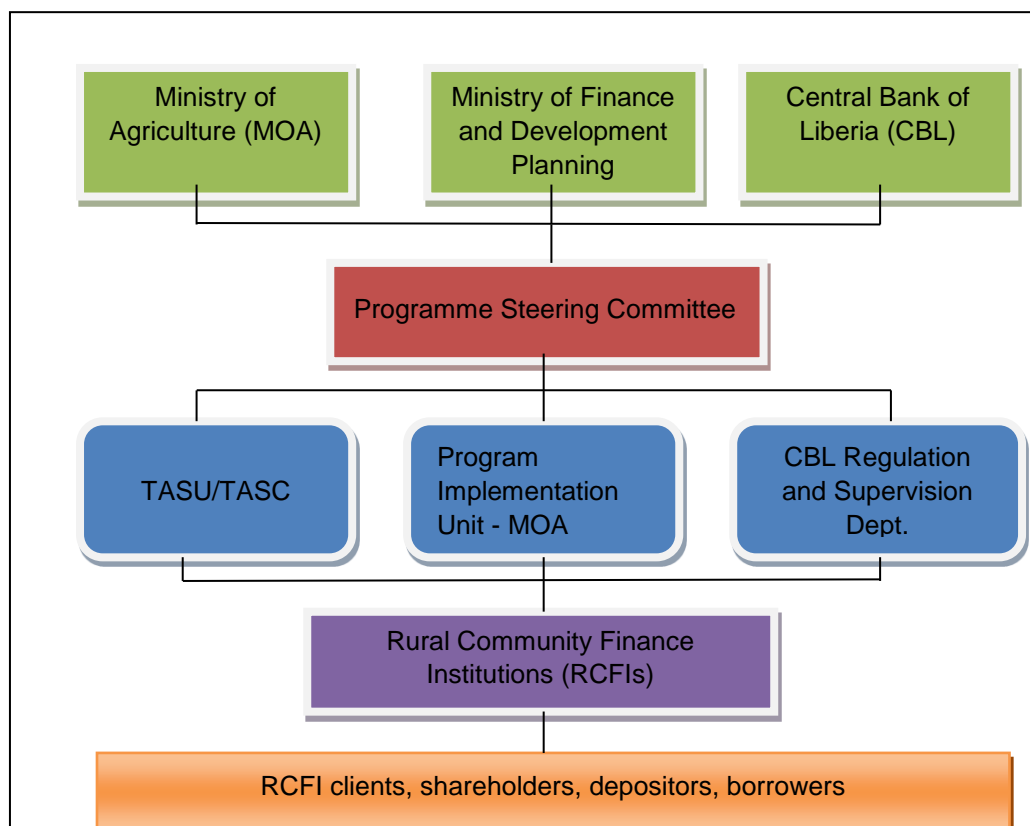
B. Organizational framework

82. RCFP will operate under the guidance of a Project Steering Committee (PSC), composed of representatives of the Ministry of Agriculture, the Ministry of Finance and Development Planning and the CBL. The PSC will provide oversight over the project, approve all relevant manuals and revisions, approve Annual Work Plan and Budgets before submission to IFAD, receive draft annual reports and take decisions on major issues. This is in accordance with the implementation guidelines pertaining to the PIU, where all sectoral sub-projects are to have their own PSC with the necessary technical requirements and expertise.
83. The Programme Management Unit (PMU) was set-up under the supervision of the MOA and anchored to the Planning and Development Department of MOA. The PMU is a shared unit in charge of implementing all donor-funded projects in the agricultural sector, which are under MOA. The PMU is generally responsible for overall coordination of activities and information exchange among partners, line ministries and other stakeholders in the agriculture sector at the same time ensuring synergy amongst the different project implementation units for each donor.
84. Within the PMU, the IFAD Project Implementation Unit (PIU) in Monrovia is charged with the implementation of IFAD-funded projects in Liberia related to the agriculture sector, including the TCEP, STCRSP and ASRP. The IFAD-PIU will share some transversal functions with all IFAD-funded projects. Due to the increase of responsibilities of the PIU, the following additional staff will be financed under RCFP: (i) an accounting assistant, and (ii) one M&E assistant. In addition, proportional contributions will be made from the RCFP resources to some equipment and operating and maintenance costs of the PIU.
85. The coordination, management and M&E of project activities under component 3 will be the responsibility of the PIU responsible for IFAD-financed projects, reporting to the Ministry of Agriculture, Ministry of Finance and Development Planning and the CBL. The mandate of the PIU comprises: project accounting, withdrawal applications, keeping of project accounts, consolidating AWPBs, consolidating annual reports, correspondence with government authorities on issues related to the Financing Agreement (excluding the technical implementation matters), document depository, procurement, submission of reports to IFAD and

other related agencies, monitoring and evaluation, preparation, guidance and supervision of the MTR mission, commissioning the beneficiary impact assessment, and preparing the end-of-project evaluation. Other activities comprise the preparation of and support to supervision missions.

86. A simple organization chart of the institutional relations is presented in the figure below.

Figure 1: Organization chart of the RCFP



C. Planning, M&E, learning and knowledge management

87. **Objectives and approach.** A system to integrate planning, M&E and knowledge management (KM) will be developed in the very early months of implementation (including a detailed KM action plan), with the objective of: (a) providing stakeholders with the information and analyses required to steer implementation; i.e. to assess performance, detect difficulties and successes, identify lessons and support decision-making to improve performance; (b) providing MOA and other concerned stakeholders (Ministry of Finance and Development Planning [MFDP], CBL) with information on progress, so as to measure project contributions on access to finance and other indicators, and to support coordination and synergies with other on-going development projects; (c) monitoring project influence and impact on the building of participatory processes that ensure full involvement of the rural poor; (d) providing participating communities and RCFIs with regular feed-back and analytical reports; and (e) informing the IFAD Country Program Manager (CPM) on the achievement of the Results-Based Country Strategic Opportunities Programme (RB-COSOP) targets. The PIU will manage this system in collaboration with its standard partners.

Planning

88. The integrated planning and M&E cycle will start with the preparation of the Annual Work Plan and Budget (AWPB), which utilizes a demand-driven and bottom-up approach involving the

participation of beneficiaries and all other project stakeholders. As monitoring and evaluation are two distinct functions, monitoring will remain a management function to be based on the parameters established in the project's logical framework. The institutional performance monitoring of RCFIs, which is to form an integral aspect of the project, will be the responsibility of the TASU/TASC as the key implementing agency. Physical and financial monitoring is a function and responsibility of implementing partners and management, who will be responsible for regular reporting. The PIU will analyse monitoring reports throughout implementation, to compare progress achieved against the targets envisaged in the AWPB, allowing project staff to make timely and informed decisions, as well as capture lessons and good practices. As described in the M&E manual, evaluations will be undertaken through regular and timely assessments, one MTR and one impact survey permitting the measuring of outcomes and impacts of RCFP.

Monitoring and evaluation

89. The integrated M&E system will: (a) measure the achievement of the logical framework indicators (including the Results and Impact Management System [RIMS indicators]); (b) assess the relevance of the project's strategy, methodologies and implementation processes; (c) assess the performance of implementing agencies and external service providers; (d) assess project outcomes and impact on the shareholders and clients of the RCFIs, and specifically on women and young people; (e) monitor the physical and financial indicators based on the provisions laid down in the AWPBs; (f) identify successes and good practices; and (g) share knowledge under appropriate formats with project stakeholders to support dialogue and decision-making. The system will therefore be open, i.e. its use will not be restricted to project or government agency staff, but also provide information and learning to all stakeholders, including beneficiaries; it will also be participatory, i.e. include project stakeholders and specifically, the communities, the RCFIs and the RCFI shareholders, in the definition of indicators, data collection, analysis and dissemination of results; it will focus on analysis and learning in support of decision-making and policy dialogue, and not merely on data collection; and be connected to MOA and government information systems. The M&E and KM officers within the PIU will be key resources in conceptualizing and implementing the system.
90. A project-specific M&E manual will be developed during the project start-up phase. This Manual, which will be produced in a participatory manner amongst all interested parties, should include (amongst other aspects): (1) logical framework and all indicators to be collected (output, outcome, impact); (2) roles and responsibilities (who collects what and how – MIS, surveys, etc.); (3) reporting (who and when) – quarterly progress reports; annual progress reports; status reports for supervision missions; ad-hoc reports; etc. (4) linkages with other relevant monitoring systems i.e. PIU M&E, CBL Action Plan for Financial Inclusion (RCFIs,
91. **Data management.** The TASU/TASC and the M&E and KM officers within the PIU will work together with stakeholders to: (a) agree on a shared understanding of project objectives, approaches and planned activities; (b) agree on a vision of the objectives and expected results of the system, as well as on a broad framework for M&E and KM and on priority actions to implement it; and (c) identify quantitative and qualitative indicators to initiate the system, both at the higher level (based on an updated logical framework) and within each component. Indicators to be developed with relevant stakeholders at each level, will be coherent with national information systems; age- and gender-disaggregated; and easy to collect. Key data will be collected by RCFIs via TASU/TASC as part of their management information systems. Relevant national poverty data and assessments, and data/ information from other on-going projects will complement the information generated within the project, and will also be used for measuring impact.

Learning and knowledge management

92. A knowledge-sharing and learning culture within the project and among all stakeholders will be encouraged. There is a need for sharing of best practices and lessons learnt with other partners in the agriculture and financial sectors, and also with IFAD-supported projects in the region through the IFAD Africa network. Through combined efforts, other projects and programs under the national PIU should be able to capture more pro-actively experiences and lessons generated on how SMEs, including those in the agricultural sector, should most adequately be supported with financial services. Ensuring the integration of M&E and KM across projects/ programs will be fundamental to further learning.

D. Financial management, procurement and governance

93. **Financial management.** A financial management assessment was undertaken on the operations of the existing PIU under MOA. The results revealed a low fiduciary risk if implementation is not through the main stream Public Financial Management system but rather through integrated PIUs within MOA. The PIU under MOA has built up a capacity to manage project funds and is very conversant in the operations of the ToMPRO accounting systems. A few improvements are discussed in Appendix 7.
94. Disbursements under the RCFP will be transaction-based. Direct Payment and Designated Accounts methods as well as the Statement of Expenditures (SOE) mechanism will apply as appropriate. Two designated accounts, one for the IFAD loan and one for the IFAD grant will be opened in the Central Bank of Liberia, to facilitate payments for eligible expenditures. For the purposes of streamlining procedures and reducing the processing time, the RCFP Designated Account will be operated under the joint signature of the Project Coordinator and the Financial Controller of the PIU/MOA. Withdrawal applications will be approved by the PIU Financial Controller and two representatives of the Ministry of Finance and Development Planning. Quarterly financial reports are required by the Accountant General of the Ministry of Finance and Development Planning prior to approval of withdrawal applications. The allocation of each designated account will cover an amount equivalent to approximately six months of expenditures. The minimum value of applications for replenishment is 30% of the outstanding advance made to each designated account; but if this threshold is not achieved in a given quarter, notwithstanding the 30% mark, a withdrawal application will have to be submitted at least once a quarter.
95. **Procurement.** Legal reforms of the procurement regulations took place in 2005 with the Public Procurement and Concessions (PPC) Act, which was revised again in 2010. The Act aims at ensuring transparency, accountability and competitiveness in all processes linked to public procurement of goods, services and works, which in turn should reduce corruption opportunities. While the legal framework for public procurement is robust and complies mostly with good international practice, public procurement practice falls short of the high standard the law sets. Some of the deficiencies in the enforcement of the PPC Act include overuse of single sourcing, no blacklisting of perpetrators, inadequate public access to information and low capacity of institutions. In addition, procurements under PIU contain some deficiencies as listed in Appendix 8. In conclusion, as procurement laws and regulations do not conflict with IFAD guidelines, procurement under the RCFP will be carried out in accordance with national procedures to the extent that they are compatible with the Guidelines, and as may be amended from time to time, and will comply with IFAD's prior-review requirements up to the threshold set for goods, works and services. By default, RCFP will use the Procurement Committee that has already been established in the PIU/MOA. Each contract to be financed by IFAD resources will be included in the Procurement Plan prepared by the PIU and agreed with IFAD. Where required, service providers will be hired through performance-based contracts. More details on thresholds for goods, works, consulting services, training, workshops, the bidding process and contract awarding are provided in Appendix 8.

96. **Audit arrangements.** The Financing Agreement will stipulate that the PIU submits annual consolidated Audited Financial Statements covering the entire project to IFAD within six months after the end of each year. External auditors with qualifications and experience satisfactory to IFAD will be appointed to conduct annual audits of the project's financial statements. An opinion on the Audited Project Financial Statements in compliance with International Standards on Auditing (ISA) will be required. An opinion on the utilization of the Designated Accounts, Statements of Expenditures and internal control systems will also be required. IFAD supervision mission reports will be reviewed and taken into account in the auditors' opinion. The external auditors will prepare a Management Letter with observations and comments, and also provide recommendations for improvements on accounting records, systems, controls, compliance with financial covenants in the Financing Agreement and compliance with previous year's auditors' recommendations.

Supervision

97. The project will be supervised directly by IFAD. Annual supervision missions, including follow-up missions where needed or relevant, will be organized with the participation of government (MOA, MFDP, and CBL), implementing agencies (TASU/TASC, CBL, RCFIs) and beneficiaries. Supervisions will not be conducted as a general inspection or evaluation, but rather as an opportunity to assess achievements and lessons jointly, and to reflect on ways to improve implementation and impact. Missions will be an integral part of the KM cycle, with mission members playing a supportive and coaching role for project staff and implementing agencies.

Risk identification and mitigation

98. The following table identifies the main risks and mitigation measures. The residual risks are rated within tolerable margins. Specific risks associated with a new outbreak of the EVD are presented in the Attachment to Appendix 4a, in Table 31 below.

Table 3: Risks and risk mitigation				
Risk	Probability of occurrence	Relevance	Risk mitigation measures	Residual risk rating
Pressure by government agencies on granting larger and term loans for the agricultural sector, in particular production	High	High	<ul style="list-style-type: none"> Constant dialogue with MOA and other institutions on the capacity of RCFIs at initial stages Joint performance assessments during supervision missions 	Moderate
Lack of interest by communities in patronizing RCFIs, in particular in buying shares	Low	High	<ul style="list-style-type: none"> Involvement of local authorities, communities in the set-up phase Transparency of procedures Public campaigns Sponsored local radio emissions 	Low
Fraud and malpractices of RCFI staff	Moderate	High	<ul style="list-style-type: none"> Careful recruitment Constant training Tight supervision Biometric devices Reporting all cases to CBL 	Low
Sufficient human resources to run RCFIs	High	High	<ul style="list-style-type: none"> Recruitment of staff from within counties Careful selection of staff through TASU/TASC Fit and proper tests Constant training 	Moderate
CBL willing to delegate some supervisory functions to TASC	Low	Moderate	<ul style="list-style-type: none"> Prior agreements with CBL Performance monitoring of TASU Careful recruitment of TASC staff 	Low
Other stakeholders in the microfinance sector	Low	Moderate	<ul style="list-style-type: none"> Dialogue with stakeholders Transparency 	Low

willing to engage in the design of a new regulatory and supervisory framework			<ul style="list-style-type: none"> Investing in exchange fora and collaborative frameworks 	
No interest caps policy and no cheap loan programs of government	Moderate	High	<ul style="list-style-type: none"> Constant dialogue with government institutions Joint performance assessments of existing programs 	Moderate

Project costs, financing, benefits and sustainability

A. Project costs

99. The total investment and incremental recurrent costs, including price contingencies, are estimated at USD 13.965 million. Price contingencies account for 4% of the costs. The foreign exchange component is estimated at USD 3.866 million (28%). Taxes represent approximately USD 0.519 million. The total base costs are USD 13.526 million, while price and other contingencies account for USD 0.44 million. Significant contributions will be made by all actors, ranging from the communities (purchase of shares), to the RCFIs (contributions to operating costs of RCFIs and TASU/TASC) and the CBL (staff time). These are not calculated for simplicity reasons. The costs by component and sub-component are summarized in the table below and detailed in Appendix 9.
100. The base cost of Component 1, Rural financial services, represents an investment of USD 8.4 million (90% of total base costs) while Component 2, Enabling environment for rural finance, accounts for USD 0.4 million (3% of total base costs). Project Management and coordination under Component 3 accounts for 4% of base cost or USD 0.6 million. The table further shows the proportion of costs in local (LRD or USD) and foreign currency (USD); they are classified as foreign when a large share of the respective expenditures relates to goods or services to be procured outside of the country, which thus depend on currency exchange.

Table 4: Program cost by component

Liberia Rural Community Finance Programme Components Project Cost Summary								
	(LRD Million)			(USD '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Rural Financial services								
Grassroots rural community finance institutions (RCFIs)	684	149	833	7,599	1,660	9,259	18	68
Technical Assistance and Supervision Company (TASC)	128	129	257	1,425	1,428	2,853	50	21
Grant for economic recovery after the Ebola Virus Disease	30	15	45	335	165	500	33	4
Subtotal	842	293	1,135	9,359	3,253	12,612	26	93
B. Enabling environment for rural finances								
Technical assistance to the CBL	7	25	32	81	273	354	77	3
Subtotal	7	25	32	81	273	354	77	3
C. Project management and coordination	33	18	50	363	197	560	35	4
Total BASELINE COSTS	882	335	1,217	9,803	3,723	13,526	28	100
Physical Contingencies	7	1	8	77	14	91	15	1
Price Contingencies	72	43	115	219	129	348	37	3
Total PROJECT COSTS	962	379	1,341	10,099	3,866	13,965	28	103

B. Project financing

101. The project will be financed by Government, IFAD, the CBL, the RCFIs and their clients. IFAD will finance 55% of the project costs through a loan on highly concessional terms to government of USD 7.15 million and a grant of USD 0.5 million. The RCFI contribution to operating costs is estimated at USD 1.5 million (11%), those of the shareholders to share capital at USD 4.1 million (30%). The CBL will, for the first 30 months, house the TASU/ TASC and provide a manager, representing a total cost of USD 0.12 million (1%). The government's contribution will take the form of waived taxes and duties on imported goods and local goods and services as

per standard regulations pertaining to IFAD funding (USD 0.52 million, representing 4% of total costs). The financing arrangements are summarized in the table hereafter.

Table 5: Financing plan by component (USD'000)

Liberia Rural Community Finance Programme Components by Financiers (USD '000)	GoL		IFAD		IFAD GRANT		ICFIs		Central Bank of Liberia		Beneficiaries		Total		For.	Local	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.	(Excl. Taxes)	Taxes
A. Rural Financial services																	
Grassroots rural community finance institutions (RCFIs)	313	3.3	3,499	36.8	-	-	1,480	15.6	-	-	4,210	44.3	9,502	68.0	1,713	7,476	313
Technical Assistance and Supervision Company (TASC)	149	5.0	2,739	91.1	-	-	-	-	119	4.0	-	-	3,008	21.5	1,501	1,357	149
Grant for economic recovery after the Ebola Virus Disease	11	2.1	-	-	490	97.9	-	-	-	-	-	-	501	3.6	165	325	11
Subtotal	473	3.6	6,238	47.9	490	3.8	1,480	11.4	119	0.9	4,210	32.4	13,010	93.2	3,379	9,158	473
B. Enabling environment for rural finances																	
Technical assistance to the CBL	7	1.8	358	98.2	-	-	-	-	-	-	-	-	364	2.6	280	77	7
C. Project management and coordination	40	6.7	551	93.3	-	-	-	-	-	-	-	-	591	4.2	207	344	40
Total PROJECT COSTS	519	3.7	7,147	51.2	490	3.5	1,480	10.6	119	0.9	4,210	30.1	13,965	100.0	3,866	9,580	519

C. Summary benefits and economic analysis

102. The RCFP will generate a wide range of direct benefits for: (a) about 31,000 shareholders and users and the members of their households; (b) economic activities within the communities where the RCFIs will be located; and (c) the RCFIs. At the macro level, the project will make a significant contribution towards bringing informal financial transactions into the formal sector, and to making decentralized rural financial institutions more viable. The State will benefit from additional tax revenues payable by the RCFIs. The entire country will benefit from a denser network of financial institutions, through which remittances and transfers can be made from within and outside the country. Finally, the country will benefit from higher levels of confidence in the financial sector, particularly in rural areas, as a result of the improved regulatory framework and the improved supervisory systems under the guidance of the CBL. Some benefits are not quantifiable using classical methods of economic and financial analysis, i.e. macro level benefits (increasing deposits in the formal financial sector, integrity of and higher confidence in the formal financial sector, increased network for transfers/payments). The quantifiable benefits are described below.
103. Based on estimations of the number of borrowers from RCFIs, the sectoral distribution of loans, the anticipated returns for these loan purposes, and the number of RCFIs in the different categories (A, B and C)¹⁸, total project benefits are expected to increase from USD 65,000 in year 1 to USD 2.7 million in year 5, and will remain around USD 3.7 million during the years 7-15. The economic analysis shows that the project has the capacity to generate an economic rate of return (ERR) of 22% over a 15-year period, with a net present value of USD 7.2 million. Given the many un-quantifiable benefits, the actual ERR will likely be higher than this. Sensitivity analysis shows that in the event of adverse factors, the ERR is relatively robust with regard to higher costs, lower benefits and time lags.
104. The highest contribution to the ERR derives from investments made by borrowers from the RCFIs. The number of investments is constrained by the number of RCFIs created. The number of RCFIs that can be created through the RCFP is constrained by the amount available for their financial and technical support. There is a potential to increase the number of new RCFIs over and beyond the 13 for which funding is available. Should additional funds be provided, the ERR would be higher than the 22% projected above.

D. Sustainability

105. The RCFP will support the creation of about 13 new RCFIs, and help consolidate the nine existing ones. The detailed projections, which all use very conservative assumptions, show that

¹⁸ For a complete set of assumptions and analysis of benefits, see Appendix 10.

the new RCFIs will reach break-even in years three or four without, and in years one to three with project support. A period of two years of operations is needed to mobilize a sufficient number of shareholders and depositors, volume of shares and deposits, and disburse a sufficient number of loans with a good repayment performance. The learning curves are expected to be very steep during the first three months of operations as regards administrative procedures and then again in months six to twelve as regards loan management. As shown in the table below, the net incomes of all types of RCFIs are positive in the fifth year of operations, within a range of USD 17,000 and 59,000. The net income realized even without project support would be positive, in the range of about USD 24,000 for smaller RCFIs (category A) and USD 105,000 for larger ones (category C). A similar positive picture emerges as regards the net result after taxes, donations and dividends after five years of operations, with amounts in the range of USD 17,000 for smaller and about USD 59,000 for larger RCFIs. Sustainability of access to financial services will also improve with the age of RCFIs, which are likely to attract more customers over time, over and above the project duration of five years. This will have an extended benefit on the economy.

Table 6: Sustainability of RCFIs

Indicator	Category A RCFI	Category B RCFI	Category C RCFI
Reaching break-even without project grants	In Year 4	In Year 3	In Year 3
Reaching break-even with project grants	In Year 3	In Year 3	In Year 1
Net income of 5 years of operations after taxes, donations and dividends (in USD)	23,029	71,916	107,541

106. These projections compare well with the results of the similar Rural Finance and Community Improvement Programme in neighbouring Sierra Leone, from where parts of the RCFP concept has been borrowed. Out of the 51 FSAs created, 41 or 80% had an OSS of at least 100% at the project end. Out of the 17 CBs created, 14 showed or 82% an OSS greater than 100% at the project end. In most cases, this represents the result after 3-5 years of operations; in the case of the three CBs which were still incurring losses, these had been created about three years before project end. In the case of FSAs, the range was between 0% and 513%, and between 359% and 25% in the case of CBs.
107. The projections for the TASC show that the apex body of RCFIs will be able to generate income from audit services and from charging fees for support services. The resulting income will cover the related operating expenses progressively, from 0% in year 1 to 26% in year 5. The projections show that this result will depend to a large extent on the quality of services, as the fees are based on loans disbursed, which in turn will depend on the volume of shares and deposits mobilized, and even more so on the number of RCFIs owning the TASC. If their number increases, the viability prospects of TASC will improve accordingly. This, however, depends to a large extent on the availability of funds needed to cover more locations with RCFIs.

Appendix 1: Country, rural and financial sector context background

1. Country background

1. **Country economic background.** The 1989 – 2003 civil war resulted in economic collapse and destruction of infrastructure. Despite significant improvements since the end of the conflict, Liberia remains a fragile state with weak institutions, policies and governance. The outbreak of the Ebola Virus Disease (EVD) has further evidenced Liberia's limited institutional capabilities and has had severe economic impacts, threatening the post-war gains. Liberia is classified as a Least Developed Country as well as a Low-Income Food-Deficit Country¹⁹, and relies heavily on foreign assistance. The gross national income per capita is USD 480 and according to the Human Development Index (HDI) Multidimensional Poverty Index, 57.5% of the population lives in severe poverty, with 63.8% below the national poverty line²⁰.
2. Liberia reached the Heavily Indebted Poor Countries completion point in 2010, qualifying the country for unconditional debt relief. The country's economic growth has recently been strong due to favourable world prices for its export commodities, and in 2012 Liberia experienced real Gross Domestic Product (GDP) growth rate of 10.2%. Liberia has a favourable climate for agriculture as well as abundant mineral resources and forests. In 2011, agriculture contributed to 53.1% of the GDP. In 2012, Liberia's main export was rubber (USD 154.6m), followed by iron ore (USD 117.1 m), timber (USD 48.3 m) and gold (USD 26.3 m). Diamonds, cocoa and coffee are also important exports²¹.
3. Unemployment is high, with a small percentage of the population employed in the formal sector and a far larger percentage in the insecure informal sector. High levels of youth unemployment remain a major challenge. The government's economic growth strategy prioritizes rebuilding key infrastructure, restoring the production of rubber, timber, mining, and cash crops, and reducing the costs of production. The government has therefore made efforts to develop the private sector, foster trade openness, promote liberalization of tree crop marketing and remove tariffs on agricultural inputs.
4. **Social development.** The population stands at 4.2 m²² with an annual growth rate estimated at 2.6%²³. Liberia has a large youth population, and in 2012, 43.5% of the population was estimated to be less than 14 years of age. Liberia ranks 174 out of 187 countries in the United Nations Development Programme 2012 Human Development Index²⁴. Current access to health care services is estimated at only at 40%²⁵. The under-5 mortality rate remains high, although has decreased from 176/1,000 in 2000 to 75/1,000 in 2012²⁶. Life expectancy at birth

¹⁹ Low-Income Food-Deficit Countries (LIFDC) - List for 2014, Food and Agriculture Organisation of the United Nations.

²⁰ From 2007 data. 'Human Development Report 2013 - The Rise of the South: Human Progress in a Diverse World', United Nations Development Programme, 2013.

²¹ Liberia Country Report, Economist Intelligence Unit (EIU), 1st Quarter 2014.

²² 2012 estimate.

²³ For the period 2010-2015.

²⁴ Human Development Report 2013 - The Rise of the South: Human Progress in a Diverse World. United Nations Development Programme, 2013.

²⁵ Global Health Observatory April 2014, <http://apps.who.int/gho/data/node.cco>

²⁶ UNICEF Statistics, Liberia 2013, http://www.unicef.org/infobycountry/liberia_statistics.html

has risen from 49 overall in 1990 to 58.6 for women and 56.4 for men for the period 2010-15²⁷. The adult literacy rate stands at 42.9%, with 44.5% females²⁸. The 2013 Liberia Demographic and Health Survey reports that 33% of women and 13% of men have never attended school; however Liberia currently shows a gross primary school enrolment rate of 102%^{29 30}. Government budgets for health and education are increasing only minimally. The table below shows the population for the 15 counties of Liberia.

Table 7: Population by county

No.	County	Capital	Creation	Area (km ²)	Population		Population density (Inhab./km ²)
					(2008 Census)	Projection 2014 ³¹	
1	Bomi	Tubmanburg	1984	1,932	84,119	106,461	55
2	Bong	Gbarnga	1964	8,754	333,481	422,054	48
3	Gbarpolu	Bopulu	2001	9,953	83,388	105,536	11
4	Grand Bassa	Buchanan	1847	7,814	221,693	280,575	36
5	Grand Cape Mount	Robertsport	1856	4,781	127,076	160,828	34
6	Grand Gedeh	Zwedru	1964	10,855	125,258	158,527	15
7	Grand Kru	Barclayville	1984	3,895	57,913	73,295	19
8	Lofa	Voinjama	1964	9,982	276,863	350,398	35
9	Margibi	Kakata	1985	2,691	209,923	265,679	99
10	Maryland	Harper	1857	2,297	135,938	172,043	75
11	Montserrado	Bensonville	1847	1,880	1,118,241	1,415,247	753
12	Nimba	Sanniquellie	1964	11,551	462,026	584,741	51
13	Rivercess	Rivercess	1985	5,564	71,509	90,502	16
14	River Gee	Fish Town	2000	5,113	66,789	84,528	17
15	Sinoe	Greenville	1847	9,764	102,391	129,586	13
	Total			96,826	3,476,608	4,400,000	45

5. **Agriculture and rural livelihoods.** The agricultural sector is the primary source of livelihood for approximately 70% of the active population³², mainly at smallholder and subsistence levels as well as for cash crop plantations (rubber, cocoa, coffee, palm oil and sugarcane). Although agriculture is the largest contributor to GDP, small-scale farmers are among the poorest in the country. Liberia has signed the Comprehensive Africa Agriculture Development Programme (CAADP) Compact, thereby committing to the Maputo protocol goal of 10% national budget

²⁷ Liberia Demographic and Health Survey (DHS) Preliminary Report, Liberia Institute of Statistics and Geo-Information Services (LISGIS)/ MEASURE DHS/ ICF International, Monrovia, 2013.

²⁸ 2008-2012 estimates. UNICEF Statistics, Liberia 2013, http://www.unicef.org/infobycountry/liberia_statistics.html

²⁹ 2011 estimate. The Gross Enrolment Rate can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition.

³⁰ UNICEF Statistics, Liberia 2013, http://www.unicef.org/infobycountry/liberia_statistics.html

³¹ According to EIU estimates, the total population of Liberia is estimated at 4.4 million at the end of 2014. The projection for 2014 has been derived at by applying a uniform change rate of 27% for all, which is certainly not correct, as evidenced by the above average migration rate to urban centers. The aim is not to show the current population, but to provide a rough indication for the relative size and population density of counties.

³² Liberia Agriculture Sector Investment Program: LASIP Report prepared in partial fulfilment of the requirements for the comprehensive African Agriculture Development Program compact, Monrovia 2010.

expenditure on agriculture by 2017. However, the current level is approximately 3% of the national budget. Liberia imports 50-60% of its staple food requirements due to low agricultural production and productivity, thereby leaving the country vulnerable to price fluctuations in global food markets.

6. Farming systems rely on labour intensive, slash-and-burn shifting cultivation, with farm sizes averaging approximately 1.1 ha. Most farmers work on family plots at subsistence level. Lack of access to agricultural credit presents a major constraint to increasing production and commercialization. Current yields are very low and below the regional average, especially for food crops, due to a lack of quality farming inputs (especially tools, seeds, fertilizer and agro-chemicals), the absence of extension/advisory services and insufficient access to new techniques and technologies. The post-harvest loss rate is high, linked to inadequate infrastructure (roads, storage and processing facilities) which limits access to markets. Commodity chains and entrepreneurial activities in rural areas are fragmented and inefficiently connected, and value addition is low.
7. **Impact of Ebola Virus Disease (EVD) and Post-Ebola Recovery.** In addition to claiming lives, the EVD outbreak has severely impacted livelihoods and the Liberian economy. The economic impacts are felt in both affected and non-affected counties, and have intensified existing issues, including food security. Market closures, reduced customer spending and supply issues linked to restrictions on travel have negatively affected the small enterprises and micro-businesses that are central to household economies. Those in the informal economy, including small-scale traders and farmers, are among the hardest hit, having little financial capacity to deal with shocks.
8. As reported by surveys conducted by the WB, Gallup and the Liberia Institute of Statistics, women have been particularly affected as the labour market has been shrinking, which significantly reduced the income opportunities of women, who are often engaged in non-farm self-employment. The shocks to income as well as prices will likely increase the vulnerability of the poor and the marginalized, especially in rural areas. As reported by UNDP, the most severe impact of loss in per capita income is on people in the lowest quintile³³. Youth have also been particularly affected through the closure of schools, and young motorcycle drivers have reduced their business due to restrictions on their movement.
9. Households continue to lack the money needed to purchase rice, regardless of price. About three-quarters of households indicated that they were worried at some point in the previous week that they would not have enough to eat. Around two-thirds of households responded that they were not able to purchase enough rice to meet their needs in the previous two weeks, and nearly 80% of those cited a lack of money as the main reason. A significant impediment is the shortage of labour for farm work, as households do not have the cash to pay for hired labour. Approximately 80% of farm households report smaller harvests this year than last year.
10. Households across Liberia have undertaken various mechanisms to cope with Ebola's socio-economic effects. Eighty percent of those surveyed had either sold assets, sold or slaughtered livestock, borrowed money, sent their children to live elsewhere, spent savings, or delayed investments since the start of the Ebola crisis — all of which can have negative long-term effects on their welfare. Furthermore, small business owners are using their working capital, and women's informal loan schemes are being depleted through using their savings³⁴.
11. Microfinance institutions, including BRAC and Care, have taken precautionary measures such as suspending loan operations and limiting group meetings. Apart from the death of customers

³³ *Socio-economic impact of the Ebola Virus Disease in Guinea, Liberia and Sierra Leone*, UNDP, Vol. 1, No. 1, 3 October 2014, "The Economic Impact of Ebola in Guinea, Liberia and Sierra Leone".

³⁴ *Ibid*, No. 5, 28 November 2014, "Livelihoods are threatened in Guinea, Liberia and Sierra Leone by Ebola Virus Disease (EVD)".

and staff, rural financial institutions in neighbouring Sierra Leone and Guinea, which are the other two countries affected by the EVD, report a substantial depletion of available resources after the significant withdrawals of savings deposits by customers, in addition to a decline in repayment rates and profitability.

12. The 9 existing RCFIs, which have been promoted by the CBL so far, are at risk as they are going to deplete their share capital and may cause reputational risk for the whole industry of RCFIs if they fail and families lose their capital and savings. Project communities will feel less confident to invest share capital and trust the operations of the RCFI model.
13. While the priority of disaster relief operations was stopping the disease, the country is now on the path to recovery and the economic recovery process therefore requires critical attention. There has been a substantial return to agriculture, and travel restrictions were lifted at the end of 2014. There is now a greater and more urgent need than ever to assist rural areas with access to finance in order to rejuvenate lost livelihoods, with a particular targeting of vulnerable groups including women and youth. Furthermore, enterprise development is critical to the rekindling of livelihoods, rebuilding household economies, creating new employment and accelerating the economic recovery overall.
14. Some of the macro-economic impacts of the EVD include an increasing level of indebtedness of the country, declining and even negative GDP, upward inflation trend, declining exports, decline in foreign exchange reserves, declining agricultural production, among others³⁵.

2. National policies

15. **National strategies and the institutional framework.** The Agenda for Transformation, the Government's five-year development strategy, was launched following from the 2008-2011 Poverty Reduction Strategy. The Agenda for Transformation focuses on four main pillars: (1) peace, security and rule of law; (2) infrastructure and economic transformation; (3) human development; and (4) governance and public institutions. The overarching goal is to achieve greater inclusiveness with the following objectives: (1) generate economic opportunities with a special focus on rural areas, youth and women; (2) continue to increase access to education, especially in rural areas and among girls; (3) institute social safety nets; and (4) broaden and deepen provision of services.
16. **Agricultural policy.** The 2010 Liberia Agriculture Sector Investment Program (LASIP) aligns national objectives with the CAADP. The four priority investment programs of the LASIP are: Program 1: Food and nutrition security through the Food Security and Nutrition Strategy (FSNS) and the Food and Agriculture Policy and Strategy; Program 2: Competitive value chains and market linkages through the building of rural roads and marketing infrastructure; Program 3: Institutional development for evidence-based policy formulation, planning, coordination and supervision; and Program 4: Land and water development.
17. **Strategy for financial inclusion.** Based on the National Strategy for Financial Inclusion adopted in 2009, the Government aims to create an inclusive financial environment through the delivery of financial services to the people of Liberia. The overall objective for inclusive finance is to create viable microfinance providers that facilitate micro-entrepreneurs' sustained access to a diverse range of financial services. To enhance sustainability, efficiency, outreach and good governance, financial service providers will receive assistance from different actors, including the CBL. The strategic directions to implement financial inclusion focus on three main pillars or levels: (1) building sustainable microfinance providers at the micro level; (2) establishing a supportive infrastructure at the intermediate level; and (3) creating an enabling policy and regulatory environment at the macro level.

³⁵ Economic Intelligence Unit: Country Report Liberia, generated 6/5/2015

18. CBL has recently started to draft a new National Strategy for Financial Inclusion 2014-2018, which has not been finalized yet. Its vision is to build a sustainable financial sector in order to provide access to and enhance usage of a wide range of affordable financial services in Liberia. Its key objectives are to deliver financial services, enhance access to finance, particularly credit, integrate the informal sector into the formal economy, improve the environment for SMEs, enhance financial literacy and capability, and improve consumer protection. These different intentions and objectives have been laid down and condensed in a plan of action, through which responsibilities for given activities have been allocated and indicators for measuring progress been defined. Following this action plan, the responsibility for establishing RCFIs in counties lies with CBL, MFDP and commercial banks.
19. Of particular note, the CBL is a recognized member of the Alliance for Financial Inclusion, and through the Maya Declaration has committed to the following, amongst others: (1) to undertake initiatives that ensure that mobile financial services reach at least 50% of the rural population; (2) develop regulations and guidelines aimed at promoting the establishment and operations of rural community finance institutions in rural areas (including their safe, sound and efficient management); and (3) to engage with other relevant policymakers to ensure that adequate steps are taken to bring about an improvement in the state of financial inclusion.
20. Other relevant initiatives of the CBL to enhance access to finance include: (1) the “Liberian-owned SMEs Credit Stimulus Initiative”, under which about 100 loans have been granted; (2) the Loan Extension and Availability Facility, through which more than LRD 360 million has been granted to 764 microfinance institutions, credit unions and VSLAs all across Liberia since January 2011 for three years at an interest rate of only 3% per annum, with the provision to on-lend these to members at only 8% p.a.; and (3) the “Agricultural Stimulus Initiative”, through which an amount of USD 7.5 million was granted through AFB to eight beneficiaries with a focus on the rehabilitation of pre-existing farms and with preference for investments requiring minimal gestation periods. While these initiatives attract substantial public interest, their impact, including their potential to distort markets and repayment morale, has not yet been studied in depth.
21. IFAD’s ongoing **Results-Based Country Strategic Opportunities Programme (RB-COSOP)** for Liberia for the period 2011-2015 is aligned with the CAADP and national policies, notably the LASIP. At present, three IFAD-supported projects are contributing towards the RB-COSOP and the agricultural sector, namely: (1) the Agriculture Sector Rehabilitation Project (ASRP); (2) the Smallholder Tree Crops Revitalization and Support Project (STCRSP); and (3) the Support to the Farmers Union Network (FUN), with Italian supplementary financing.
22. As the Liberia RB-COSOP reached its mid-term, its performance and relevance have been reviewed to identify the way forward for future IFAD support, specifically under the 2013-2015 Performance-Based-Allocation System (PBAS). Overall, the findings of the 2013 review revealed that the strategic objectives under the RB-COSOP continue to be relevant, with the provision that the transition from urgency to development approach must be acknowledged. In this context, smallholder farmers and their organizations show changing needs, priorities and issues of concern, and their higher interest in investing into the agricultural sector implies gaining better access to rural finance and an increasing demand for credit, not only for agricultural financing, but also for other priorities including micro and small enterprise development. This demand has been well recognized by the Government in order to promote growth in the local economy and reduce poverty in the long term, and the interest in building the rural finance sector has also been mirrored by the CBL. With the current RB-COSOP ending in 2015, this new context presents an opportunity for a stronger focus on rural finance in the next COSOP.

3. Financial sector

23. **Liberia's formal financial sector** is composed of nine commercial banks, one development finance institution, one deposit-taking microfinance institution (MFI), 23 registered non-deposit-taking MFIs³⁶, 20 insurance companies, about 225 credit unions (CUs) of which only 60-100 are estimated to be sustainable, nine rural community finance institutions (RCFIs) and 111 foreign exchange³⁷. The **informal financial sector** comprises an unknown, but very large number of (a) accumulative savings and credit associations (ASCAs) operating either as donor-initiated village savings and loan associations (VSLAs³⁸) or informal yearly savings clubs, (b) rotating savings and credit associations (ROSCAs), commonly referred to as 'susu', but also known under different vernacular terms, (c) daily deposit collection on markets, and (d) moneylenders. Financial institutions as defined in the banking and central bank laws and regulations, operate under and are supervised by the Central Bank of Liberia (CBL). As credit unions currently operate under an older legislative framework and outside the CBL (see para. 3 below), they may be best categorized as semi-formal financial institutions at present.
24. The **outreach** of formal financial institutions in Liberia is comparatively low. As at the end of 2014, commercial banks operated 85 branches, thus a branch density of only one branch per 51,800 persons³⁹; at the same time, total deposits kept by the banking sector were equivalent to 62% of GDP, and loans outstanding equivalent to 38.5% of GDP⁴⁰. A survey commissioned by the Central Bank of Liberia (CBL) in 2013⁴¹ revealed that only three out of ten adults kept a personal or joint account with a formal financial institution⁴², and that 72% did not have any account at all. The total number of deposit accounts was 741,142 by the end of September 2014, and as at the end of November 2014, the number of loans outstanding was 40,814⁴³. This indicates one of the lowest penetration rates of the formal financial sector in Africa; at the same time, the money in circulation is exceptionally high, amounting to three times the total value of bank deposits. However, there is a highly pronounced savings habit: 23% of respondents stated that they regularly set aside money as savings, and another 51% stated that they did so sometimes. This is an immense savings potential, and the data permit the conclusion that large numbers of the population would start saving in stable formal financial institutions once these operate in geographic proximity, and without insurmountable access barriers.
25. According to the World Bank Financial Inclusion data base⁴⁴, access to financial services for persons aged 15 years and above in 2011 was as follows, with all values for Liberia being below the averages for developing countries in Sub-Saharan Africa:
- Account at a formal financial institution: 19%
 - Account at a formal financial institution, females: 15%
 - Account at a formal financial institution, belonging to the, bottom 40% income group: 6%
 - Account used to receive wages: 6%

³⁶ Of the non-deposit taking MFIs, only three are larger ones. One of these larger ones has however initiated bankruptcy proceedings in 2014.

³⁷ Sources: CBL, Annual Report 2014 and CBL data update.

³⁸ The CBL Annual Report 2014 mentions 599 VSLAs at the end of 2014. The Most recent data updates of the Savings Groups Information Exchange lists 11,486 VSLA members, or 534 groups with an average of 21.5.

³⁹ Assuming a population of 4.4 million by the end of 2014. EIU Country Report 1st quarter 2015

⁴⁰ CBL, 2014 Annual report.

⁴¹ Central Bank of Liberia: National Financial Inclusion Survey Project for the Update of the Liberian Strategy for Financial Inclusion (LSFI) 2014 – 2019. Monrovia 2013

⁴² Of these, 18% had an account in a commercial bank, 3% with a microfinance bank, 1% with a MFI and 9% with a credit union.

⁴³ Assuming 80% of account holders have two deposit accounts, and that 80% of borrowers have two loans outstanding, this would imply that 28% of the adult population operates a deposit account, and that less than 2% of the adult population have a loan outstanding from a formal financial institution.

⁴⁴ <http://datatopics.worldbank.org/financialinclusion/country/liberia>

- Account used to receive government payments: 6%
 - Account used to receive remittances: 7%
 - Saved at a financial institution in the past year: 14%
 - Saved using a savings club in the past year: 16%
 - Loan from a financial institution in the past year: 6%
 - Loan from family or friends in the past year: 42%
 - Credit card: 3%.
26. The **commercial banking sector** has gained stability over the past years and expanded relatively rapidly. Banks are concentrated in and around the capital, where all head offices and about 60% of all branches are located. Even though the country has made significant progress as regards the number of banking counters in rural areas, four rural counties outside the capital do not even have a commercial bank representation at all, with 11 of 15 now having at least one bank branch. Rural branches act more as payment offices, disburse salaries of government officers, handle corporate accounts and mobilize some excess liquidity for the urban centers. Lending in these branches is at very low levels. The level of intermediation is comparatively low, with about one third to one quarter of total bank assets in lending only⁴⁵ and only about one in eight loans being a term facility. Where banks lend, it is mostly for short term working capital and trade financing. Most loans of commercial banks were granted for trade (41% in 11/2014), followed by construction (15%), personal consumption (10%) and communication (6%). The agricultural sector had absorbed 6.4%, mostly by large-scale operators and plantations.
27. Nominal interest rates charged by banks may be around 15% p.a., and add up to about 18-24% p.a. effective in the end. However, no ordinary person in rural areas could count on such facility.
28. Commercial banks all over the world have an inclination to operate in urban areas, and this is not different in Liberia. Given the very high concentration of banks in Monrovia and a comparatively low level of competition, one should expect that for a number of years, commercial banks are not expected to expand their services in rural areas.
29. **Microfinance** has seen some 3-4 years of downturn in Liberia, and is institutionally weak. One larger microfinance institution (MFI) has been recently closed due to bankruptcy, and the two major remaining ones have over the past two years reduced the scale of their operations due to mismanagement, low repayment and staff fraud and embezzlement. One MFI created during the immediate post-war era which concentrated on the economic rehabilitation and recovery process has been recently sold to a business consortium, and it is expected that this will lead to a much closer focus on urban microfinance for trade and consumer lending. It is unlikely that the sector will within the next five years expand much beyond the limits of towns and district headquarters, or could become an important player in Liberia's financial sector.
30. **Credit unions** have been existing since about 40 years, but with a few notable exceptions, are not well managed, do not operate sound management information systems (MIS), are not properly governed and supervised, and offer only rudimentary services. The newly created regional credit unions (RCUs), which operate along fixed business hours similar to rural banks or RCFIs, suffer from almost the same deficits as the ordinary CUs, in addition to an improper institutional design and business model. The viability of the one RCU visited is very fragile, because of the prevailing dogma that credit unions should lend at 12-15% p.a. maximum, which cannot cover costs and risks. Furthermore, in the absence of a MIS, the ability to calculate profitability depends on the capacity of the respective accountant, which is not fully established.

⁴⁵ Gross loans and advances accounted for 38.5% of total banking assets by November 2014. At the same time, liquid assets accounted for 30% of total assets. Only about 50-55% of total deposits are intermediated into loans. The EVD only marginally influenced commercial bank performance and decision making on investments, as a comparison with previous years shows: from 2013 to 2014, liquid assets increased by 3.2 percent points, while loans and advances decreased by 0.8 percent points only.

Even though the general assembly had not permitted staff and board to grant loans, the RCU used the available funds to lend to staff and two directors. The situation has apparently not been changed as a result of donor support received for the establishment of RCUs by UNCDF and WOCCU. Instead, its immediate result was that staff and boards depended and fully relied on donor funding, for a business model that is not well conceived and obviously not working.

31. **Rural Community Finance Institutions.** Three RCFIs have been created up to May 2014 in a laudable collaboration between the CBL and a commercial bank (AFB). The first RCFI started to operate in December 2013, two more have been created in early 2014 and another two in June 2014. RCFIs are conceived to be community-owned and community-driven rural financial institutions, which resemble a mix between financial service associations (FSAs) and community banks (CBs) in other countries. The first three RCFIs have first of all been conceived to ease payment, transfer and deposit taking constraints, in locations without any other commercial bank presence. They have been properly designed and implemented, but suffer from inadequate technical support, product design, supervision and training. None of them has fortunately started lending, none of them seems to be prepared to manage the lending process, and they would require substantial technical assistance before they would be in a position to properly manage the loan appraisal and recovery process. The dilemma is that as long as they refrain from lending, they do not generate sufficient revenues to cover expenses, and thus slowly consume their share capital through losses; where they would start to lend to generate income from interest, they are likely to lose money as they do not seem to be able to manage lending.
32. **Field observations on RCFIs supported by Afriland First Bank and CBL.** All three RCFIs in Karnplay, Fish Town and Barclayville show good community mobilization, share capital, and have mostly appropriate buildings, offices and banking halls, and a solid vault. Two of them have concluded arrangements with government to pay out salaries along the cumbersome procedures, leading to over-crowded halls and clients not being very satisfied with the length of services. Staff and board members received some training on rudimentary banking, but lack sufficient insight into what they are doing. None of the three managers had sufficient qualification for the assignment, and at least one accountant is technically not competent to accomplish his tasks. None of these staff would probably pass a standard “fit and proper test”. Cashiers were generally found to manage their duties well, and at least two cashiers have a potential to become loan officers. Board members have been selected because of their status and recognition in the community, but appear to lack a solid understanding of the tasks of a director, and the competencies to accomplish their roles and functions; at least for some, their numerical skills level will not permit them to satisfactorily execute the tasks for which they were elected. None of the three RCFIs had started to lend or was anywhere near being able to manage lending operations. The MIS is capable to run most core banking operations, but accounting and recording has been split between AFB and the respective RCFI, which does not permit RCFI managers and directors to see where they stand as regards profitability. It is estimated that all three are loss making, starting to consume their share capital. All three are earmarked for a status as cooperative society, with all the negative implications that this status brings along as regards declaring and paying dividends to shareholders. Unless dividends are paid out, as continuously promised by the promoters, confidence into the RCFIs by the local community will remain low, and prevent further attraction of share capital. The potential for savings mobilization has not been adequately recognized; the simple fact that RCFIs do not pay interest on savings makes them less attractive and trustworthy in the eyes of clients. The understanding of the managers and directors about to whom to lend, at what conditions, and at what interest rates is at best inadequate.
33. The **main constraints of the existing RCFIs** can be summarized as follows:

- (a) Unless RCFIs start to lend, they will incur losses and consume their share capital. This will make it impossible to achieve the goals for which they were set up. If they would start lending unprepared, they would also incur losses, probably even bigger ones.
 - (b) Some RCFIs assume that low interest loans should be granted, following the orientations of CUs and RCUs. This cannot lead to break even, but only to a slowdown in making losses and an extension of the loss making period till bankruptcy.
 - (c) Capacity in basic banking is inadequate and needs to be established.
 - (d) The legal status as cooperative is not suitable for RCFIs, unless a new set of more appropriate laws and regulatory framework have been put into place.
34. The **informal sector**⁴⁶ has been the only source of reliable capital for the rural poor. Mainly women have embraced the concept of the village savings and loan associations (VSLAs) and continue to operate where external support has ended, and continue to make good use of their own facility and funds⁴⁷. Without any external support, large numbers of informal 'yearly clubs' exist and operate, which operate on the same principles that the VSLA has borrowed. Rotating savings and credit associations called 'susu' groups exist on almost all markets, and wherever women and MSEs undertake their businesses. This includes almost all motorcycle drivers operating as local transport operators, where especially the youth has been strongly engaged and continues to save on a daily basis. Often, the annual savings under any of the informal sector arrangements is around LRD 10,000 to 15,000. Interest rates charged in the VSLAs and yearly clubs are most frequently 10% per month, and may reach 20-25% p.m. in the case of moneylenders. It is evident that people want to avoid borrowing from moneylenders at all costs, and that investments can hardly be financed profitably where the loan duration does not exceed 4 months and the effective interest rates exceeds 100% p.a. Both VSLAs and yearly clubs suffer from liquidity constraints during certain periods of the year, when almost all members are interested in getting loans, but few could be served only. Further details on informal sector institutions and operations are provided in Appendix 2: Poverty, targeting and gender under "Rural Financial Services" below.

4. Regulation and supervision

35. Regulation and supervision for commercial banks in Liberia has been the prime concern of CBL. The Central Bank of Liberia Act of 1999 and the Financial Institutions Act of 1999, and a number of regulations and prudential guidelines since then have created a mostly adequate framework for commercial banks. However, regulation of the microfinance sector has remained inadequate, despite the many attempts of CBL to provide more appropriate regulations and a more conducive framework for the sector.
36. The objectives of the 'Microfinance Policy and Regulatory & Supervisory Framework for Liberia' of June 2009 are:
- (a) To make financial services accessible to a large segment of the potentially productive Liberian population which otherwise would have little or no access to financial services;

⁴⁶ See also: Hans Dieter Seibel & Andreas Massing: Traditional Organizations and Economic Development. Studies of Indigenous Cooperatives in Liberia. New York, Washington & London 1974 (Praeger Publishers); Hans Dieter Seibel: The Continued Relevance of Informal Finance in Development. World Politics Review, July 1, 2014. <http://www.worldpoliticsreview.com/articles/13891/the-continued-relevance-of-informal-finance-in-development>

⁴⁷ By October 2013, the different agencies promoting VSLAs in Liberia reported that 11,674 members were supported by these agencies. By September 2014, this number was 8,366. Source: VSLA.net, Hugh Allen. This excludes the larger (unknown) number of VSLAs that have been created in the past, of which the number of surviving groups is unknown. As no post-project impact surveys have so far been carried out in Liberia, as done in other countries, it is not possible to project the number of continuing VSLAs and their membership.

- (b) To promote synergy and mainstreaming of the informal sub-sector into the national financial system;
 - (c) To enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs;
 - (d) To contribute to rural transformation;
 - (e) To promote government's poverty reduction strategy.
37. The targets of the policy are:
- (a) To cover the majority of the poor but economically active population by 2020 thereby creating thousands of jobs and reducing poverty;
 - (b) To increase the share of micro credit as percentage of total credit to the economy;
 - (c) To eliminate gender disparity by improving women's access to financial services;
 - (d) To increase the number of linkages among commercial banks, specialized finance institutions, and microfinance institutions.
38. A number of strategies have been derived from the objectives and targets, including:
- (a) To license and regulate the establishment of Microfinance institutions (MFIs);
 - (b) To promote the establishment of institutions that support the development and growth of microfinance service providers and clients;
 - (c) To establish the regulatory and supervisory framework for MFIs;
 - (d) To promote sound microfinance practice by advocating professionalism, transparency and good governance in microfinance institutions;
 - (e) To mobilize domestic savings and promote the banking culture among low-income groups;
 - (f) To strengthen the capital base of the existing microfinance institutions;
 - (g) To broaden the scope of activities of microfinance institutions.
39. The Policy creates the distinction between Bank MFIs and non-Bank MFIs, with the main provision that Bank MFIs are permitted to accept deposits, whereas non-Bank MFIs are not. Bank MFIs are required to comply in almost all aspects with the standards set for commercial banks, including licensing requirements, whereas simpler procedures and conditions apply to non-Bank MFIs. The main difference between a commercial bank and a Bank MFI is that the former requires a minimum share capital of USD 10 million, whereas non-Bank MFIs only need half of that.
40. On the basis of the above Policy, and the two different types thereby introduced, the CBL issued two regulations in 2012: (1) the 'Regulations for Non-Bank Financial Institutions' (Regulation No. CBL/RSD/005/2012); and (2) the 'Prudential Regulations for Micro-Finance Deposit-taking Institutions' (Regulation No. CBL/RSD/004/2012). According to the latter, these 'Micro-Finance Deposit-taking Institutions' (MDIs) are permitted to accept deposits, grant microfinance loans and provide other services such as payments and transfers, but are not permitted to engage in foreign exchange transactions. For loans up to USD 7,000, the normal standards of collateralization (125% of loan amount) do not apply. The conditions for a MDI license are a downgraded version of those applicable to commercial banks, and include standard details on shareholders and shareholding, documentation of incorporation, business plans for three years and deposit of the minimum share capital of USD 1 million in an escrow account. The application fee is USD 5,000, the annual operating levy USD 2,500. The main provisions related to governance are that a board of directors has to be created with 3-7 directors, whose appointments must be confirmed by the CBL, and that borrowing by board members is limited to 1% of the net worth. Prudential regulations are few, the main one being that a MDI must: (1) maintain a minimum capital adequacy ratio of 10% of risk-weighted assets; where this is not attained, MDIs are not permitted to grant further credit, make further investments, pay dividends or borrow externally; (2) transfer at least 25% of net profits to a risk reserve (reduced to 15% once the reserve equals the paid-up capital); (3) maintain a liquidity

- reserve of 10% of deposit and other liabilities; (5) respect of a single borrower limit expressed in terms of net worth (to be changed over time in view of equity funds and loan requirements, and risk management capacity); and (5) make provisions for loan losses, including full provisioning for all loans in arrears for more than 90 days. Further stipulations pertain to accounting procedures, internal audit, disclosure to shareholders, external audit and reporting to the CBL.
41. Given the need to advance on the creation of rural finance institutions in the counties, it has become clear that the above stipulations were not entirely appropriate, as they imposed conditions that rural communities could hardly fulfill. As a consequence, the CBL created the new form of RCFIs as a new, yet unregulated type of financial institution, that are not treated as MDIs. No draft regulation for RCFIs has been finalized so far, but the CBL issued a Concept Note in 2014 on the main determinants of RCFIs. Its most important provisions are:
- (a) Minimum capitalization is the equivalent of USD 50,000;
 - (b) Cost of shares: USD 5 per share (shares can be purchased in US dollars or Liberian dollars);
 - (c) Maximum number of shares any one shareholder can own: 1000 shares = USD 5,000 in value;
 - (d) Who can buy shares: individuals, companies, groups etc?
42. The CBL assured the design mission that above minimum capital requirement of the Concept Note, which is also in the draft regulation, will be the equivalent of USD 50,000.
43. In anticipation of the draft and final regulations, it will be prudent to apply the above stringent stipulations pertaining to MDIs to the new RCFIs, with the exception of those on minimum capital. This will enhance public confidence into the new institutions, enhance their ability to attract savers and shareholders, and help protect the interests of savers and shareholders.

Appendix 2: Poverty, targeting and gender

1. Overview of the country socio-economic situation and poverty

1. Poverty is widespread in Liberia, and is particularly acute in rural areas. The 14-year conflict devastated the country physically, socially and economically, with the destruction of infrastructure, uprooting of populations and disruption of productive activities. Liberia remains one of the poorest countries in the world despite substantial recovery efforts. Liberia is classified as a Least Developed Country as well as a Low-Income Food-Deficit Country⁴⁸. The gross national income per capita is USD 480 and according to the HDI Multidimensional Poverty Index, 57.5% of the population lives in severe poverty⁴⁹. The under-5 mortality rate remains high, although has decreased from 176/1,000 in 2000 to 75/1,000 in 2012⁵⁰. The HIV/AIDS prevalence rate is low at 0.9%⁵¹. 2007 data reports HIV rates as higher in the urban than rural areas, with the capital the highest at 2.6% and lowest in the North Central Region at 0.6%⁵².
2. Dimensions of poverty include poor nutrition and food insecurity, low health and education indicators, inadequate infrastructure, household size and high dependency rates, small land holdings, lack of assets, reliance on subsistence agriculture and limited alternative income sources. Poverty is strongly linked to gender inequality, including access to economic opportunities. The poorest people are unable to invest for the future through education and savings, and remain chronically trapped in poverty. Poor governance is a further key factor of poverty in Liberia, and national surveys have highlighted several linked issues including lack of transparency and accountability, disrespect for the rule of law, sanctions of opponents and human rights abuses⁵³.
3. **Rural Poverty.** An estimated 70% of the population lives in rural areas where poverty is heavily concentrated, and a high percentage lacks access to basic infrastructure and social services, with poor road conditions leaving many areas inaccessible. 79% of rural people gain their income from two or more livelihood sources. Charcoal production, mining, casual labour, food crop production, palm oil production, petty trade and rubber tapping are associated with poverty and the highest levels of food insecurity. More than one in three Liberian households has unacceptable food consumption⁵⁴, with higher incidence in rural households than urban (55% vs. 19%). Around 18% of Liberian households are food insecure, with more severe incidences of food insecurity in rural areas where it can reach up to 55%. 31% are moderately food insecure, reaching up to 41% in rural areas, leaving households highly vulnerable to food insecurity in the face of shocks. 48% surveyed had experienced a shock in the previous week that had impacted their ability to access food, most commonly sickness of a household member (26%), high food prices (17%), loss of employment or reduced income (10%), death of a

⁴⁸ Low-Income Food-Deficit Countries (LIFDC) - List for 2014, Food and Agriculture Organisation of the United Nations.

⁴⁹ From 2007 data. 'Human Development Report 2013 - The Rise of the South: Human Progress in a Diverse World', United Nations Development Programme, 2013.

⁵⁰ UNICEF Statistics, Liberia 2013, http://www.unicef.org/infobycountry/liberia_statistics.html

⁵¹ UNAIDS HIV and AIDS estimates (2012), <http://www.unaids.org/en/regionscountries/countries/liberia/>

⁵² Liberia Demographic and Health Survey (DHS), Liberia Institute of Statistics and Geo-Information Services (LISGIS), Monrovia, 2007.

⁵³ Liberia: Poverty Reduction Strategy—Progress Report, International Monetary Fund (IMF) 2010.

⁵⁴ The food consumption score (FCS) combines food diversity and food frequency (the number of days each food group is consumed) weighted by the relative nutritional importance of different food groups.

household member (8.4%), animals and pests destroying crops (5.3%) and limited access to markets by road (4.7%)⁵⁵.

4. 2007 data identifies the North Central Region, which contains a much larger share of the population than other regions, as having the largest number of people living in poverty at 38% of the national total, whereas the South-eastern Region is more vulnerable than other parts of the country. Table 1 below summarizes the poverty situation in the country:

Table 8: Liberia Poverty Situation by Region

	Poverty headcount (%)			Share of the population (%)			Number of poor	Counties	Contribution to poverty (%)
	Urban	Rural	National	Urban	Rural	National			
National	55	68	64	100	100	100	1,725,806	n.a.	100
Monrovia	48.5	-	48.5	71	-	22	288,695	n.a.	16.7
South-central	74	56	59	9	20	16.5	262,678	Grand Bassa Margibi Montserrado	15.2
North-western	82	75.5	76	4	13	10	206,547	Bomi Gbarpolu Grand Cape Mount	12
North central	57.5	69	68	8	48	36	660,129	Bong Lofa Nimba	38.3
South-eastern A	77	77	77	6	10	9	181,713	River Cess Sinoe Grand Gedeh	10.5
South-eastern B	79	66	67	2	9	7	126,044	Grand Kru Maryland River Gee	7.3
Source: 2007 Liberia Institute of Statistics and Geo-Information Services (LIGSIS)/ Poverty Reduction Strategy (PRS) 2008-2011									

5. The rainy season in Liberia lasts from May-October, followed by a six-month dry season. Rice is harvested in November/December in the North West and September/October in the South East, with the South East's longer lean season extending from April to August and the North West's from June-September. The main harvest is during July and August, with cassava harvested throughout the year. Vulnerable farmers often quickly sell any post-harvest surplus to pay off their debts, at very low prices. They often lack adequate storage facilities, and additionally may want to avoid a surplus due to difficulties accessing markets during the lean season linked to heavy rains and impassable roads. Farmers therefore do not benefit from sales during periods of price increase, and vulnerable households are market reliant during the lean season when prices are high due to increased consumer demand. This leaves households unable withstand shocks such as poor harvests and illness⁵⁶.
6. Rural-urban migration is increasing due to poverty and disparities in income, access to health and educational facilities and employment opportunities. More than a fifth of rural households (22%) have at least one member who has migrated⁵⁷.
7. **Gender and Youth Policies, Strategies and Priorities.** The Government has attempted to take affirmative action to integrate gender equality and youth concerns into the development process. Such commitment is articulated in national policy documents including: (1) the Agenda

⁵⁵ Liberia Comprehensive Food Security and Nutrition Survey [CFSNS], 2012.

⁵⁶ Liberia Comprehensive Food Security and Nutrition Survey [CFSNS], 2012.

⁵⁷ Ibid.

- for Transformation; (2) the Agriculture Sector Investment Program; (3) the Agriculture and Food Security Policy; (4) the National Gender Policy and Action Plan; (5) the National Youth Policy and Action Plan; and (6) the Youth Employment and Economic Empowerment Strategy. The Gender Strategy for the Agricultural Sector draws on the National Gender Policy with four pillars, namely access to markets, financial services, technology and natural resources.
8. The 2013 National Financial Inclusion Survey for the update of the National Strategy for Financial Inclusion recommends the promotion of access to finance opportunities particularly for market women and youth, as well as small income earners and small business owners. Providing support to women and youth has also been a focus of many donors, including through microfinance targeting women and projects such as United States Agency for International Development's 'Advancing Youth Project'. However, outreach remains extremely limited and inadequate in meeting the interests and needs identified by rural youth and women themselves.
 9. **Women and gender issues.** The gender aspects of poverty relate largely to women's unequal treatment, linked to traditional and cultural beliefs and practices. Throughout the country, the extent of gender inequalities varies according to rural/urban areas, region, status and traditional cultures. Generally however, despite recent advances on the legislative and policy fronts, achievement of the Millennium Development Goals related to gender equality and women's empowerment remains a distant goal. Liberia is ranked 62 out of 86 in the 2012 Social Institutions and Gender Index⁵⁸.
 10. In rural areas, 2007 data reported the literacy rate for women at 26%, compared to 61% for urban women, and 60% and 86% for rural and urban men respectively⁵⁹. Girls are less likely to be encouraged to attend school than boys, linked to the heavy workloads of women and need for assistance with household chores. Maternal mortality is high, with 770 deaths per 100,000 live births in 2010⁶⁰.
 11. Women constitute the majority of the active labour force in agriculture and trading activities in rural areas. However, women's ability to fully participate in agriculture and enterprise development is constrained by their limited access to productive resources such as land, credit, extension services, skills and business management training, as well as ownership of assets and basic tools. In addition, women's contribution to the agricultural sector often fails to be officially recognized due to lack of gender disaggregated data.
 12. Gendered divisions of labour are apparent in the household, where women typically undertake most work. In agriculture, women may carry out the same agricultural tasks as their husbands (including burning and brushing in some areas), and during field investigations women were very vocal about the extent to which their work is undervalued. Despite the amount of work they do, women's control of income from agricultural activities tends to be limited to gardening and small-scale rice farming on less fertile land, whereas men control more income from the production of tree crops and other crops bringing higher cash value⁶¹. Due to their more vulnerable position, women are often in need of rapid access to cash and may sell to "market sharks" who buy directly from the female farmers at a very low price. In terms of participation in intra-household decision-making, 23% of married women have no say in how their own earnings are spent, and this lack of decision-making power tends to be associated with the poorest wealth quintiles. However, for daily as well as major household purchases, more than

⁵⁸ Organisation for Economic Co-operation and Development (OECD) Development Centre, 2012.

⁵⁹ Liberia Demographic and Health Survey (DHS), Liberia Institute of Statistics and Geo-Information Services (LISGIS), Monrovia, 2007.

⁶⁰ Figure adjusted for underreporting and misclassification. UNICEF Statistics, Liberia 2013, http://www.unicef.org/infobycountry/liberia_statistics.html

⁶¹ 'An independent study by the Swedish International Development Cooperation Agency (Sida), Support for Agriculture and Forestry in Liberia: a review and proposal', Annex 11, November 2010.

three quarters of married women do have a say⁶², and in the 2007 Liberia Demographic and Health Survey (DHS), two-thirds of women reported making lone decisions about food purchasing and cooking arrangements. Decisions on borrowing money are most likely to be made jointly by the woman and her husband⁶³.

13. Women are largely involved in income generating activities, although this is usually limited to petty trading and small-scale business such as soap making and sale, smoking and selling fish, and other activities with low economic return. The range of goods marketed is broad, including fresh vegetables, rice, household goods, used clothes and shoes, toiletries and cosmetics, and sales of prepared food. Goods are procured wholesale from intermediaries and trading houses, imported from abroad. The entrepreneurial skills of women are often affected by vulnerability, with women selling their produce unsystematically and at low prices. Women are largely involved in cassava production, and they undertake almost the entire processing of both gari and fufu starch (grating, drying, roasting, packaging, etc.). Constraints include inadequate knowledge of appropriate technology to produce, process, and preserve the crop. Women form the majority of small-scale wholesalers of agricultural products, and are usually small-scale farmers themselves who reside in rural areas. They purchase neighbours' produce and transport it to the larger commercial markets, or to larger buyers.
14. Households headed by women including widows, as well as the elderly and widowers are more likely to have unacceptable food consumption, particularly in rural areas⁶⁴. However, some studies have found little difference in poverty levels according to gender of the head of household. The 2007 Demographic and Health Survey reported women as having a lower poverty incidence than men (42% and 53% respectively), while 65% of male-headed households live below the poverty line compared to 62% of female-headed households. This may be due to women's increased control of household resources and decision making as acting head of household, as well as taking on male productive roles. However, women household heads may face challenges of increased workload, or may still be vulnerable due to dependency on earnings from other male family members or husbands who have migrated for work, for example.
15. 10% of women own land as compared to 44% of men, although the situation is improving, with a 10% increase in 2010 and a 20% increase by 2012 for individual or joint ownership with their partners/husbands⁶⁵. However, figures are likely to be lower for the rural areas. Men will usually control communal land due to their traditional role as head of family.
16. **Youth.** Young people are also particularly affected by poverty. They were among the most affected during the civil war, which continues to impact their access to education, employment and livelihood opportunities. The latest (2008) Liberian National Population and Housing Census report defines youth in Liberia as persons between ages 15- 35 years, comprising 75% of the population with approximately 47% of the population under 15 years of age. The reported rate of youth unemployment or underemployment varies, ranging from 35%-88%.
17. Youth suffer social and economic exclusion, which threatens social cohesion and often leads to out-migration. Tackling the marginalization of youth is also essential for reducing poverty. If the youth do not feel that rural areas provide opportunities for them, they will continue migrating to towns and cities. This would perpetuate poverty and lack of socio-economic development given that youth are a major force for change and development in rural areas. In addition, the poorer

⁶² 'The World's Women 2010 - Trends and Statistics', Department of Economic and Social Affairs, United Nations New York, 2010.

⁶³ Liberia Demographic and Health Survey (DHS), Liberia Institute of Statistics and Geo-Information Services (LISGIS), Monrovia, 2007.

⁶⁴ Liberia Comprehensive Food Security and Nutrition Survey [CFSNS], 2012.

⁶⁵ Strategy for Mainstreaming Gender Issues in Agricultural Programs and Projects in Liberia, Ministry of Agriculture, 2011.

- youth, female youth in particular, face marginalization with the elite and those from stronger lineages tending to speak on behalf of all.
18. Liberia has many operational youth organizations, gathered under the umbrella of the Federation of Liberia Youth (FLY). The leadership of these youth groups is predominantly male, with female youth tending to occupy the position of treasurer.
 19. **Access to financial services.** As outlined in Appendix 1, the outreach of formal financial institutions in Liberia is comparatively low. More than half of rural households have no access to credit from any source (banks, relatives, savings clubs, etc.)⁶⁶. In contrast to the formal sector, savings and credit mechanisms are diversified and dynamic in the semi-formal and informal sectors, which are the only sources of reliable capital for the rural poor.
 20. **Susu groups.** 41% of people who saved preferred to do this through a very common local savings method known as 'susu' (rotating savings and credit associations), with a frequent reason being that saving through such informal channels is much faster and easier than using a bank⁶⁷, where available. During field investigations, women reported that the transaction costs of banks were too high in terms of travelling time and costs, inconvenient banking hours for traders, long queues or the system frequently being down, paper work required, or negative attitudes of staff particularly towards those making small deposits or who are illiterate.
 21. Although saving cash at home would enable easier access than susu, which is a particularly important issue in times of emergency, this leaves savings vulnerable to theft as well as open to personal use and provision of support or loans to meet demands from spouses, children, neighbours, friends and relatives. Susu enables frequent collection of savings in order to defer spending, minimize unnecessary consumption and achieve financial targets, e.g. for replenishment of stocks. Informal arrangements also carry an element of risk however, which demonstrates the strong demand for such methods of saving. Increased savings are key to help the poor to be less vulnerable to shocks and avoid resorting to moneylenders during times of emergency, who may charge interest rates of up to 20-25% per month for short duration loans.
 22. Susu takes various forms, each developed in response to differing demands and socio-economic groups. They may be purely savings-based, or with the ability to take loans as informal rotating and accumulative savings and credit associations (ROSCAs and ASCAs), as well as donor-initiated village savings and loan associations (VSLAs). 17.4% of respondents indicated that they had obtained a loan from an informal financial institution such as a savings club within the past 12 months⁶⁸, however many poor people prefer to use savings to build their assets rather than exposing themselves to risk through taking loans. During field investigations, women reported being reluctant to take loans due to fear of the frequent need to divert loans to the household and being unable to repay, especially as husbands may not take responsibility for household expenses.
 23. Motorcycle taxi driver ('Okada') susu groups were found amongst almost all motorcycle drivers operating as local transport operators (okada), where predominantly male youth are strongly engaged. The drivers save on a daily or weekly basis through ROSCAs and ASCAs, using the savings or loans for investments in business, including the purchase of spare parts and new bikes, as well as to pay their own school fees. A large number of these motorcycle drivers attend school during morning hours, and work for their livelihoods and school fees during afternoon hours.

⁶⁶ Liberia Comprehensive Food Security and Nutrition Survey [CFSNS], 2012.

⁶⁷ Central Bank of Liberia: National Financial Inclusion Survey Project for the Update of the LSFI 2014 – 2019. Monrovia 2013.

⁶⁸ Ibid.

24. Daily deposit collection, also known as 'daily susu', is different from the ROSCA operations, and involves daily deposit collection on markets by a deposit collector. This form of saving is very common particularly among petty traders and market women, and field investigations found multiple operators in every daily market visited. Deposit collectors – both male and female – are either mobile, visiting clients at their market stalls, shops, offices or homes, or they operate from a fixed location at the market where clients visit to make their daily savings payments. Deposit collectors may be informal or semi-formal; while some collectors in bigger markets and in the capital have registered their business with local authorities, the certificate listing the business as 'other monetary intermediation', they are not covered under any central bank regulation, and, as a consequence, are not supervised.
25. Clients specify the fixed daily amount they would like to save. They receive their own savings book with a table of 31 days which are marked when collected, and the collector has her/his own record also, signed by the client. The system is flexible in that clients do not have to save every day, or may choose to make up days missed by paying for multiple days at one time. At the end of 31 days, the collector disburses the total deposits received minus a collection fee of one daily contribution. Field data from markets visited showed the daily deposits as ranging from LRD 50-1000, and saving for an average of 24 days out of 31, although the majority of clients were saving every day. Clients reported that they often decided the daily amount based on the final amount they would like to save for a particular large expenditure, either for personal or business needs including payment of school fees and replenishment of stock, while taking into consideration the amount possible given their other expenditure commitments. Some collectors had over 1,000 clients in total, with the large majority being women. Transaction times per client are incredibly fast, averaging around 2 minutes, but can be a great deal faster. Collectors seldom provide loans due to risks associated with borrower default and need to maintain their reputation of providing instant cash when expected, plus lack of a capital base other than monthly collections.
26. Deposit collectors also offer the option of weekly collection of a fixed deposit amount, to be made available to the client after a specified longer duration of up to 12 months. A fee of 1 day is taken for every 31 days saved, i.e. if a month is missed there is no charge. Women reported a preference for shorter durations, and the weekly collection system is more commonly found amongst men than daily collection. Men also had higher average deposits.
27. The proximity of deposit collectors to savers enhances accessibility and outreach. Market women reported that many live at some distance from the market and are fearful of being robbed if transporting cash either home or to a distant bank from the market, and would also have difficulty accessing the cash if they need it quickly. Also, the flexible daily collection of small savings from clients makes it suitable to the needs of women and the poor, unlike in the ROSCAs where financial discipline of all is indispensable for the smooth running of the group, and where full and prompt saving is enforced by co-members. The willingness of clients to pay for such a savings service demonstrates high demand and the lack of alternatives.
28. There are also risks with the system as it is based largely on trust. In every market visited, stories existed of deposit collectors disappearing with client savings and in one market, none of the women interviewed had their own record cards, preferring to leave them with the collector for safekeeping despite the fact that this left them with no proof of savings.
29. **Village Savings and Loan Associations (VSLAs).** Mainly women have embraced the concept of the VSLAs and continue to operate where external support has ended. Without any external support, large numbers of the indigenous 'yearly clubs' also exist and operate, based on very similar operating principles as the VSLAs. The methodology had been developed in the early 1990s by CARE International in Niger, building on local ASCA systems. Groups are self-selected with 15- 30 members who pool their savings into a fund from which members can take loans to be paid back with monthly interest, thereby causing the fund to grow. The cycle is time-

bound for 8-12 months, decided by the group, after which the accumulated savings and interest earnings are shared amongst the membership in proportion to the amount each member has saved. Groups decide the fixed minimum sum for contributions, based on the amount the poorest members can reliably and regularly pay.

30. The advantages of VSLAs and ASCAs compared to ROSCAs include the interest on savings, and the varying amounts and lengths of loans at times that match the borrower's needs, rather than the pre-determined or unpredictable access to ROSCA savings, meaning that money is not available at the most beneficial time. However, the amount of money available for loans is small, especially at the beginning of the cycle. Loan periods are usually short during the first few cycles, limiting investment in longer-term activities. The limited loan funds are not always available at the times required due to high demand, which was noted by women to be an important issue especially at key times during the farming seasons, times of school fees payment, and during seasonal/religious festivals. VSLAs are more complex to administer than ROSCAs and require a system of record-keeping. In the way they are practiced, they require initial facilitation, training, and supervision for a certain period by an external agent or service provider, mostly limited to a maximum of one year.

2. Geographical targeting and target groups

31. **Geographical targeting process.** At district/county level, the following criteria will be used to identify priority communities: (a) social, poverty and demographic indicators to reach the most vulnerable communities; (b) complementarities with on-going and planned government and donor initiatives; (c) potential for commercial activity, including the production of cocoa and coffee and value addition; (d) potential for poverty reduction and employment creation; (e) potential for mobilization of shares and savings; and (f) demand for financial services, in particular among the low income groups. Based on these criteria, communities will be pre-targeted and final selection will be done in collaboration with the decentralized office of the MOA, district authorities, chiefdoms, implementing partners and village forum.
32. The success of the program will depend on its ability to cover the entire national territory. However, given the need to concentrate support on those areas where RCFIs already exist and need support, clusters will be identified for controlled, harmonized and successful expansion. Initially, the country may be divided into major implementation clusters, which may comprise several counties. From these initial cluster zones, the program will attempt to cover as much of the country as possible, being mindful of the limited financial endowment available, the associated transaction costs, the available support from local government authorities, projects, women's associations, cooperatives, etc. The basic approach is to facilitate the establishment of one RCFI in those larger villages and small and medium-sized towns in counties that fulfill the essential eligibility criteria. The final location/ site of RCFIs will be conditioned on findings of a feasibility study undertaken under the Program.
33. **Target groups.** In line with IFAD's mandate and targeting policy, and in compliance with the Government's principle of inclusive development, the primary target group will be the economically active rural population, including petty traders, productive smallholder farmers, food processors, local transporters, craftsmen and artisans, and ex-combatants, who demonstrate an interest and willingness to expand their activities and commercialize. Special attention will also be given to engage women and youth in both on-farm and off-farm activities, and micro- and small-scale entrepreneurs, particularly women, will be supported. The project's strong focus on targeting women is especially relevant given the higher levels of female poverty, women's responsibility for household wellbeing and food security, as well as to build on the vast potential of women's enterprise development. However, as a project to promote improved access to rural finance, targeting will be inclusive, and by virtue of the fact that the RCFIs to be set up will be community-owned and community-based, access to the financial

services will be open to the community at large. The case of the first three RCFIs established by AFB and CBL also shows that substantial capital can be mobilized from among the descendants of a community living in the capital; however, in such cases, these act as financiers, and are excluded from borrowing by virtue of their residence outside the community.

34. **Targeting beneficiaries of on-going IFAD projects.** Partnerships with on-going projects will reinforce the complementary nature of the project and leverage impact on the target group; furthermore, the project will develop strong partnerships with the cooperatives and farmer organizations supported under existing projects where these are interested in financial services. The private sector partners may benefit from access to money transfer facility, which has been noted as a particular constraint especially during commercialization periods.
35. **Target population and expected RCFI coverage.** The Program will target at least 31,000 shareholders/users. At least 50% of users should be women and 25% youth, equally divided between female and male youth⁶⁹.

3. Social inclusion and targeting strategy

36. **Poverty targeting.** The project targeting strategy aims to greatly increase the numbers of poor accessing rural finance and help to remove the constraints faced in undertaking economic activities, enabling them to better protect their savings, better stretch their income over lean periods during the year, and increase their incomes. Through the creation of new, more responsive rural financial institutions in the formal sector, the poverty targeting strategy will involve: (1) geographical targeting in the prioritization of poorer, more vulnerable areas of the country; (2) adjusting the sizes, operations and systems of RCFIs in such a manner that also smaller, poorer and more remote locations qualify in principle for the creation of new RCFIs; (3) inclusion strategies focusing on tailored approaches to meet the needs and potential of target groups, particularly women and youth; (4) innovative approaches through the adaptation of technologies to be more appropriate and accessible to target groups; (5) self-targeting measures; and (6) tracking of clients' evolving level of poverty.
37. The RCFI poverty targeting strategy aims to include both community members using informal savings systems as well as the financially excluded, defined as those who earn money but do not use any form of financial services. Initially, the RCFIs are likely to attract members who already have some experience with savings and wish to access to the greater range of services available through membership in a formal financial institution. However, the project aims to actively extend outreach and reduce access barriers for the financially excluded, as well as poor households, women and youth, to become members. To achieve this, the following savings products will be developed, tailored to needs identified: (1) daily savings collection; (2) weekly fixed deposit savings; (3) VSLA savings; and, (4) ordinary savings accounts with features of a current account.
38. **Daily savings collection ('Susu 1').** Women in particular will be targeted through the emulation of the informal daily deposit collection system which particularly helps market women and traders to secure the achievement of savings targets and the dosing of excess liquidity (see section on daily deposit collection above for further details). As with the existing system, the saver will deposit a fixed daily sum that they themselves decide upon. The deposit collection officer will use a biometric smartphone device to take fingerprints, which will provide no barriers to illiterate clients to understand, as well as having very short transaction times (15-

⁶⁹ No targeting will be introduced as regards loan values for women or the youth, as there is risk of setting the wrong priorities. The main priority here is to link loan amounts with the investment financing gap. There are many real differences in types of businesses between men and women, and between adults and youths, which cannot be influenced under this programme.

- 25 seconds max). As with the existing system, clients who miss one or more day's savings can pay for multiple days at a later date.
39. **Weekly fixed deposit savings ('Susu 2').** Using the same principles and delivery system, a weekly recurring fixed deposit scheme will also be offered to the market woman and households at a greater distance to the RCFI building who want to save for longer durations.
40. **VSLA savings.** RCFIs will offer short-term refinance facilities to VSLAs at times of fund shortages, thereby addressing the demand for loan access to all members at the appropriate time, rather than limiting access to a few only. The VSLA approach is self-targeting, being highly accessible to the poor and of limited interest to better-off community members, and is being used predominantly by women. The VSLAs are a particularly appropriate method to target the poorest households with little or no experience with financial services, enabling them to begin to save and borrow on a limited scale with minimal risk. The VSLA approach will pursue the criteria of the geographical targeting process outlined above, with equitable participation of women and youth a criterion for receiving support.
41. **Savings accounts.** Opening an account as a saver will require only the purchase of one share of USD 5 plus a savings pass book of around USD 4, without fixing any minimum opening amount or a minimum savings balance. Upon buying one share, the shareholder is eligible to attend annual general meetings and vote. Limitations regarding share-holding will be developed by local communities/RCFIs in order to ensure that locally and external influential and richer people do not take control of the RCFI at the expense of ordinary shareholders. A further measure to reduce access barriers will be to encourage the locating of banks near markets where feasible, and to extend the opening hours on market days to increase accessibility for women market traders.
42. **Loan accessibility for target groups.** Full classical collateral coverage will not be a requirement for accessing credit at the initial phases. Instead, loans will be tied to the shareholding and savings of an applicant. Where a borrower does not have sufficient shares and savings as collateral for the amount sought, any other client could stand as guarantor. For agricultural lending, collateral substitutes such as warehouse deposits⁷⁰ may be used. In the first years of operation, borrowers are required to organize themselves into groups along the Grameen principles⁷¹, an approach which is highly suitable to attract women. As part of risk management⁷², and given the high attention paid by the GOL on financial inclusion of women as well as IFAD's emphasis on promoting women, it is highly recommendable to have group lending for petty trade purposes of women as the first financial product introduced during the phased approach, for example beginning with a 6-month pilot of initially lending only to women, as well as refinancing VSLAs/yearly clubs with focus on women. This approach also addresses issues of demand, capacity, and lending resources.
43. Credit officers and cashiers will ensure that passbooks and application processes are understood and accessible to people who cannot read and write. They will receive training, particularly from TASU/TASC, to help provide advice on issues such as financial planning and savings targets, increasing client understanding of the benefits, terms and conditions of

⁷⁰ Some positive results of warehouse receipts are reported from Sierra Leone and Ghana with palm oil.

⁷¹ These basic principles recommended here include: (1) Borrowers create their saving and credit group at their convenience; (2) the size of a group should be between 5 and 10; (3) the group determines the borrowers and the sequence of loan disbursements; (4) disbursements will start with two group members, followed by batches of two members each, with the chairperson and other group officials being the last ones to receive a loan; (5) disbursement of a loan to the next batch of borrowers is contingent on strict compliance of other group borrowers with loan repayment schedules; and (6) group members are jointly liable for all loans outstanding at the RCFI by any group member, including capital and interest.

⁷² In Sierra Leone, as in many other contexts, women are often noted as being the best clients in terms of repayment.

financial products and services and how to avoid becoming over-indebted, as well as making sure women in particular do not face debt burden from loans taken for their husbands' economic activities or consumption. For group lending, they will ensure that they deal with the group as a whole, rather than only the leadership.

44. **Additional measures for targeting.** The money transfer facility offered by RCFIs can play a great role in rural poverty reduction and livelihood development given the number of people with relatives sending remittances through informal channels, especially from the USA as well as the capital. RCFIs will also ensure the right to privacy of clients in order to prevent private customer information from reaching those without legal authorization. Confidential savings accounts and loans are particularly important for women to avoid interference from husbands and family members and provide future security, as well as avoid issues of jealousy. Mechanisms will also be developed for clients to provide feedback on service quality, e.g. comments/complaints boxes, and confidential procedures will be developed to address complaints.

4. Gender mainstreaming strategy

45. In implementation, the project's poverty targeting strategy focuses on social inclusion and outreach to ensure that the project is effectively reaching the economically active poorer members of the community. A key element of social inclusion and targeting is the focus on women and the application of mechanisms to facilitate their involvement in project interventions. The gender mainstreaming strategy has three key focus areas: (1) RCFI clients; (2) RCFI staff and board; and (3) TASU/TASC staff.
- (a) **RCFI clients.** The project has a target of 50% minimum female participation and use, and as detailed in the poverty targeting strategy above, many of the approaches and savings products of the RCFIs naturally target women. Women will also benefit from the women's empowerment measures outlined below.
- (b) **RCFI staff and board.** The gender strategy also aims at expanding female membership and improving gender balance of RCFI staff and board. At least one third of board directors must be female. If the chairperson is male, the position of vice-chairperson shall be held by a woman, and vice versa. The recruitment of staff will priorities women and female youth provided they have the relevant skills for the positions. Female credit officers and cashiers in particular will be actively encouraged in order to benefit interactions with female clients, and intimate knowledge of the local community will serve as one criterion for recruitment.
46. It is aspired that half of all credit officers will be female, which will be targeted through the provision of training on motorbike riding where required to overcome gender-based constraints in this area, and eventually the option of an allowance to hire motorcycle riders as required. They must also have a background in business and trade. In their community visits and promotional activities they will target 'female spaces' including markets and households according to daily schedules of women. Credit officers will be encouraged to form networks for knowledge sharing, which may include the use of a moderator with gender and business expertise to bring out issues.
47. Each RCFI will develop their outreach strategy including gender and targeting strategy during the first year of operations, to be updated in the business plans. In order that RCFIs assume responsibility for their own operations and financial sustainability, RCFIs will send requests to TASU/TASC for any training required according to specific needs identified linked to gender, social inclusion and women's microenterprise development.

48. To foster a performance-driven approach, monthly MIS summary sheets of key performance indicators including women's participation will be displayed on notice boards, in order to compare with the previous months' performance as well as rank performance against other RCFIs. In analyzing changes over time, gaps can be identified and addressed, including learning from other well-performing RCFIs.
49. **TASU/TASC staff.** The Financial Inclusion/ Gender & Youth Officer (FIO) of TASU/TASC will play a key role in developing the gender mainstreaming and poverty targeting strategy for RCFIs, largely working through the credit officers as well as with other RCFI and TASU/TASC staff, and with a main focus on business development. They will provide targeted training including on-the-job training to the credit officers and cashiers in particular, as well as ongoing backstopping support.
50. TASU/TASC staff may benefit from an exposure visit to Sierra Leone which will include learning from approaches and lessons for gender and targeting. Following from this as well as on the basis of requests received from the RCFIs, the FIO will design programs for any further training required according to specific needs identified by both TASU/TASC and RCFI staff. The TASU/TASC Analyst will be trained in socio-economic analysis and participatory M&E, including gender and targeting issues.

5. Women's empowerment strategy

51. As many studies demonstrate, empowering women economically is essential to other dimensions of women's empowerment, enabling them to gain the power and ability to expand individual choice and self-reliance. During field investigations, women reported gaining higher status when they are able to provide increased income, as well as increased decision making power in the household including control over income. An important issue for women's empowerment is to ensure that women actually benefit from increased access to financial services, which points to the need for RCFIs to support women in finding ways of increasing their livelihood skills and empowerment. Furthermore, it is crucial to ensure that loans are not sold inappropriately to women and vulnerable people, thereby burdening them with debt. Women's empowerment is therefore a key issue for the sustainability of loan products and RCFI operations.
52. To provide cost-efficient non-financial services in the most effective and sustainable way, at the end of the second year and before the MTR, an international consultant with gender expertise in gender audit, training, MSE development and agricultural trade will carry out the following three key tasks: (1) organizational gender audit on a sample of RCFIs as a basis for developing the most efficient and effective gender mainstreaming strategies; (2) in-depth assessment of the situation of women shareholders and borrowers, failure risks, repayment rates, profitability of their enterprises, investment opportunities in the local economy, demand and absorption capacity analysis, post-harvest strategies, etc.; and (3) deliver specific tailored training based on needs identified, including facilitation of open discussions among staff.
53. **MSE loan products targeting women.** The consultant will work closely with the Micro Enterprise Coach (MEC) under the IFAD grant for economic recovery after the Ebola Virus Disease (see the Attachment to Appendix 4a for further details on the grant). Working with the MEC, the RCFIs will be assisted to introduce a new lending product for micro enterprises, in particular those of female traders and food processors as well as farmers; this will be a flexible short term loan facility of 3-9 months, using a maximum credit limit of 3 between shares bought and loan granted, with no other collateral requirement, and a repayment schedule in accordance with cash or business income. RCFIs will also be assisted to introduce a specific MSE loan product offering individual loans for persons who do not associate with groups, particularly targeting female traders and food processors, as well as farmers.

54. **Empowerment tools for women's MSE development.** A key aim of the consultant assessment and training will be to develop tools to help women themselves identify and act upon opportunities for micro and small entrepreneurship development, and crucially to ensure that investments are sound. The tools should also help women and women's groups to identify opportunities for linkages with potentially profitable markets, services and assets, and appropriate technology and knowledge. This may include organizations and programs providing agricultural training and capacity development, processing equipment to borrow/hire, micro and small entrepreneurship development, women's adult literacy, etc. In this way, training needs will be identified by women themselves.
55. **Exposure program for women's MSE training.** A second key aim is to develop a system of mutual learning and knowledge sharing between women's groups which could meet many basic training needs. This may be based on peer review between groups that are not in competition, for example a small circle of different representatives from women's groups who meet for regular exchange, facilitated through a moderator to bring out issues and help develop plans of action. This would also serve to foster network ties between the groups. It must be ensured that peer learning is actually among peers, i.e. persons of a similar age, background, status, etc., especially to enable participants to interact and learn on an equal basis, and mitigate the risk of more dominant members simply 'training' others. Short-duration learning exchange visits to particularly active women's groups as well as youth groups will be organized for other groups to see how they followed through on developing their ideas.
56. **Support to business planning and linkages to non-financial services and markets.** A third aim of the consultant assessment and training is to build the capacity of staff in order that they may (1) offer women support to develop feasible business and financial management plans to access loans, integrated with the delivery of financial services; and (2) seek out and facilitate linkages to potentially profitable markets, services and assets, and appropriate technology and knowledge. This support role will be provided by credit officers supported by the FIO. The overall aim is to identify demand, fill gaps and help to develop local knowledge. Women and youth groups will be targeted, and after identifying opportunities the respective credit officer will compile a list of possible groups before developing the approach with the FIO.
57. Facilitation may include collaboration with other service providers, organizations, development projects or government services through developing formal or informal links. Arrangements could be made for groups to pay for required services or hire of equipment through agricultural lending, for example. Credit officers are well placed for this role, having gained in-depth knowledge of the financial situation of their clients in terms of business skills, financial management, profits, etc., from their regular interaction. The benefit to providers of other services includes access to a large number of organized women's groups which would contribute to the sustainability of their own services. Such collaboration between organizations could include RCFIs advertising the complementary services available from other organizations, e.g. through leaflets or posters in branches, or through promotion in the RCFI communication and sensitization activities.

6. Targeting strategy for rural youth

58. The focus on youth is also a key element of social inclusion and targeting. Targeting of young people will concentrate on primarily two aspects: (1) facilitating employment opportunities; and (2) fostering their entrepreneurial spirit and skills.
59. The involvement of youth and particularly female youth in existing VSLAs and other savings groups is high, and proportionally similar to youth representation in the population. Many youth, male and female, sell at the markets where they are engaged in various forms of susu, therefore the susu savings products are likely to appeal to them. They often attend school in the

mornings before their market work in the afternoon, and may use savings to pay school fees. Male youth will also be targeted through loan provision to motorbike savings groups. Many of the young motorcycle drivers are facing competition and declining margins, and are highly interested to diversify or move to other, more lucrative business opportunities. As with the strategy for women's empowerment, credit officers supported by the FIO will facilitate linkages between young people in the areas of intervention and programs that provide employment or training opportunities and agribusinesses. The project will also target information to youth engaged in business, to encourage them to join RCFIs either individually or in groups. The involvement of both male and female youth is essential for the growth and sustainability of RCFIs.

60. The TASU/TASC as well as the RCFIs will also foster youth employment internally, employing young professionals wherever possible.
61. Under the IFAD grant for economic recovery after the Ebola Virus Disease, the Micro Enterprise Coach (MEC) will encourage the youth to provide farm remunerated labour as a group venture to farmers borrowing from RCFIs. The MEC will also work with existing entrepreneurial youth organizations. This may include the motorcycle rider associations and savings groups, assisting them to do their own assessments of business potential and develop their business plans (see the Attachment to Appendix 4a for further details on the grant).

7. Monitoring of targeting effectiveness

62. The TASU/TASC and PIU M&E/ KM specialists will work together with stakeholders to develop mechanisms for monitoring and assessing the outcomes and impacts of products and services on target groups, and to ensure that the target population is reached. This includes use of participatory M&E methods. Gender and youth-sensitive quantitative and qualitative indicators will be developed to capture the impact on target groups' livelihoods, as well as specific indicators on gender equality and women's empowerment. Communities, RCFIs and shareholders will be included in the definition of indicators, data collection, analysis and dissemination of results. Targeting performance will also be assessed at mid-term review. Main measures include the following.
63. **Gender and youth-disaggregated M&E.** The M&E system will ensure disaggregation of data for men and women, male and female youth. This includes disaggregating within different sectors and products by gender and youth. All studies including baseline, outcome and impact studies and monitoring will include gender and youth disaggregation as well as gender and targeting analysis.
64. **TASU/TASC data analysis of gender and targeting performance.** The TASU/TASC Analyst will ensure socio-economic analysis including the participation of women and youth as a basis for learning lessons about what attracts, and constrains, them from accessing the financial services. This will include systematic use of participatory M&E methods to gather feedback from the different target groups. From the MIS on a regular basis, the Analyst will synthesize and share information on the percentage of women and youth participation and the achievement of targets across RCFIs, counties, and districts. Targets to be monitored include minimum 45% value of loans disbursed to women and 15% to youth, as well as at least 50% female participation and 25% youth, equally divided between female and male youth.
65. Information to be gathered for analysis from the project MIS may include:
 - (a) Comparison of repayment/default rate between men and women;
 - (b) Percentage/number of women and youth sitting on boards and committees as well as amongst staff/ credit officers/ cashiers.

66. **Poverty and socio-economic impact assessment.** Assessment of change will be captured through a questionnaire to be completed by clients upon opening an account and included in MIS as a baseline. The questionnaire will include a couple of questions, such as: (1) What amount do you currently save in susu/savings groups?; (2) Do you keep an account elsewhere (credit union/bank, etc.)?; (3) In how many transfers have you been involved as sender or receiver in the past 3-4 months?; (4) What interest did you pay on your previous two loans received?; (5) How did you use the last two loans received?; or (6) What is the travel time from your home to the financial institution that you used so far? Such questions also help to assess the extent of inclusion of those previously financially excluded. As part of the comprehensive impact assessment and linked to MIS data, a representative sample analysis will be carried out for clients of different age, gender, sectoral and product groups, as well as differing durations of bank usage. A perception-based questionnaire will be administered in order to capture the impact on target groups' livelihoods and assess improvements in poverty-related factors including income situation, reduction of hunger season, and spreading of income over longer periods. Satisfaction with RCFI services will also be assessed.
67. The impact assessment will also use participatory methods to capture issues including cultural and behavioral changes, household and production dynamics, etc. In particular, this will ensure that the expected linkages between women's access to financial services and empowerment are established and produce results. It is also important to verify that women are not impacted negatively by access to finance. As studies in other contexts have revealed, issues include the potential that women's increased access to finance may expose them to gender based violence and increase domestic burden as men may withdraw household support. Additionally, women may be overburdened by taking loans for their husband's economic activities or personal consumption. Other issues include overburden of increased workload or debt. The study will also examine the impacts of the different savings products to understand the poverty dynamics and ability to achieve outreach and inclusion of the rural poor. Assessments will also be carried out with those who did not access RCFI services and products to better understand the reasons for this.
68. **Project Implementation Unit (PIU).** Gender, youth and targeting issues, as well as knowledge management and communication considerations, will be integrated in all relevant aspects of project management. The PIU M&E team will share responsibility for data collection, management and analysis, including for gender and targeting, and will receive the same training as the TASU/TASC Analyst in socio-economic analysis and participatory M&E, including gender and targeting issues.

8. Ensuring outreach of poor and women in communication/sensitization campaigns

69. The communication and sensitization strategy will ensure regular advertisement and sensitization on the products and services with a focus on outreach to poor rural people, including women and youth. Measures may include the use of community radio in local languages, receiving feedback from communities through radio discussions, leaflets and posters with pictorial information, and case studies of good practices and success stories for women in rural finance. The strategy will be monitored and reviewed as required to ensure information is reaching women and poorer community members. Where feasible, community sensitization will be conducted in association with existing women and youth organizations, ensuring that women and female youth constitute half of the members in community meetings as well as providing an environment for them to freely express their specific concerns and perspectives.
70. Knowledge and information on gender and targeting issues will be regularly disseminated both to staff and to stakeholders outside the organization to support dialogue and decision making.

Gender and youth concerns will be integrated in the knowledge management action plan developed by the PIU.

71. In support of the MSE component, the communication and sensitization strategy will focus on addressing the issue of EVD-related stigmatization as appropriate, including support to orphans of Ebola as well as quarantined families, engaging with the community leaders and Ebola Task Forces. The strategy will also inform the rural poor about the opportunities under the grant.

ATTACHMENT 1: KEY FEATURES OF GENDER-SENSITIVE DESIGN AND IMPLEMENTATION

Key Feature	Design
1. The project design report contains – and project implementation is based on – gender-disaggregated poverty data and an analysis of gender differences in the activities or sectors concerned, as well as an analysis of each project activity from the gender perspective to address any unintentional barriers to women's participation.	The poverty analysis includes gender-disaggregated data, and the specific needs as well as challenges faced by women in accessing finance are addressed through the core elements of the project design, with each financial product being based on gender analysis.
2. The project design report articulates – or the project implements – actions with aim to: <ul style="list-style-type: none"> Expand women's economic empowerment through access to and control over productive and household assets; 	Through increasing women's access to financial services combined with specific measures for women's economic empowerment, the project is helping to develop the foundations for other dimensions of women's empowerment, including increased access to and control over assets.
<ul style="list-style-type: none"> Strengthen women's decision-making role in the household and community, and their representation in membership and leadership of local institutions; 	In addition to economic empowerment measures which link to increasing women's decision-making role in the household, the project has set a target of 50% minimum female participation and at least one third of board directors being female. If the chairperson is male, the position of vice-chairperson shall be held by a woman, and vice versa. RCFIs have been designed to present no barrier to women's membership, and every shareholder is eligible to vote at any general assembly.
<ul style="list-style-type: none"> Achieve a reduced workload and an equitable workload balance between women and men. 	It is envisaged that the women's economic empowerment measures will lay the foundations for women's empowerment more generally, including development of equity within the household. The project also aims to link with other organizations and programs providing services including relating to gender, which may help to address issues of workload balance.
3. The project design report includes one paragraph in the targeting section that explains what the project will deliver from a gender perspective.	Yes. The key focus areas of the gender mainstreaming strategy are summarized in the project area, target group and strategy section under project description.
4. The project design report describes the key elements for operationalizing the gender strategy, with respect to the relevant project components.	Yes. This is detailed in Appendix 2.
5. The design document describes – and the project implements – operational measures to ensure gender- equitable participation in, and benefit from, project activities. These will generally include:	
5.1 Allocating adequate human and financial resources to implement the gender strategy	Each RCFI will develop their outreach strategy including gender and targeting strategy during the first year of operations. The FIO of TASU/TASC will play a key role in developing the strategy, largely working through the credit officers for implementation as well as with other RCFI and TASU/TASC staff. Actions outlined in the gender strategy have been costed and budgeted where necessary.
5.2 Ensuring and supporting women's active participation in project-related activities, decision-making bodies and committees, including setting specific targets for participation	Financial products have been designed which naturally target women, and peer-learning and knowledge sharing networks will be encouraged amongst women's groups as well as female credit officers, which would enhance participation. In addition, tools will be developed to help women themselves identify and act upon opportunities for MSE development, and women will play a key role in participatory M&E of project-related activities.

<p><i>5.3 Ensuring that project/program management arrangements (composition of the project management unit/program coordination unit, project terms of reference for staff and implementing partners, etc.) reflect attention to gender equality and women's empowerment concerns</i></p>	<p>The recruitment of staff will priorities women, particularly female credit officers and cashiers in order to benefit interactions with female clients. It is aspired that half of all credit officers will be female, which will be targeted through the provision of training on motorbike riding where required to overcome gender-based constraints in this area. As reflected in TORs, the FIO of TASU/TASC will have a central focus on gender equality and women's empowerment, working through the credit officers as well as with other RCFI and TASU/TASC staff including the TASU/TASC Analyst, who will be responsible for socio-economic analysis and participatory M&E, including gender issues.</p>
<p><i>5.4 Ensuring direct project/program outreach to women (for example through appropriate numbers and qualification of field staff), especially where women's mobility is limited</i></p>	<p>Credit officers (largely female) will target 'female spaces' in their community visits and promotional activities including markets and households according to daily schedules of women. Furthermore, the emulation of women's existing informal savings and credit systems combined with the use of a biometric smartphone device for mobile deposit collection will provide direct outreach with no barriers to women/ illiterate clients.</p>
<p><i>5.5 Identifying opportunities to support strategic partnerships with government and others development organizations for networking and policy dialogue</i></p>	<p>Credit officers supported by the TASU/TASC FIO will seek out and facilitate collaboration with other service providers, development organizations or government services relating to women's MSE development, through developing formal or informal links. The project knowledge management and communications strategy will regularly disseminate information on gender issues to stakeholders outside the organization which may inform policy dialogue.</p>
<p>6. The project's logical framework, M&E, MIS and learning systems specify in design – and project M&E unit collects, analyses and interprets sex- and age-disaggregated performance and impact data, including specific indicators on gender equality and women's empowerment.</p>	<p>Yes. The M&E system will ensure disaggregation of data for men and women, male and female youth. This includes disaggregating within different sectors and products by gender and youth. All studies including baseline and impact will include gender and youth disaggregation as well as gender and targeting analysis, and indicators will be developed to capture changes in gender equality and women's empowerment. From the MIS on a regular basis, the TASU/TASC Analyst will synthesize and share information on the percentage of women and youth participation and the achievement of targets across RCFIs, counties, and districts.</p>

ATTACHMENT 2: TARGETING POLICY – CHECKLIST FOR DESIGN

Key Feature	Design
1. Does the main target group – those expected to benefit most- correspond to IFAD's target group as defined by the Targeting Policy (poorer households and food insecure)?	Yes. As a project to promote improved access to rural finance, targeting will be inclusive, and by virtue of the fact that the RCFIs to be set up will be community-owned and community-based, access to the financial services will be open to the community at large. However, extending outreach to poorer households will be a main focus and the project targeting strategy aims to remove barriers to access through: (1) geographical targeting in the prioritization of poorer, more vulnerable areas of the country; (2) adjusting the sizes, operations and systems of RCFIs in such a manner that also smaller, poorer and more remote locations qualify in principle for the creation of new RCFIs; (3) inclusion strategies focusing on tailored approaches to meet the needs and potential of target groups, particularly women and youth; (4) innovative approaches through the adaptation of technologies to be more appropriate and accessible to target groups; (5) self-targeting measures; and (6) tracking of clients' evolving level of poverty.
2. Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods – with attention to gender and youth differences? (matrix on target group characteristics completed?)	Yes. Target sub-groups have been described with a focus on gender and youth differences, including the distinctions between different economic and livelihood activities (petty traders, productive smallholder farmers, food processors, youth motorcycle riders, etc.), as well as differences between community members using various informal savings systems and the financially excluded. On this basis, all sub-groups have been specifically targeted according to the different needs identified.
3. Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence? (matrix on analysis of project components and activities by principal beneficiary groups completed?)	Yes. As was evident during field investigations, there is vast potential and unmet demand to develop the large informal financial sector and especially to build on the potential of women's and youth enterprise development. The willingness of existing clients in the informal sector to pay for savings services and take on the element of risk involved demonstrates high demand and the lack of alternatives.
4. Does the design document describe a feasible and operational targeting strategy in line with the Targeting Policy, involving some or all of the following measures and methods:	
4.1 Geographic targeting – based on poverty data or proxy indicators to identify, for area-based projects or programs, geographic areas (and within these, communities) with high concentrations of poor people	Yes. At county/district level, criteria will be used to identify priority communities which include social, poverty and demographic indicators to reach the most vulnerable communities, as well as potential for poverty reduction and employment creation, and demand for financial services, in particular among the low income groups.
4.2 Direct targeting – when services or resources are to be channeled to specific individuals or households	Women and female youth will be directly targeted through the recommended phased approach to lending starting with a pilot of initially lending only to women, and targeting male youth motorcycle riders (okada) in the third phase. Non-financial services will also be channeled specifically to women and youth through linkages established with other service providers, development organizations or government services relating to women's and youth MSE development.
4.3 Self targeting – when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups	Yes. Many of the approaches and savings products of the RCFIs naturally target women and the poor, being highly accessible to the poor and of limited interest to better-off community members, e.g. through small weekly savings, and emulation of women's existing informal savings systems. The VSLAs are particularly attractive to the poorest households with little or no experience with financial services, enabling them to begin to save and borrow on a limited scale with minimal risk, using fixed regular savings based on the amount the poorest members can reliably pay. The use of

	alternative forms of collateral including shareholding and savings, other shareholders standing as guarantor, or warehouse deposits for agricultural lending mean that credit will be accessible to target groups.
<i>4.4 Empowering measures – including information and communication, focused capacity- and confidence-building measures, organizational support, in order to empower and encourage the more active participation and inclusion in planning and decision making of people who traditionally have less voice and power</i>	The project's women and youth empowerment strategies include development of tools to help women and youth themselves identify and act upon opportunities for MSE development. A system of peer learning and knowledge sharing between women's and youth groups will also be developed. The communication and sensitization strategy will focus on outreach to poor rural people, including women and youth, and it will be emphasized that women and female youth constitute half of the members in community meetings as well as providing an environment for them to freely express their specific concerns and perspectives. The project will also target information to youth engaged in business, to encourage them to join RCFIs either individually or in groups. Mechanisms will also be developed for clients to provide feedback on service quality.
<i>4.5 Enabling measures – to strengthen stakeholders' and partners' attitude and commitment to poverty targeting, gender equality and women's empowerment, including policy dialogue, awareness-raising and capacity-building</i>	Information on gender and targeting issues will be regularly disseminated both to staff and to stakeholders outside the organization. The organizational gender audit and in-depth assessment conducted by an international gender expert, together with delivery of specific tailored training based on needs identified, including facilitation of open discussions among staff, will help to foster such commitment and understanding of the issues to the sustainability of RCFI operations.
<i>4.6 Attention to procedural measures – that could militate against participation by the intended target groups</i>	Criteria have been developed for selection of the priority communities, including most vulnerable, which will help prevent political interference. Potential procedural barriers have been addressed through the targeting and gender strategies based on analysis.
<i>4.7 Operational measures – appropriate project/program management arrangements, staffing, selection of implementation partners and service providers</i>	Each RCFI will develop their outreach strategy including gender and targeting strategy during the first year of operations. The FIO of TASU/TASC will play a key role in developing the strategies, largely working through the credit officers as well as with other RCFI and TASU/TASC staff.
<i>5. Monitoring targeting performance. Does the design document specify that targeting performance will be monitored using participatory M&E, and also be assessed at mid-term review? Does the M&E framework allow for the collection/analysis of sex-disaggregated data and are there gender-sensitive indicators against which to monitor/evaluate outputs, outcomes and impacts?</i>	Yes. The M&E design has a focus on monitoring targeting performance through participatory M&E, with gender and youth disaggregated data, baseline and impact studies and monitoring including gender and targeting analysis, and youth and gender-sensitive indicators developed to capture the impact on target groups' livelihoods. From the MIS on a regular basis, information on women and youth participation and the achievement of targets across RCFIs, counties, and districts will be synthesized and shared.

Appendix 3: Country performance and lessons learned

1. Past results, impact and performance

1. In 2009, IFAD restarted its activities in Liberia after a 20 year suspension due to non-payment of arrears in a situation brought on by civil war. In the 1980's, two projects had been implemented: the Bong County Agricultural Development Project, approved in 1984, and the Smallholder Rice Seed Project, approved in 1981. However, the outbreak of the war in 1989 wiped out the results obtained. Today, IFAD has 3 ongoing projects in Liberia.
2. The Agricultural Sector Rehabilitation Project (ASRP) was approved in 2009 with IFAD financing in the amount of USD 5 million. It is co-financed by the African Development Bank. This project also marks the re-engagement of IFAD in Liberia. The project centres on prioritization of households and on the improvement of the production at farm level. Restoration of agricultural assets is broadly being achieved through the project, which has been effectively implemented and has disbursed 96% of its original financing. In July 2013, IFAD's EB approved additional financing of USD 2.5 million for a two-year extension of the ASRP.
3. The Smallholder Tree Crop Revitalization Support Project (STCRSP) in the amount of USD 24.9 million, with IFAD financing of USD 16.8 million approved in December 2011. It follows a value-chain approach and supports the rehabilitation of feeder roads and the rehabilitation of cocoa and coffee plantations. A strong public-private partnership has also been established, the first of its kind; the private sector partner is providing significant co-financing, technical assistance for increased production and quality, and more especially, has entered into agreement with cooperatives for commercialization of their cocoa/ coffee produce. STCRSP also aims at strengthening the financial management and institutional development of 7 cooperatives and the capacity building of the Ministry of Agriculture (MOA) at the decentralized level to enable the cooperatives to benefit from extension services, bargaining power and lower transaction costs. Since STCRSP became operational, more than 4,300 ha of smallholder plantations (equivalent to an outreach to 4,300 households) have been rehabilitated through youth groups (representing employment creation/ income generation to more than 2,000 individual youths).
4. In August 2013, IFAD and the Government of Liberia signed a financing agreement in the amount of a USD 669,000 grant for the Support to the Farmers Union Network (FUN) of Liberia Project under Italy's Voluntary Contribution to IFAD's Supplementary Funds. This grant provides the first effective support to the Network, and showcases the Ministry of Agriculture's commitment to building capacity of farmer organizations and support for bottom-up development which impact Liberian smallholder farmers today.

2. Lessons learnt

5. Given that the proposed RCFP builds to a certain extent on the RFCIP and the existing RCFIs in Liberia, the different lessons learnt and conclusions drawn from these can be categorized as follows:

(2a) Lessons from the FSA and CB creation, operations and support provided under the RFCIP in Sierra Leone

- The initial work to create the first FSAs has been sub-contracted to an international service provider. This had more inconveniences than advantages, such as considerable implementation delays, the building of expertise outside the team designated for the work, a lesser degree of responsibility for results and outcomes on the side of the contractor, and a lesser concern for establishing local solutions. This approach should therefore not be replicated in Liberia.
- True ownership of the FSA/CB is an indispensable element of success of the financial institution. This requires that the entire community in which a RCFI would be created takes up the concern to create a financial institution in its midst fully, remains in charge to get sufficient numbers of shareholders, finds a suitable location for the building and donates the land to the new FI, is fully involved in general meetings, is made aware of all issues and concerns when it comes to the creation of a RCFI, helps in screening staff and directors, and takes decisive measures in loan recovery. This must be supported from outside with full transparency and adequate capacity building.

- Sustainability of the new FI and the protection of the saver must be introduced right from the beginning and fully anchored in the mindsets of all shareholders as the main determinants for success. In particular in the beginning, and for quite some time, safe deposit facilities will be the main attraction, followed by transfer and payment services, and are much more important than credit.
- Meaningful credit services can, under the current circumstances, only be provided without asking for full classical collateral coverage, such as mortgages. However, as the case of the FSAs in several countries has shown, loans should be tied to the shareholding of an applicant. Given the option to take deposits under the Liberian legal framework, collateral requirements are to be expressed in initial phases as a multiple of shares and savings. Where loan amounts and risks increase, the extent of collateral coverage would also have to increase beyond the 30-35% initially requested.
- Substantial external support and supervision is indispensable to enable newly created FSAs, CBs or RCFIs to operate successfully in their markets and become financially sustainable. Such support services comprise: (1) institutional design and set-up; (2) mobilizing the local populace as shareholders and users of the RCFIs; (3) accounting; (4) MIS; (5) product design; (6) management; (7) governance and internal control; (8) external audit and supervision; (9) reporting to the authorities; and (10) networking. Tools to achieve this comprise training, on-site coaching and mentoring of staff, arranging for peer reviews and feedback, off-site surveillance, on-site inspection, external audit and fraud control, provision of MIS, among others.
- A central agency for technical assistance is an indispensable element for sustainability of a network of RCFIs. The newly created FIs need technical support in many dimensions, as and when their operations and complexity grows. The relative inexperience of communities in rural finance matters needs to be matched by professional staff that is patient to assist wherever and whenever needed. In Sierra Leone, the Technical Assistance Agency (TAA) would have been even more beneficial if created right from the start of the project. The equivalent institution should therefore be established in Liberia upfront, before the first new RCFIs would be created, with a full set of systems, procedures, manuals, products, and supervision instruments.
- The minimum configuration of the TASU/TASC is one CEO, one rural finance officer, one accountant, one legal officer, one auditor, one financial analyst, two IT experts, and a number of field inspection/internal audit officers as per the demand for support from the existing RCFIs. These would be recruited by CBL under project contracts and supervised by CBL. These staff will be hired through competitive procedures and their selection and appointments will be subject to IFAD's no objection. The renewal of their contracts will be subject to the satisfactory performance assessed annually by the CBL, as long as the TASU remains under the CBL, and by the TASC board thereafter.
- Branding of the network of FSAs and CBs, which is different from CB-branding, or Apex Bank-branding, has been missing and should become important in the future in Sierra Leone. The emphasis might have to be on creating images creating perceptions of a network of RCFIs that stand in for each other, are strong, cannot fail, and offer the right solutions when it comes to financial services. This should be incorporated in the design and implementation of the sister project in Liberia.
- Promoters in Sierra Leone have promised shareholders dividends, even during the start-up phase. Till today, almost no FSA or CB has paid dividends to shareholders. This has remained an element of mistrust in the eyes of many shareholders in Sierra Leone. This may also be one of the explanations why the selling of shares has not much advanced in many FSAs and CBs in the past 2-3 years. It would therefore be highly useful not to promise any dividend payment until the moment the RCFI starts recording profits, and to declare dividends right from the moment the RCFI actually makes profits. Given the understanding of communities, an equal sharing of profits between the FI and the shareholders would be an acceptable solution. As a consequence, 50% of net profits should be paid out to shareholders, while the balance would go to reserves. This would also imply that the interest rates in the beginning would be high enough to approach profit making as soon as possible.
- Banking hours of both CBs and FSAs have been almost the same everywhere, but this is not necessary, contrary to the belief of staff and directors. The regulation is that banking hours must only be determined and announced visibly to the general public. Following the demand of clients to accept deposits at times in late afternoon hours especially on market days, it would be advisable to keep RCFIs open till most market participants were able to deposit their funds at the FSA/CB.

- The two major risks for RCFIs are default on loans and fraud of staff. Staff will usually not resist the temptation to embezzle RCFI funds if opportunities arise, and the probability of serious sanctions remains low. As regards the second point, this requires establishing near perfect rules and a supervisory framework in which fraud will not go undetected for long. Four eyes principles, internal control and supervision by management and board, external audit and supervision by TASU/TASC, reporting requirements, daily reporting on closing balances, prohibition to accept cash from clients outside the prescribed processes (outside the offices, without official receipt, etc.) will have to be established and enforced. This must be complemented by a MIS that permits external monitoring at any point of time of all transactions by TASU/TASC.
- In some locations in Sierra Leone, the majority of households is engaged in farming, yet no single FSA has explicitly granted loans for agricultural production, although some salary earners took advances to finance their labour costs for maintenance of tree crops. CBs have granted 9.5% of total loans for agricultural production and 1.2% for agricultural processing purposes. The underlying causes for this situation include the high pressure from the women traders to get their loans, the hesitation of credit committees and boards to grant 6-9 months loans for agriculture if traders and wage earners accept loans of shorter duration, the absence of risk assessment capacity and risk management tools, the low demand from farmers in view of their own productivity levels and the competitive rates they had to pay, and the low propensity of farmers to borrow under a stringent repayment enforcement regime from the community for agriculture. The lessons to be drawn from this are that: (1) agricultural credit loan products need to have a duration commensurate with the income gestation period of the project financed; (2) the loan duration must be commensurate with the cash flow of the household/borrower; (3) specific loan appraisal tools must be developed to enable RCFIs appraise the risks fully; and (4) adequate training must be provided to ensure full understanding of loan officers and managers of the topic. .
- Apart from the above, almost all aspects of creation and promotion of FSAs and CBs as distilled from practice remain valid for Liberia.

(2b) Lessons from the RCFI creation, operations and support provided in Liberia

- In remoter and smaller places, which do not warrant the creation of a CB, the FSAs had been the preferred solution. Given the minimum share capital requirements of CBs, and the restrictions for other types of FIs to accept deposits, FSAs were limited to the intermediation of share capital into credit, unlike other FIs which usually intermediate deposits into credit. As these restrictions do not apply in Liberia, where the minimum requirements are USD 50,000 for a deposit taking license, there is technically no need to opt for a FSA, even though this option has lower technical complications when it comes to asset-liability management, creates higher levels of ownership and produces high levels of capital adequacy. This approach also avoids the problems associated with finding the right type of institution for locations between very small remote villages and larger towns, and the problems associated with the upgrading or downgrading of a FI if the feasibility studies did not adequately capture realities or predict the future evolution of a FI.
- The extreme shortage of capital makes rural Liberians opt strongly for withdrawable funds, i.e. deposits, rather than to buy shares, which can hardly be redeemed. This clearly impacts the ability of RCFIs to mobilize sufficient funds for lending, which in turn negatively affects their ability to generate profits.
- Given the undifferentiated legal framework, there is further no need to differentiate between different types of FIs, as in Sierra Leone, with its FSAs at village or district level, and the CBs in towns at county level. Instead, only one type of institutional set-up can be pursued, albeit with differentiation in terms of size of building, endowment, personnel and other resources in accordance with the economic potential.
- There is a very high demand for safe deposit facilities in Liberia, as well as in Sierra Leone. As there are no legal restrictions for RCFIs in Liberia to accept deposits, there is no need to go through the complications of offering safe short term safekeeping facilities against a fee to clients without assuming a deposit liability. Instead, all efforts should be made to attract as many deposits as possible, by offering those products to the clientele that have the highest chances of acceptance and secure the optimum between the longest, highest and cheapest funds. It would also be useful to offer marginally higher interest rates on deposits than those paid by commercial banks to generate a good inflow of deposits and public recognition, subject however to the ability to fully absorb such additional funds invested in lending.

- The capacity of rural communities to successfully manage their financial institutions is much less than the enthusiasm to do so. Within one year, most people joining VSLAs full grasp the principles and operations, and there is always someone able to keep the records. However, skills above this are not widespread and very few would be able to read and understand a balance sheet. As a consequence, the respective knowledge and skills basis has to be introduced gradually, and be carefully developed over time as operations and complexity grow. This applies to managers and directors, but also to clients. In the meantime, all gaps are to be professionally closed by the TASU/TASC.
- One of the challenges of RCFIs will be to meet prudential capital adequacy standards, even if these are only prescribed by TASU/TASC, and not the laws of Liberia. In this, they differ from the well capitalized FSAs, but resemble more the credit unions and community banks. This will have to be addressed through different channels and approaches, including the tying of the loan amounts to the share capital held, the need for all borrowers to purchase at least one additional share when borrowing, increasing equity through retained earnings, and constant efforts of management and boards to sell shares to clients.

(2c) Lessons drawn on other rural finance operations and institutions from Liberia

- RCFIs, in whatever form, are serving the entire community where they operate, have all types of clients in mind, are part of the financial sector, operate under central bank supervision. They will not be able, or should, concentrate on the poor, or on smallholders, or on women, but should, like all other financial institution living on deposits from the general public, be concerned with risk management. As prescribed in the laws, the protection of the saver should remain the highest priority for managers and directors of RCFIs.
- The profitability of RCFIs depends largely on their ability to manage the loan process, as interest income constitutes some 70% and more of total income. At the same time, the demand for credit is also very high. However, the capacity of communities to grant and recover loans as required by a deposit taking FI does not exist right from the beginning, and has to be built up over time. This in turn requires that at the beginning, loan products, loan appraisal process and loan monitoring are kept very simple. Given the high attention paid by the GOL on financial inclusion of women, and IFAD's emphasis on promoting women, it is highly recommendable to have group lending for petty trade purposes of women as the first product.
- Once the first simple set is managed well, additional products with new challenges may then be added. Given the demand situation, capacity, lending resources, and risk management options, the most logical order for adding new loan products seems to be: (1) refinancing VSLAs; (2) trade on agricultural commodities; (3) processing of agricultural commodities; (4) local transport business (motorcycle loans for the youth); (5) short term/seasonal agricultural production; (6) salary advances; (7) consumption; (8) agricultural production; and (9) housing.
- Low interest rate policies are nice for borrowers, but not good for savers (as their interest rates are low), not good for shareholders (as they do not earn dividends) and not good for RCFIs (they do not permit RCFIs to break even within reasonable periods of time). This has been clearly demonstrated by the case of the RCUs and many CUs, which are not able to break even with a lending rate of 12% p.a. This affects the ability to attract share capital and deposits. In addition, the network cannot afford and pay for the costs of the supervisory agency/secondary organ, external audit etc., and remains dependent on external subsidies.

(2d) Lessons from IFAD experience in other fragile states including Sierra Leone

- Liberia is considered a fragile state, therefore the following measures should be taken into consideration: (i) avoid overly-complex project design; (ii) promote institutional capacity-building, and; (iii) maintain space for adaption and flexibility during project implementation.

3. Compliance with lessons learned

6. Design of the proposed RCFP has incorporated the above lessons and conclusions. This relates to the relatively simple and straight forward component structure, outcomes and outputs planned, the separation of the responsibilities over different responsible implementing agencies, the gradual transition from operations under the central bank to an independent technical agency, the simplification of institutional set-up against the sister project in Sierra Leone on the basis of the evolution already

taking place in Liberia, and many more. Many of the successful features of the FSAs and community banks in Sierra Leone have been adopted and modified, and merged into a hybrid form.

4. Partnerships and collaboration with on-going IFAD-supported projects

7. Partnerships with the ongoing projects will be sought for complementary interventions in the finance and agricultural sector, reinforcing the complementary nature of the RCFP and leveraging impact on the target group. Where RCFIs will be supported under the RCFP, these will develop business partnerships with cooperatives and farmers' organizations supported under existing projects where these are interested in financial services. In the case of the STCRSP⁷³, farmers supported have a very high demand for specific financial services, most of which is at present not offered at all to them. These services include: (1) deposit facilities for capital formation and targeted investments/purposes; (2) payment and money transfer⁷⁴; (3) short term loans to finance inputs and labour; and (4) long term finance for the expansion of plantations.
8. The RCFP will also seek collaboration with the Farmers Union Network (FUN) of Liberia, which implements both the ASRP⁷⁵ and the Support to FUN project⁷⁶. While the ASRP aims to build the capacity of FUN to provide extension services to farmers and farmers' organizations, the Support to FUN project aims to strengthen the institutional capacity of farmer organizations, including support to develop market-led activities on specific value chains.
9. **Improving the availability of finance to tree crop farmers.** Cocoa and coffee farmers depend on finance to pay for their ongoing expenses during the cropping cycle, such as pesticides and perhaps fertilizer applications and labour to help in the harvesting and pod breaking. This type of short term credit is usually provided by traders. It is also common that traders pre-finance farmer cooperatives so that these are able to buy the harvest from their members and then sell it on to the same trader, at which point the loan is discounted from the sales price. At the present time when many farmers need to rehabilitate their farms and cooperatives need to build their drying and storage infrastructure, there is additional need for finance that cannot be paid back over one season, but needs a several-year time frame. Climate change reinforces the need for finance because it obliges farmers to adapt, if only by intensifying their management practices through more intensive pruning, more regular pest and disease control, and the use of improved planting material, thereby making their farms more productive and thus better able to absorb shocks from unusual weather events and market volatility⁷⁷.
10. Currently, both short and medium term finance are very difficult to obtain for tree crop farmers in Liberia. In the absence of finance to purchase improved planting material, farmers may opt for cost-free local seeds, thereby compromising the future productivity of their farms. They may not be able to apply pest and disease control in a timely manner, thereby compromising both the quantity and quality of their production. They may be obliged to grow their traditional crop because the trees are already present on the farm, even if they consider another crop such as cocoa or rubber more profitable and suitable for the site. Lack of finance thus restricts the farmers' ability to make decisions, including decisions that would make them less vulnerable to future climate change.
11. To some extent, the scarcity even of short-term finance seems to be related to a poor pay-back discipline of the farmers which reduces the willingness of the trade to advance money for the cropping season. This problem is not unique to Liberia but could be more serious here because farmers may

⁷³ The STCRSP is ongoing in Lofa County, with project extension to Nimba and Bong Counties currently under design.

⁷⁴ As per one of the core principles of STCRSP, farmers are obligated and responsible for paying back 40% of the labour cost for one ha of rehabilitated, recommended to be paid through a dedicated account in a commercial bank to effectively monitor repayment and ensure transparency and accountability. Field visits in Lofa County confirmed the absence of micro-finance institutions, with only one commercial bank serving the population.

⁷⁵ Implemented in the four counties of Bomi, Grand Cape Mount, Montserrado and Grand Bassa.

⁷⁶ Covering the fifteen counties of Liberia.

⁷⁷ Excerpt from S. Götz et al. (2015): Technical Report: Climate risk and vulnerability assessment of the smallholder cocoa and coffee value chains in Liberia. In: Journal of Forestry Research 02/2015; DOI:10.1007/s11676-015-0037-9 and IFAD/CIAT, Colombia, 15 January 2015

have a higher need and fewer options for obtaining credit. It may also be that Liberian farmers have still less confidence in the slowly re-emerging agricultural sector and therefore prefer to apply the funds they have obtained in other sectors such as mining.

12. There are ample options under the RCFP to manage default in the case of tree crop farmers. These include: (1) financing farmers only on an individual basis, so as to know the individual loan per person, rather than re-financing the group, association or cooperative; (2) requesting for a formal guarantee of the association or cooperative for the loan, plus a joint liability of the board or committee members; (3) requesting for a joint liability declaration of all member of an informal group; (4) stopping any further disbursement in case the PAR 60 days+ for this particular operation falls below 5%; and (5) requesting for a minimum savings of 20-40% of the loan amount, which will be blocked till full repayment. In addition, the IT solutions advanced under the RCFP (biometric identification of borrowers) and the ability to bar any defaulter from further borrowing will ensure good repayment performance. Ghana has addressed this same problem through a passbook system where unpaid loans are registered, so that farmers who have obtained a loan from one trader can (in theory) not sell their harvest to another one and avoid the loan repayment, a system that the MOA could also adopt in Liberia⁷⁸.
13. **Rural credit and savings.** For the intensified production of cocoa, farmers must first invest in new tree stocks using improved planting material. Secondly, they will need substantial amounts of agrochemical inputs over the course of the growing season. For the majority of farmers, garnering the cash needed for such expenditures is nearly impossible. In the near term, the encouragement of interlinked production credit, provided either through buying agents or the cooperatives, could usefully serve as an intermediate institutional arrangement for meeting the short term credit needed to finance inputs. Such arrangements, whereby the market agent provides the farmer inputs as in-kind credit against the future crop have proven effective in reaching a significant proportion of cocoa producing households in Cameroon and Nigeria, albeit at a relatively high cost. In the long-run, full financial intermediation which includes savings and credit as well as money transfers should be the objective. A significant number of Liberian cocoa farmers were taking small loans of USD 10-30 from cocoa buyers linking at least part of their cocoa sales to that buyer at harvest, who then would reportedly offer the farmer a discounted cocoa price. However, unlike the situation in Nigeria and Cameroon, this credit was rarely used for productive purposes. The creation of village banks, credit unions, and savings and loan associations with secured safes for guarding member's deposits will allow for the longer term lending needs of cocoa households⁷⁹.
14. The two key constraints here are first the depth of experience of the emerging RCFIs, and second the available financial resources for lending.

⁷⁸ Götz et al. 2015.

⁷⁹ Intensified Cocoa for Sustainable Development in Liberia", Policy Brief, International Institute of Tropical Agriculture, Issue No.1, August 2008.

Appendix 4: Detailed Project description

1. Program objectives and structure

1. **Objectives.** The overall project goal of the RCFP is to reduce rural poverty and household food insecurity on a sustainable basis through access to rural finance for at least 31,000 persons. The project development objective is to improve access to rural financial services on a sustainable basis, enabling the development of the rural sector. This project will in turn, provide the complementary support to achieve the RB-COSOP strategic objectives 1 and 2 in particular.
2. **Structure.** The Rural Community Finance Project (RCFP) will be a five year project geared at enhancing access to sustainable and affordable rural financial services in Liberia. It will comprise three components, namely: (1) Rural financial services; (2) Enabling environment for rural finance; and (3) Project management and coordination. The rural financial services component will have two sub-components: (1) Sub-component 1.1: RCFI creation and operation, which will support the creation of grassroots rural community finance institutions (RCFIs) along the institutional models already practiced in Liberia; and (2) Sub-component 1.2: Technical assistance and supervision, which will support the creation of the Technical Assistance and Supervision Unit (TASU)/Technical Assistance and Supervision Company (TASC). Components 2 and 3 will not have sub-components.

2. Component 1: Rural financial services

(2a) Sub-component 1.1: RCFI creation and operation

3. **The RCFI Model.** The Rural Community Financial Institution (RCFI) is a share-holding financial institution through which rural communities can have access to a broad range of financial services. It is a hybrid between a community bank and a Financial Services Association. The RCFI aims at establishing a locally accessible and a locally owned and operated financial institution that will become an important part of mainstream financial sector. The RCFIs capitalizes on informal local rules, customs, relationships, trust and local knowledge while introducing solid banking concepts and methods. People will buy shares and save with the RCFI because it is owned and operated by the local residents and their elected representatives, and because they trust them. The RCFI reinforces the sense of belonging to the community where it has its roots. Loans are financed principally from the locally mobilized equity and savings deposits. The RCFI can customize its services to the shareholder requirements and to local conditions. The RCFI concept has a strong emphasis on local institution-building, good governance and sustainability to keep providing valuable product services to the economically active poor.
4. All products and services with the exception of money transfer (local and international) will be only available to shareholders. Shares will be available at USD 5 to any Liberian national, upon which the shareholder is eligible to vote at any general assembly. A minimum of 10 shares will be required to be eligible for directorship. This is to encourage directors to have bigger stake. An individual opens a savings account with the RCFI by paying charges for passbook which is USD 4.
5. Shareholders can buy additional shares. All shareholders are eligible to borrow up to four times their paid up shares and two times the savings. RCFIs will charge sustainable interest rates to cover the cost and risks of operations and to generate a profit. The RCFI will start declaring dividends after covering all the losses incurred during initial year of operation. The general rule is that 50% of the net profit will be declared as dividend to the shareholders, with the balance going to reserves. Access to services will be offered to all segments of the population through shareholding. The TASU/TASC will also encourage boards through non-monetary rewards, such as certificates of honor to well-performing boards or mentioning active boards during a ceremony at annual general meetings.

6. **Pre-establishment process.** The pre establishment activities for the RCFI is as follows:

Table 9: Pre establishment process for RCFIs			
Phase	Activities	Responsibility	Months
1	Conducting a feasibility study and market research for each of the potential RCFI sites	TASU/TASC	1
	Validation of results	TASU/TASC Promotion Committee	
	Initial community sensitization and land donation for the construction of RCFI building ⁸⁰	TASU/TASC Promotion Committee	
	Selection of promoters and training	Community assembly TASU/TASC	
	Launching of selling of shares	Promotion Committee	
2	Recruitment of RCFI staff	Promotion Committee TASU/TASC	1
	Class room and on-the-job training of staff	TASU/TASC	
	Fit and proper check of proposed staff	TASU/TASC	
	Preparation of documents for incorporation	Promotion Committee TASU/TASC	
	Procurement of fixed assets	TASU/TASC	
	Incorporation of RCFI (as company limited by shares or exceptionally as cooperative society)	Promotion Committee	
	Submission of application for license as deposit-taking institution to CBL	Promotion Committee TASU/TASC	2-3
3	Preparation of business plan, budget and Key Performance Indicators	Promotion Committee TASU/TASC	3-4
	Calling for first general assembly	Promotion Committee	
	Election of board of directors	Shareholders	
	MIS installation and development/adoption of operational manuals and guidelines, products and procedures	TASU/TASC	
	Setting up of internal control and risk management system	TASU/TASC	

7. **Voting Rights.** Some limitations regarding shareholding appear to be necessary to ensure that local and external influential and richer people do not take control of the RCFI at the expense of ordinary shareholders. This also requires some change of the regulations of the first RCFIs that had been created, where shareholding is limited to holding a certain minimum number of shares. The basic rules should therefore be that each shareholder would have the right to attend AGMs, and vote. At this point of time, it will not be possible to prescribe whether all shareholders shall have the same weight of their vote, irrespective of the number of shares purchased, or whether shareholders with higher number of shares shall have multiple votes, or whether voting shall only be done according to the number of shares held. Local communities will also have to make a decision on the above, and whether to allow non-resident descendants or other wealthier persons to purchase larger numbers of shares. This

⁸⁰ It is evident that the donation of land must be totally transparent. Under normal circumstances, land donations will be made from land owned by the community, not individuals. This will avoid any undue influence of the donor into the affairs of the RCFI, rent seeking attempts etc. The fact that this will be part of the conditions discussed at several meetings is likely to lead to high levels of transparency. The experience made in Sierra Leone with this approach has been very positive.

approach has led to the rapid and good capitalization of two of the first three RCFIs. Decisions will be made by the RCFIs, and, to the extent possible, a joint approach should be determined for uniformity of approaches.

8. **Legal Status.** The RCFI will be registered as company limited by shares, as this status offers more opportunities and has lesser restrictions. Given the absence of true leadership in the cooperative sector, the lack of a solid legal framework, which is currently under revision, the lack of clarity over highly important operational aspects, such as the capacity to declare dividends⁸¹, it appears that the status as company limited by shares is much more advantageous and clear. However, communities opting for cooperative status shall of course also be supported. In case RCFIs would operate on different legal bases, this may negatively affect the ability to mobilize deposits and reach breakeven point early, but would not principally exclude the achievement of Project objectives. In addition, legislation does not oblige RCFIs to join other cooperative apexes, or prevents them from associating with non-cooperative bodies.
9. The memorandum of association and articles of association will be prepared and signed by initial promoters who will be mobilizing the share capital. The first general assembly will be called only after the RCFI has reached minimum number of 300 shareholders and share capital of USD 10,000. The first General Assembly will be chaired by the chief promoter and will elect the first BOD and also ratify the memorandum of association and articles of association.
10. The RCFI will apply to the Central Bank of Liberia (CBL) for a license as RCFI under “other deposit-taking institution” with the required feasibility study report, start-up business plan, operations manual and any other document that may be required by the law or by CBL.
11. **Capital.** RCFIs are required as per current regulation to raise USD 50,000 to be licensed by CBL as RCFI with the permission to accept deposits. As per current practice, this can be mobilized over time.
12. **Governance and Management.** The RCFI has three principal organs: (a) General Assembly; (b) Board of Directors; and (c) Management. Its supreme organ is the Annual General Assembly (AGM) of shareholders. Its functions among others are:
 - Election of Board of Directors;
 - Adoption of the rules and procedures for the performance of duties of all organs;
 - Adoption of annual reports of all committees and other organs;
 - Appointment of the external auditor;
 - Adoption of the external audit report;
 - Decisions on any other policy or general matter as seen fit;
 - Ratification of dividend declaration.
13. The Annual General Assembly will be called every year after the external audit is being conducted (to be held within 180 days of the following audited year). A general notice of 21 days is to be given to shareholders to attend the meeting. The calling of Annual General Assembly shall be in accordance with the provisions of the Companies Act.
14. **RCFI Board of Directors (BOD).** The RCFI board will have minimum of five and a maximum of seven members⁸². At least one third of directors must be female. At least two thirds of board members must be

⁸¹ Cooperatives are required to get their accounts audited by the Cooperative Development Agency before being authorized to distribute profits. However, this body only has four qualified auditors, of which only two are currently available to carry out this statutory duty. Under the assumption that the data on cooperatives in Liberia provided by the authorities would be correct, it would take on average at least ten years before a cooperative could count on being audited. This situation is extremely unhealthy for cooperative development, given the expectations of cooperators to work for their own benefit, not just for the capitalisation of the society. Members of VSLAs trust their own association very much because of the visible capacity to distribute profits.

⁸² Although a minimum of three is legally acceptable, this does not seem to be appropriate to allow for sufficient expertise in the board, multiple sources of checks and proper spreading of supervisory tasks among directors.

resident in the same area where the RCFI is located. The position of the chairperson is elected by the AGM. All other positions (such as vice-chairperson) and memberships in committees are determined by election within the board. If the chairperson is male, the position of vice-chairperson shall be held by a woman, and vice versa. All boards shall create a credit committee comprised of three directors. The other sub-committees that may have to be created such as the budget and finance committee or internal audit committee, shall only be established as the operations grow; this will automatically be assumed once the total assets of the RCFI exceed USD 150,000. The BOD will meet quarterly and the credit committee will meet monthly.

15. The chairperson and other directors provide leadership and guidance but are not involved in day-to-day running of the RCFI⁸³. The credit committee has the responsibility for the approval, monitoring and recovery of loans. It should also advise the board on loan policies and procedures. The officeholders will not be remunerated until RCFI has recovered all its losses incurred and commenced declaring a dividend.
16. The essential element in the RCFI governance is to ensure that real (not just formal) ownership lies with shareholders who must actively and regularly participate in discussing the policies and activities of the institution. The board in consultation with TASU/TASC appoints a management team which will comprise of manager, accountant, loan officer and cashier depending on the scale of RCFI operations (see below the discussion on the assumptions). All RCFI staff will be offered a one-year service contract, which can be extended by one additional year subject to achieving the targets as set in the business plan and also considering audit reports.
17. **BOD Policy and Procedures.** RCFI shall spell out the eligibility criteria to become director. The appointment as director is only after a 'fit and proper' check by CBL. The eligibility criteria of the directors are:
 - Be an indigenous member of the RCFI catchment area;
 - Have purchased at least 10 shares;
 - Have already been a shareholder for one year; this regulation is applicable from the second General Assembly and henceforth;
 - Have received some tertiary level education;
 - Be knowledgeable in banking, finance operations, accounting, micro, small and medium scale enterprises and/or agriculture economics, and willing to sacrifice time to engage in planning, directing and supervising the RCFI together with other members of the board;
 - Must not have been convicted of a criminal offense punishable by imprisonment;
 - Not holding any political position, such as minister of government, Member of Parliament, district councilor, paramount chief, chiefdom speaker, section chief or any other chiefdom authority, etc.
18. The membership in the BOD will be automatically terminated upon following conditions:
 - Upon the death of the person;
 - Submission of a written resignation from the board;
 - Failing to repay a loan for a period of 90 days and above;
 - Serious violation of board policies, codes of conduct, articles or by-laws as per a decision of 60% of members of the board; the affected director shall not participate in the decision making; the affected director shall cease to participate during board meetings during the period of investigation; such termination shall be considered final upon ratification by shareholders at the AGM;

⁸³ This is easier said than implemented. Directors are often promoters, who have been very much engaged in the initial start up phase, and who have driven the process. As observed in many cases in Sierra Leone, Ghana and Nigeria, board members act often as super-managers. Even if this contradicts modern principles of management and banking, the results of such practices are not necessarily negative.

- Known or suspected violations of the Code of Ethics will be investigated and may result in disciplinary action up to and including immediate termination as a director subject to ratification at next AGM;
 - Any director can also be removed before the end of the tenure by a resolution from shareholders at AGM by simple majority of the registered shareholders; a replacement director may be elected during the next AGM and shall serve the remaining term of the deceased/terminated/resigned director.
19. **Accounting policies and procedures.** RCFI accounting process will comply with Generally Accepted Accounting Practices, the laws of Liberia and with the statutory requirements of the CBL. A RCFI will conduct its accounts and prepare financial statements based on a chart of accounts. The RCFI accounting method will be on accrual basis of accounting. Under accrual accounting, transactions are recorded when they occur, not when cash is received or paid. The accountant, or in the absence of an accountant, the manager, will prepare the annual financial statement, which will be screened and approved by the board. External audit will be provided by the apex body (see below component 1.2).
20. **Internal control.** The internal control approach for RCFI is to integrate internal control measures into the methodologies and operations, and for the board of directors and the manager to set the tone of the control environment. This approach takes into consideration the scale of operations of a RCFI which is comparatively small, and the high cost of hiring a full time internal auditor. The TASU/TASC is conceived and mandated to provide additional support to RCFIs. The board of directors and the manager may adopt any or all of the following control measures:
- **Segregation of duties:** this involves separation of responsibilities for two or more tasks that could result in error or encourage dishonest behavior if only handled by one employee; this also ensures that each person's work is checked by another;
 - **Limits:** setting of ceilings for certain types of operations, especially loans;
 - **Signature requirements:** to protect the institution from unauthorized transactions and ensuring the application of the "four-eyes" principle;
 - **Physical controls:** to verify the existence of assets reported in the accounting books;
 - **Crosschecks/spot checks:** as an assurance that policies and procedures are respected;
 - **Dual controls:** to act as backstops by having at least one other employee checking or approving a transaction.
21. In the absence of a national identity card and proper "Know-your customer" (KYC) documents, technological solutions are needed to assist RCFIs offer their deposit services to larger number of clients. These solutions will emulate informal sector practices and develop deposit collection and loan packages at lower transaction costs for clients and RCFIs, and will also contain fraud and financial mismanagement to the extent possible; such solutions do exist in the markets and/or can be conveniently developed at reasonable costs to supplement existing software programs used in Sierra Leone under the RFCIP, including biometric identification of shareholders. Furthermore, given the near absence of public power supply in rural areas, the high operating costs of generators and the relatively well protected areas where RCFIs operate within a community, solar panels will be used in RCFIs.
22. **Human resource policies and procedures.** Staff of RCFIs will be recruited through a competitive process. Minimum qualification is at least four credits including in mathematics in the West African Examinations Council school examination certificate. The recruitment process will involve quantitative and qualities tests followed by a personal interview. A minimum score of 60% is required in the written test for a candidate to be eligible to appear for personal interview. Both test scores will be consolidated to reach the final decisions. Initially, staff will be on probation for six months. The confirmation will be on condition that (1) the RCFI has met the savings and share capital mobilization targets, and that (2) the conduct of the candidate is that of a professional in financial sector. Targets will be given to each staff on which their performance will be reviewed annually before extending the contract. Any staff falling to

meet the set targets will be given three months of support to meet the target failing which will result in termination. The violation of integrity issues once proven will result in summary dismissal and legal action.

23. **Savings.** RCFI will endeavour to mobilize savings from its accountholders. The savings products will be tailor-made to attract the low income population and build the savings habit that is pre-requisite to credit. RCFI will offer at least three savings product which are:
 - (a) Voluntary savings for all clients, with all payment and withdrawal transactions being recorded in a savings pass book;
 - (b) "SUSU 1" emulates the daily deposit collection system on daily markets primarily for market woman to save a fixed amount every day for a period of one month;
 - (c) "SUSU 2" is a weekly recurring savings product emulating informal savings practices through which subscribers agree to save a fixed amount every week for a period of at least three and up to twelve months;
 - (d) Fixed deposit or term deposit product for a 3 and 6 months period with an attractive interest rate.
24. Other savings products may be added as per the desire of the RCFI and as guided by TASU/TASC. These will most likely include fixed deposits of three and six months initially. The interest and fees related to the each product are discussed in the assumptions of RCFI financial projections.
25. **Credit policies and procedures.** RCFIs will only lend to shareholders who are resident within its operational area. Lending is for income generation only, the only exception being salary advances which RCFIs may introduce only after some time. The Grameen lending methodology will be applied⁸⁴. The borrowing amount shall not exceed four times the share capital plus two times the blocked savings. Borrowers will be required to produce more collateral and a guarantor from the 3rd credit cycle onwards. Guarantors must be existing clients or shareholders, shall not have any outstanding loan and must have a good credit history with the RCFI. Loans will be granted for petty trade, agriculture trade, agriculture processing agricultural production, transport, VSLA refinance and housing and as salary advances. The loan size, loan term and interest rate are discussed in sections below on assumptions for viability of A-, B- and C-RCFIs.
26. **Agricultural credit.** Credit products, like other products and services rendered by RCFIs, will be designed by the TASC/TASU in close collaboration with RCFIs. Credit products will have a duration commensurate with the income gestation period of the project financed. The loan duration will be commensurate with the cash flow of the household/borrower; this implies for example that loans for agricultural purposes will need a longer duration (of about 6 months) than for short term trading activities. Learning from Sierra Leone, where the CBs/FSAs operate in areas wherein about 90% of the people are farmers, and where only few CBs actually lent for agricultural projects, special attention will be paid on adequately preparing RCFIs for agricultural lending when introducing the respective products by means of training, technical cards and other appraisal tools. While it is expected that most farmers may need credit to pay for hired labour expenses, special attention needs to be paid to the profitability analysis.
27. Critical factors for successful loan analysis are the "5 Cs": character, capacity, capital, collateral and conditions. All these factors matter, but for the economically active poor, the first two – character and capacity to repay the loan – are the most important.

⁸⁴ These basic principles applied here include: (1) Borrowers create their saving and credit group at their convenience; (2) the size of a group should be between 5 and 10; (3) the group determines the borrowers and the sequence of loan disbursements; (4) disbursements will start with two group members, followed by batches of two members each, with the chairperson and other group officials being the last ones to receive a loan; (5) disbursement of a loan to the next batch of borrowers is contingent on strict compliance of other group borrowers with loan repayment schedules; and (6) group members are jointly liable for all loans outstanding at the RCFI by any group member, including capital and interest.

Character: Personal integrity of the borrower and his/her family

- How is the farm/business managed?
- Is the family honest and trustworthy?
- What is the physical and mental health like of the person(s) running the farm?
- Has the family repaid bills and previous loans on time?
- Do they have any problems (alcohol, drugs, frivolous consumption, etc.)?
- Is the family open to innovation and do they have the skills to develop new business lines and grasp growth opportunities?

Capacity: Ability of the farm/business household to repay the loan

- What does the business plan indicate about income and profitability of the farm enterprise?
- Can the business generate enough cash to pay back the loan and accrued interest, including a margin of security against uncertainties in the planned outcome?
- When can the loan be repaid?
- What are the family consumption needs?
- What are the effects of seasonal fluctuations and production and price variations?
- How do the business results compare to others with similar enterprises, operating under similar conditions?

Capital: Money invested in the business

- How much money and other assets are invested in the business?
- What is the family's own contribution to the financial investment in the business?

Collateral: Backup security for the repayment of the loan

- Are the personal guarantees of household members and any other third parties trustworthy?
- Are the assets of the business and the personal guarantees offered sufficient to cover the loan?

Conditions: Key economic conditions that impact on the ability to repay the loan

- Is there an adequate and stable market to sustain the business enterprises?
- What are the general market trends in the sector?
- What are the specific production and price risks of the enterprises?
- Are the loan conditions (term, interest rate, repayment instalments) conducive to timely repayment?

28. **Remittances and transfers.** These products will be offered by the RCFI to the general population, not only to shareholders. The following products will be offered:

- (a) **Mobile money:** RCFIs will partner with the mobile service providers such as Lone star or MTN. The RCFI will thus act as an agent to pay out and in for the general population in its catchment area;
- (b) **Salaries and insurance:** RCFIs will be part of the national payment system and will pay out salaries for government and other institutions as mutually agreed upon.
- (c) **International money transfer (IMT):** RCFIs will offer IMT service in collaboration with international remittance operators, such as Money GRAM and Western Union Money Transfer. The RCFI will thus become a sub-agent.
- (d) **Local money transfer:** RCFIs will offer this service in collaboration with a corresponding commercial bank.

29. The commissions on these services are discussed below in the section on assumptions.

30. **Correspondence bank.** RCFIs will establish a corresponding banking relationship with a commercial bank based on the benefits in terms of profit sharing and quality of services being offered. The RCFI will be establishing corresponding relationship for the following:
 - (a) Cheque clearing through a correspondence bank;
 - (b) Corresponding bank to act as an intermediary bank for payment of salaries/ pensions;
 - (c) Becoming sub-agent to offer international money transfer through the corresponding bank;
 - (d) Cash movement service by correspondence bank;
 - (e) Selling of shares in urban areas through the correspondence bank;
 - (f) Refinance facility.
31. **Rural Finance Facility.** In view of the negative effects of the EVD on rural incomes, reserves and ability to save of the rural population, a small "Rural Finance Facility" (RFF) will be added to boost the lending activities of the young RCFIs. The RFF will also be necessary as the commercial bank that offered to refinance RCFIs before the outbreak of the EVD may not be willing to extend its offer to present times. Modalities of the RFF will be worked out during the first six months after the start of the project; these will be prepared on the basis of good international practice and the experience in Sierra Leone. The terms and conditions shall comprise: (1) available lending resources have been exhausted; (2) no negative effect on the interest of the RCFI to mobilize share capital and savings; (3) clearly defined financial performance parameters as minimum conditions (including portfolio at risk); (4) good past lending outreach of RCFI to low income groups for their income generating activities; (5) good governance system in place; and (6) expected positive impact on outreach and financial performance of the RCFI. The RFF shall be established as gap filler where available resources are insufficient; no effort shall be made to entice RCFIs to grant term loans via the resources received from a refinancing or revolving loan facility. The RFF will be managed using a profit center approach, first by the TASU under the supervision of CBL, and then by the TASC once it has been established and is operational. The RFF will be provided by the MFDP in form of a low interest loan, not a grant. The grace period shall be ten years, and repayments of the capital will then be made in ten equal instalments stretched over five years. The loan interest rate payable from the income shall only be marginally higher than the service fee payable by the GOL to IFAD to enable TASU/TASC create an additional income for the network. The TASC will be fully liable for the loan.
32. **Publicity.** RCFIs will have to comply with a number of regulations related to publicity, including a signboard, presentation of terms and conditions for membership/shareholding and services rendered, and business hours. In addition, all RCFIs will display an abridged financial statement for the last financial year in the banking hall. Furthermore, the manager will display in the banking hall simple, large self-produced charts and diagrams on key performance indicators that even illiterate persons can understand; these indicators will normally include the evolution of: (1) number of shareholders; (2) paid-up share capital; (3) total savings; (4) total loans; (5) portfolio-at-risk⁸⁵; and (6) net result of the year.
33. **Management Information System (MIS).** A core banking solution will be installed in the RCFI from the first day of its operations. Given the cost advantages and the tried and tested capability of the software used by RCFIs in Sierra Leone ("Bank Manager"), this system will be preferred. The system shall be capable of handling an unlimited number of saving and loan products with variations on interest rate, installment period, installment term (principal or interest), intermediary sources, purposes of loans, lending methodology (group/individual), overdraft facility, etc. The software shall have a separate saving module that provides options for several savings products such as recurring deposits, general fixed deposits, special fixed deposits and other form of voluntary savings. Linkages between savings, loans, shares etc. must also be envisaged in the menu.

⁸⁵ This may be substituted by percentage of non-performing loans (i.e. amount of loans in arrears for more than one day over the total gross loan amount outstanding).

34. Linkages must be established with an in-built comprehensive accounting package comprising generation of trial balance, balance sheet, income statement, cash flow statement, general ledger accounts etc. The accounting component should further provide for establishment of cost and profit centers and budgetary controls. The system must have sophisticated audit trails and at no level of authority the system should have provisions for deleting the transaction.
35. The system shall have a comprehensive set of internationally accepted indicators. Graphics should be a prominent feature of these reports. Major ratios to be calculated are:
 - (a) Return on assets
 - (b) Adjusted return on assets
 - (c) Operational self-sufficiency
 - (d) Financial self-sufficiency
 - (e) Administrative efficiency
 - (f) Operating expense ratio
 - (g) Cost per borrower (In USD)
 - (h) Number of clients per staff
 - (i) Number of borrowers per loan officer
 - (j) Deposits over loans outstanding
 - (k) Total equity over total assets
 - (l) Repayment ratio
 - (m) Portfolio at risk
 - (n) and other relevant indicators to be specified.
36. **Know-your-customer and biometric client information.** The discussions with FSAs, CBs, MFIs and commercial banks in Liberia and Sierra Leone have revealed that staff fraud is prevalent and requires special attention. In addition, modern banking requires that all customers of financial institutions can be accurately identified. In the absence of an ID card system in Liberia, and the near-absence of passports among the rural population, the only technical way to identify clients is to take biometric photos and fingerprints at the counter at the time of opening an account. For this purpose, the software to be purchased for RCFIs must comprise a module that permits the RCFI to embed the photo of a client and her/his fingerprints directly into the data base. Furthermore, all cashiers where clients open their accounts will have to have small USB-linked camera and thumb-print identification device added to their laptops. The system shall be programmed in such a way that clients coming to the counter identify themselves through their fingerprints on the USB-device, upon which the respective account page will be opened in the system. Upon finalization of a transaction, the fingerprint of the client is again requested, and the transaction will be documented through a thermo printer providing the client with a receipt. The system will furthermore be used for client identification on simple smartphones, on which a specific App permitting deposit collection for the Susu 1 and Susu 2 products: a single fingerprint will be taken as confirmation of payment of a one day's or week's contribution, three consecutive fingerprints as having made three daily or weekly payments. Upon return to the RCFI, the deposit collector will then upload the day's transactions to the cashier's computer, and will have to pay all collections recorded electronically into one designated account, from where the single payments will be transferred into the respective client's account⁸⁶.
37. All RCFIs will be connected to the internet via mobile phone technology; all transactions in RCFIs will be transmitted to a central data base at TASU/TASC level for external control, mentoring and data

⁸⁶ The service will be provided for those customers who agree not to receive a receipt immediately, as they can always request for the account balance at the RCFI counter. Programming will be done in such a way that the collector cannot manipulate the software.

security purposes. In case of problems associated with the client data base at the level of one RCFI, data can be retrieved from the TASU/TASC. The approach will also help detect mismanagement, lack of compliance with established procedures and prudential regulations, and misappropriation by staff.

38. **Regulation, monitoring and supervision.** The CBL is overall responsible for the issuance of a banking license, regulation and supervision of RCFIs. The CBL will delegate the first tier supervision to TASU/TASC. The RCFI will submit monthly and weekly reports to TASU/TASC and CBL. Example of some of the reports as follows:

- (a) Weekly: Liquidity report
- (b) Monthly:
 - (i) Statement of comprehensive income
 - (ii) Statement of financial position
 - (iii) Capital adequacy computation
 - (iv) Portfolio quality (loan aging report, charge off and interest in suspense)
 - (v) Top 20 savers
 - (vi) Top 20 credit exposures
 - (vii) Insider lending report.

39. The following operational rules will apply to RCFI operations:

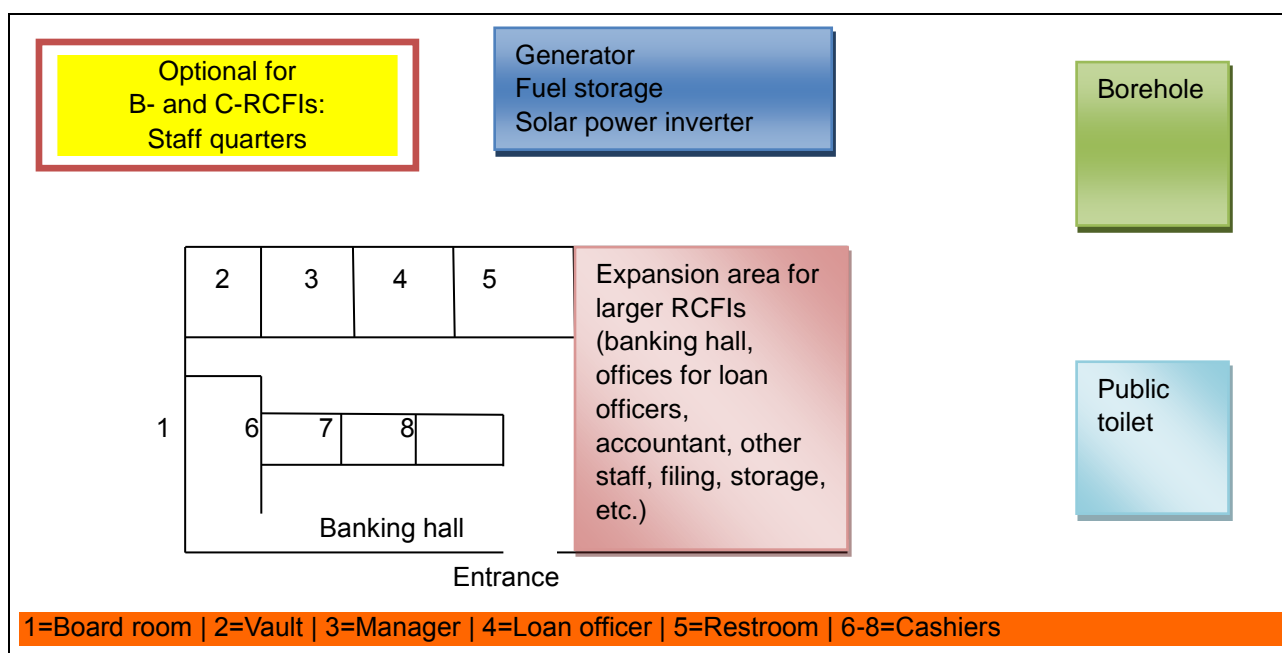
- Start of lending operations 3-4 months after commencing of deposit-taking and other operations;
- Phased approach regarding loans, starting with simple products that can be easily managed, towards more complex products; the TASU/TASC will propose a range of savings and loan products, plus the associated manuals and risk management safeguards;
- Limitation to short term loans in the beginning before starting term loans;
- Grace periods are to be granted in accordance with the repayment capacity of the borrower, and not solely based on the cash flow of the project financed;
- Borrowers for seasonal agricultural inputs may have a choice between monthly payment of interest plus repayment of capital at the end, or monthly payment of capital and interest in equal instalments;
- Borrowers must undergo borrowing through a group "Grameen style" before qualifying for individual loans;
- Stopping of lending in the moment where PAR 30 days+ exceeds 15%;
- Allowances paid to BOD only once OSS has exceeded 100% at the end of a financial year;
- TASU/TASC field officer to participate in all loan appraisal and disbursement activities of a RCFI during the first six months after commencing lending operations;
- The maximum credit limit is defined as 4 times the share capital and two times the amount of blocked savings (fixed deposits), and is further subject to meaningful absorptive and investment capacity; in addition, no single loan shall exceed 10% of the equity funds of the RCFI;
- No staff is permitted to take deposits outside the established procedures;
- The TASU/TASC will establish a Code of Conduct/Ethics in partnership with the RCFIs, which will contain regulations pertaining to malpractices, such as insider lending;
- Clear risk management systems will be established to contain staff and board malpractices, such as manipulation of customer accounts or fake lending;
- During the first four months of operations, the TASU will establish a set of prudential guidelines for RCFIs comprising at least the following:
 - (a) Capital adequacy norm of at least 15% of total assets;

- (b) Intermediation limits for deposits into loans (variable in accordance with performance and capacity, $\approx 50\text{-}80\%$ of deposits);
 - (c) Depositing of excess liquidity in commercial banks.
40. **Size of RCFIs.** It is conceived to have three different sizes of RCFI to reach out to smaller, medium and large size villages and rural towns. Different categories of RCFIs are required to ensure maximum financial inclusion while keeping the sustainability of these RCFI in view. For convenience purposes, these shall be categorized as A-, B- and C-RCFIs. As the most important determinant of size of operations is the population size and the resulting business opportunities, these two indicators shall serve primarily to distinguish the different categories. While these differ in size of location, number of shareholders, volume of operations and transactions, complexity of operations, they are emanations of one and the same (community) banking model.
41. The decision into which category of RCFI a location may fall is to be made by TASU/TASC on the basis of a feasibility study. The main eligibility and selection criteria are presented below under component 1.2. These static criteria are to be complemented by key performance criteria during the course of the RCFP. Any RCFI may be up- or downgraded by TASU/TASC into a higher or lower category on the basis of financial performance. Buildings and banking halls are designed in such a way that they would permit a lateral expansion without technical problems and at comparatively low costs. The differences between the different categories are described in the sections below.

A-RCFIs

42. A-RCFIs are conceived for smaller villages with a population of up to 5000 inhabitants.
43. The projection for the sustainability of the RCFI-A is based on the following assumptions:
- (a) The design of the RCFI building follows patterns of similar buildings in Liberia, Sierra Leone, Ghana, Benin and Nigeria. Its dimensions are commensurate with the anticipated space requirements of the RCFI over the next few years, and also permit spatial extension to meet the requirements of bigger RCFIs. The sample design is shown below:

Figure 2: Schematic modular layout for RCFIs



- (b) Solar panels will be purchased to reduce the operating cost of a generator.
- (c) The rate of inflation will be 7.5% per annum.

- (d) The foreign exchange rate USD 1 = LDR 85.
- (e) The Project will bear the initial fixed asset costs, and other start-up operating costs. It is also presumed that the project will buy/print 2000 cheque books for each RCFI at the start.
- (f) The project will provide a grant to cover the expected operating losses during the first year in the following manner:
 - (i) 100% of operating cost excluding the non cash expenditure⁸⁷ for the first four months;
 - (ii) 75% of operating cost excluding the non cash expenditure for the second four months;
 - (iii) 50% of operating cost excluding the non cash expenditure for the third four months.
- (g) The first 700 shareholders will receive USD 20 as individual share capital grant from the project (under the IFAD grant financing). The grant shall be only available to first 7,000 shareholders.
- (h) This will be subject to compliance of RCFIs with the adopted regulations on staffing as shown in the table below, and further up to a maximum of USD 22,000 for A-type RCFIs.
- (i) Human resource growth is based on the cliental load. One additional loan officer will be added for every 350 loan clients. Additional part-time or full-time staff or agents for deposit collection may be added where the RCFI wants to embark on deposit collection on markets or at door steps. The human resource growth over the period of five year is shown below.

Table 10: Growth of human resources in A-RCFIs over five years					
Payroll staff	Year 1	Year 2	Year 3	Year 4	Year 5
Manager	1	1	1	1	1
Credit officer		1	1	1	1
Accountant					
Cashier	1	1	1	1	1
Off-roll staff					
Security	1	1	1	1	1
Office assistant	1	1	1	1	1
Total	4	5	5	5	5

- (j) The salaries of the RCFI increase at the rate of inflation.
- (k) The operating cost increase at the rate of inflation.
- (l) Share capital and shareholder growth is 8% for the first year, reduced by 2% points every year. It is also presumed that during the first months, the RCFI will mobilize 100 shareholders and USD 10,000 as share capital. The assumption is made on the experience of the three operational RCFI in Liberia as shown below.

Table 11: Mobilization of share capital in the first three RCFIs		
Name of the RCFI	Share capital (In USD)	Months in operation
Fish Town	45,000	3
Grand Kru	25,000	3
Karnplay	15,000	6

⁸⁷ These are essentially provisions for depreciation and loan loss.

- (m) The printing cost of one passbook is calculated at USD 1 and selling price is at USD 4.
- (n) The SUSU 1 savings product assumptions are that 30 market woman will participate in the daily savings scheme saving a USD 1 each. This assumption is based on the mission finding of higher SUSU collections in all informal daily market savings in the range of USD 1 to USD 5. A service fee of one day's savings will be charged. The growth is projected at 10% in the second year and will rise by 2% points every year.
- (o) The SUSU 2 savings product assumptions are that 25 people will save USD 5 per week for a period of 3 months. The interest paid by RCFI on the fixed deposit is 12% per annum compounded monthly. The growth is projected at 10% in the second year and will rise by 2% points every year.
- (p) Voluntary savings is based on the minimum balance of USD 5 any client is required to keep.
- (q) 10% of the accountholders will have a term deposits of USD 100 with an annual growth rate of 20% of the deposit amount. Interest paid is 5% per annum compounded monthly.
- (r) In the absence of any regulation, it is assumed that the liquidity requirements will be 20% for SUSU 1, 10% for SUSU 2 and other fixed deposits and 30% for voluntary savings.
- (s) The base figure for the volume of money transfer is taken from the Karnplay RCFI, which had the longest practice in this activity in Liberia. The RCFI will commence the operation in the third month and will get an average commission of 2.5% on the turn over. The growth is expected to be at a constant rate of 2% per month.
- (t) Available lending resources are defined as total shareholder funds including donated equity minus fixed assets plus depreciation plus loan loss provisions made plus total deposits minus regulatory reserves. Lending commences in the fourth month after the start of RCFI operations.
- (u) It is assumed that the RCFI will on average intermediate 70% of the available cash into loan disbursement.
- (v) The assumptions for interest rate are based on the need to cover the cost of capital, operating expenses, loan losses, equity protection against inflation and profit margin.
- (w) The assumptions with respect to loan terms and interests are shown below.

Table 12: Assumptions on loan terms and interest rates for A-RCFIs					
	Year 1	Year 2	Year 3	Year 4	Year 5
Interest rate per month (on reducing balance)	5%	5%	4%	4%	3%
Average loan term (in months)	6	7	8	9	9
Loan losses	1%	3%	4%	4%	4%

- (x) The assumptions with respect to loans size and sectoral distribution are shown in the table below.

Table 13: Assumptions sectoral distribution of loans for A-RCFIs					
	Year 1	Year 2	Year 3	Year 4	Year 5
Petty Trade	40%	35%	30%	30%	27%
Agricultural trade	30%	20%	20%	12%	14%
Agricultural processing	5%	5%	5%	10%	10%
Transport	10%	10%	5%	5%	5%
VSLA Re-finance		10%	10%	10%	10%
Agricultural production	5%	7%	10%	12%	13%
Housing			5%	5%	5%
Small and medium enterprise		3%	5%	6%	6%
Salary advances/consumption	10%	10%	10%	10%	10%
Total	100%	100%	100%	100%	100%

- (y) The assumptions with respect to loans size are shown in the table below.

Table 14: Assumptions on loans sizes for A-RCFIs	
Loan Purpose	Range of loan size (in USD)
Petty trade	USD 200-500
Agricultural trade	USD 200-500
Agricultural processing	USD 1000-2000
Transport	USD 800-1000
VSLA refinance	USD 800-3000
Agricultural production	USD 200-500
Housing	USD 500-1000
Small and medium enterprise	USD 500-1000
Salary advances/consumption	USD 200-1000

- (z) RCFIs pay USD 2000 each year for audit to TASU/TASC.
- (aa) An annual maintenance fee of 15% of the initial purchase costs is paid to the software service provider.
- (bb) The assumptions on administrative expenses are based on the six years experience of FSAs in Sierra Leone under RFCIP and the experience of RCFIs in Liberia since December 2013.
- (cc) All RCFIs will pay a service fee of 1.0% on the total loan amount disbursed to TASU/TASC as from second year of its operation.
- (dd) The dividend is declared only after recovering prior year losses and it is 50% of the net profit current year.
- (ee) Income statements and balance sheets following the above assumptions are presented below.

Table 15: Income statement for A-RCFIs

Income statement					
	YR 1	YR 2	YR 3	YR 4	YR 5
Financial Revenue	5,698	21,108	33,589	49,442	64,197
Interest on loan portfolio	4,443	19,612	32,531	49,135	63,863
Income from sales of passbook	699	708	846	56	32
Other operating Revenue	556	788	212	251	302
Financial expense	195	399	743	1,127	1,510
Interest and fee expense on deposits	78	118	202	302	396
Interest and fee expense on Term deposit	117	282	541	824	1,114
Other financial expense					
Net financial income	5,504	20,708	32,846	48,315	62,687
Impairment for loan losses	181	1,298	1,754	1,733	1,458
Provision for loan impairment	181	1,298	1,754	1,733	1,458
(Value of loans recovered)					
Operating expense	23,751	31,404	34,099	35,455	36,863
Personnel expense	7,440	13,551	15,381	15,766	16,160
Social security contribution	212	386	438	449	461
Administrative expense	9,444	9,582	9,731	9,890	10,062
Travel & transport	240	258	277	298	321
Operating & maintenance cost - motor bike	120	129	139	149	160
Operating & maintenance cost - generator	500	538	578	621	668
Communication	420	452	485	522	561
Office materials and supplies	240	258	277	298	321
Utilities	120	129	139	149	160
BoD-related expenses	-	-	-	-	-
Audit	2,000	2,000	2,000	2,000	2,000
Registration and license	200	215	231	248	267
Depreciation and amortization expense	5,604	5,604	5,604	5,604	5,604
Annual maintenance fee software	1,050	1,050	1,050	1,050	1,050
Service fee TASU/TASC	-	1,230	1,894	2,696	3,526
Net operating income	(18,428)	(11,993)	(3,007)	11,127	24,367
Non-operating revenue					
Non-operating expense					
Net income (before taxes and donations)	(18,428)	(11,993)	(3,007)	11,127	24,367
Taxes					
Net income (after taxes and before donations)	(18,428)	(11,993)	(3,007)	11,127	24,367
Dividend	-	-	-	5,563	12,183
Net income (after taxes, dividend and before donations)	(18,428)	(11,993)	(3,007)	5,563	12,183
Donations	20,092	5,604	5,604	5,604	5,354
Donations for loan capital	-	-	-	-	-
Donations for operating Expenses	14,488	-	-	-	-
Donations for fixed assets	5,604	5,604	5,604	5,604	5,354
Net income (after taxes, donations and dividend)	1,664	(6,389)	2,597	11,168	17,538

Table 16: Balance sheet for A-RCFIs

Statement of Financial Position					
Balance sheet					
	YR1	YR2	YR3	YR4	YR5
ASSETS					
Notes & coins	1,171	2,620	4,604	6,620	8,495
Balance with financial institutions in Liberia	17,293	16,746	31,763	34,014	38,718
Short-term investments in market instruments					
Gross loan portfolio	18,081	49,288	80,819	124,149	160,591
(Loan loss reserve)	(181)	(1,479)	(3,233)	(4,966)	(6,424)
Stock	1,767	1,531	3,249	3,047	2,927
Fixed assets	68,905	68,905	68,905	67,905	68,905
Accumulated depreciation	(5,604)	(11,209)	(16,813)	(22,418)	(28,022)
TOTAL ASSETS	101,432	126,403	169,294	208,353	245,189
LIABILITIES					
Savings accounts: voluntary	3,756	7,976	15,023	21,911	27,910
Savings accounts: SUSU1	900	990	1,109	1,264	1,466
Fixed/Term Deposit	3,832	7,280	12,665	18,588	24,729
Deferred Income/ Grant	63,301	57,696	52,092	46,487	41,133
Credit Suspense/Other Liabilities					
TOTAL LIABILITIES	71,788	73,942	80,888	88,250	95,238
EQUITY					
Paid-in equity from shareholders	23,316	47,802	76,533	97,063	109,373
Individual share capital grant	4,663	9,383	14,000	14,000	14,000
Donated equity -- prior years, cumulative	-	20,092	25,697	31,301	36,905
Donated equity -- current year	20,092	5,604	5,604	5,604	5,354
Prior years' retained earnings/losses	-	(18,428)	(30,422)	(33,429)	(27,865)
Current year retained earnings/loss	(18,428)	(11,993)	(3,007)	5,563	12,183
TOTAL EQUITY	29,644	52,461	88,406	120,103	149,951
SUBORDINATED DEBT	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	101,432	126,403	169,294	208,353	245,189

- (ff) **Analysis of the projected results for A-type RCFIs.** Under the above assumptions, the total operating income of the RCFI-A will rise steadily over the projected five year period, breaking even on an operational basis in year 4. Thereafter, the RCFI will progressively earn a net income after dividend payments. The proposed grant income in year 1, which covers the operating expenses, except for the loan loss provision and the depreciation charges, though, ensures that the overall net income of the RCFI is positive from the first year with the only exception in year 2 because of the withdrawal of grant support. A summary of key performance ratios is presented below.

Table 17: Key performance ratios for A-RCFIs

Ratio %	Year 1	Year 2	Year 3	Year 4	Year 5
Net operating margin	(3.23)	(0.57)	(0.09)	0.23	0.38
Operational self-sufficiency	0.17	0.50	0.73	1.04	1.32
Return on average equity (ROE)	0.11	(0.16)	0.04	0.11	0.13
Return on average assets (ROA)	0.03	(0.06)	0.02	0.06	0.08
Equity to total assets	0.29	0.42	0.52	0.58	0.61
Liquidity ratio	2.18	1.19	1.26	0.97	0.87
Operating expense ratio	2.66	0.97	0.55	0.37	0.27
Deposit volume	8,487	16,246	28,797	41,763	54,106
Loans outstanding	18,081	49,288	80,819	124,149	160,591
No. of loan clients	44	129	210	308	398
No. of loans	94	313	489	669	876
No. of clients	233	469	751	953	1,073
Share capital	23,316	47,802	76,533	97,063	109,373

- (gg) The operating income mainly derives from three sources, the loan portfolio, the selling of passbooks and the money transfer operations. The net operating margin becomes positive from the year 4. The growth in loans outstanding is 223% in year 2, and then reduces to 54%, 42% and 31% from year 3 to year 5 respectively. The trend is in line with the MFI growth parameters which stabilize as operations increase and the institution becomes mature. The growth in the number of loan clients is not same due to the gradual reduction in percent allocation of the portfolio from trade to production related activities requiring higher loan amounts. The RCFI keeps maintaining a healthy liquidity ratio against the assumed liquidity requirement. The RoA and RoE are projected to improve steadily over time, increasing from 3% and 11% in year 1 to 8% and 13% respectively year 5. By the mid of the third year of operations, these RCFIs have reached the minimum equity capital from paid up shares alone of USD 50,000.
- (hh) Sensitivity analysis shows that if the rate of intermediation falls by 10% points to 60%, the RCFI breakeven will be in year 5. The 70% intermediation rate is highly conservative considering this is excluding the regulatory reserve requirement. The TASU/TASC shall immediately employ corrective measures if the rate of intermediation falls below 70% for three consecutive months.
- (ii) A 40% increase in administrative expense would not affect much the reaching of the break even position of the RCFI, as the RCFI would still break even by year 4.
- (jj) The increase in loan losses, which is highly likely considering the experience of other MFIs, would affect the breakeven point. If the loan losses increase by 15% percentage points from the assumed loan losses, the RCFI will still break even in year 4, and any further increase will plunge the RCFI into losses up to year 4 before the RCFI will break even in year 5.

B-RCFIs

44. The RCFI-B is conceived for the larger villages and smaller towns with a population of 5000 to 10,000 inhabitants. The projection for the sustainability of the RCFI-B is based on the following assumptions:
- (a) The proposed building design is for RCFI-B is bigger and has additional offices for loan officers as well as larger banking hall. It also has provisions for the manager's quarter, as indicated in the figure above for A-RCFIs.
- (b) The assumptions as regards the purchase of solar panels, rate of inflation, foreign exchange rate, bearing of the initial fixed asset cost, and other start up operating cost, purchase of cheque books, and bearing of operating cost for first year will remain the same as for A-RCFIs, with the exception that the ceiling for grants to cover operational losses during the first year of operations shall be fixed at USD 24,000/RCFI.

- (c) Human resource growth is based on the client load. One additional loan officer will be added for every 350 loan clients. Additional part-time or full-time staff or agents for deposit collection may be added where the RCFI wants to embark on deposit collection on markets or at door steps. The human resource growth over the period of five year is shown in the table below.

Table 18: Growth of human resources in B-RCFIs over five years					
Payroll staff	Year 1	Year 2	Year 3	Year 4	Year 5
Manger	1	1	1	1	1
Credit officer			1	2	2
Accountant					
Cashier	2	2	2	2	2
Off-roll staff					
Security	1	1	1	1	1
Office assistant	1	1	1	1	1
Total	5	5	6	7	7

- (d) The assumptions related to increases of salaries and operating cost remain the same as for A-RCFIs.
- (e) Share capital and shareholders growth is projected at 7% for the first two years, after which it declines by 1% point every year. It is also presumed that the first month, the RCFI will mobilize 100 shareholders and USD 10,000 as share capital.
- (f) The cost of printing and selling of passbooks remain as for A-RCFIs.
- (g) The SUSU 1 savings product assumptions are that 100 market women will participate in the daily savings scheme each one saving a USD 1. A service fee of one day's savings will be charged. The growth rate is 10% in second year and 2% points every year thereafter.
- (h) The SUSU 2 savings product assumptions are that 60 people will save USD 5 each week for a period of 3 months. The interest paid by RCFI on the fixed deposit is 12% per annum compounded monthly. The growth is 10% in the second year and 2% points every year thereafter.
- (i) 10% of the accountholders will have term deposits of USD 100 with an annum growth rate of 20% on the deposit amount. Interest paid is 5% per annum compounded monthly.
- (j) The voluntary savings are based on the minimum balance of USD 5 per shareholder. The interest paid is 5% per annum on the average deposit balance.
- (k) In the absence of any regulation, it is assumed that the liquidity requirements will be 20% for SUSU 1, 10% for SUSU 2 and other fixed deposits and 30% for voluntary savings.
- (l) Money transfer will commence in the third month of operations and will attract an average commission of 2.5% on the amount transacted. The growth is expected to be at a constant rate of 4% per month.
- (m) Available lending resources are defined as above. Lending commences in the fourth month of RCFI operation.
- (n) It is assumed that the RCFI will intermediate 70% of the available cash into loans.
- (o) The assumptions with respect to loan terms, interest rate, loans size and sectoral loan distribution will remain the same as for A-type RCFIs.
- (p) The assumptions on cost of annual audit payable to TASU/TASC and annual maintenance fee payable to the software service provider remain the same as for A-RCFIs.

- (q) The assumptions on payment of a statutory service fee of 1.0% on loans disbursed payable to TASU/TASC and on dividends remain the same as for A-type RCFIs.
- (r) Income statements and balance sheets following the above assumptions are presented below.

Table 19: Income statement for B-RCFIs

Income statement					
	YR 1	YR 2	YR 3	YR 4	YR 5
Financial Revenue	7,851	26,633	44,266	68,849	102,290
Interest on Loan Portfolio	6,368	24,536	42,541	67,947	101,151
Income from sales of Passbook	631	791	1,132	157	170
Other Operating Revenue	851	1,306	593	745	969
Financial Expense	243	462	896	1,633	2,713
Interest and Fee Expense on Deposits	137	177	284	454	696
Interest and Fee Expense on Term Deposits	105	284	613	1,179	2,017
Other Financial Expense					
Net Financial Income	7,608	26,172	43,369	67,216	99,576
Impairment Losses on Loans	253	1,619	2,488	2,700	4,412
Provision for Loan Impairment	253	1,619	2,488	2,700	4,412
(Value of Loans Recovered)					
Operating Expense	26,891	32,932	38,976	45,541	48,581
Personnel Expense	9,540	13,776	18,533	23,519	24,107
Social Security Contribution	272	393	528	670	687
Administrative Expense	10,024	10,176	10,339	10,514	10,702
Travel & Transport	300	323	347	373	401
Operating & Maintenance Cost- Motor Bike	180	194	208	224	240
Operating & Maintenance Cost- Generator	500	538	578	621	668
Communication	360	387	416	447	481
office materials and supplies	300	323	347	373	401
utilities	180	194	208	224	240
BoD Related Expenses	-	-	-	-	-
Audit	2,000	2,000	2,000	2,000	2,000
Registration and License	200	215	231	248	267
Depreciation and Amortization Expense	6,004	6,004	6,004	6,004	6,004
Annual Maintenance Fee	1,050	1,050	1,050	1,050	1,050
Service Fee- TASC	-	1,533	2,522	3,783	6,030
Net Operating Income	(19,535)	(8,380)	1,905	18,975	46,583
Non-Operating Revenue					
Non-Operating Expense					
Net Income (Before Taxes and Donations)	(19,535)	(8,380)	1,905	18,975	46,583
Taxes					
Net Income (After Taxes and Before Donations)	(19,535)	(8,380)	1,905	18,975	46,583
Dividend	-	-	-	9,488	23,292
Net Income (After Taxes, Dividend and Before Donations)	(19,535)	(8,380)	1,905	9,488	23,292
Donations	22,093	6,004	6,004	6,004	5,754
Donations for Loan Capital	-	-	-	-	-
Donations for Operating Expense	16,088	-	-	-	-
Donations for Fixed Asset	6,004	6,004	6,004	6,004	5,754
Net Income (After Taxes, Donations and Dividend)	2,558	(2,375)	7,909	24,980	52,337

Table 20: Balance sheet for B-RCFIs

Statement of Financial Position					
Balance sheet					
	YR1	YR2	YR3	YR4	YR5
ASSETS					
Notes & Coins	2,111	3,567	6,184	10,397	16,192
Balance with Financial Institutions in Liberia	11,869	17,230	31,466	57,889	71,076
Short-term investments in market instruments					
Total loan portfolio	25,260	62,390	109,000	176,493	286,798
(Loan loss reserve)	(253)	(1,872)	(4,360)	(7,060)	(11,472)
Stock	1,790	1,526	3,149	2,637	2,057
Fixed Assets	88,905	88,905	88,905	87,905	88,905
Accumulated depreciation	(6,004)	(12,009)	(18,013)	(24,018)	(30,022)
TOTAL ASSETS	123,678	159,737	216,329	304,245	423,534
LIABILITIES					
Savings accounts: voluntary	4,256.66	8,058.90	17,026.62	31,349.19	50,526.43
Savings accounts: SUSU1	3,000	3,300	3,696	4,213	4,888
Fixed/ Term Deposit	5,705	9,649	16,694	28,636	46,209
Deferred Income/ Grant	82,901	76,896	70,892	64,887	59,133
Credit Suspense/Other Liabilities		4,321			
TOTAL LIABILITIES	95,862	102,225	108,309	129,086	160,755
EQUITY					
Paid-in equity from shareholders	21,049	47,848	85,929	137,575	196,149
Individual share capital grant	4,210	9,481	14,000	14,000	14,000
Donated equity -- prior years, cumulative	-	22,093	28,097	34,102	40,106
Donated equity -- current year	22,093	6,004	6,004	6,004	5,754
Prior years' retained earnings/losses	-	(19,535)	(27,915)	(26,010)	(16,522)
Current year retained earnings/loss	(19,535)	(8,380)	1,905	9,488	23,292
TOTAL EQUITY	27,816	57,512	108,021	175,159	262,779
SUBORDINATED DEBT	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	123,678	159,737	216,329	304,245	423,534

45. **Analysis.** The above projection indicates that the RCFI-B will reach operational sustainability in three years, even if paying audit and service fees to TASU/TASC from year 2. The proposed grant income, which covers the operating expenses, except for the loan loss provision and the depreciation charges, though, ensures that the overall net income of the RCFI is positive from the first year with only exception in year 2 because of the withdrawal of grant support. A summary of the key performance ratios is presented below.

Table 21: Key performance ratios for B-RCFIs					
Ratio	Year 1	Year 2	Year 3	Year 4	Year 5
Net operating margin	(2.49)	(0.31)	0.04	0.28	0.46
Operational self-sufficiency	0.21	0.59	0.85	1.16	1.59
Return on average equity	0.18	(0.06)	0.10	0.18	0.24
Return on average assets	0.04	(0.02)	0.04	0.10	0.14
Equity to total assets	0.22	0.36	0.50	0.58	0.62
Liquidity ratio	1.08	0.99	1.01	1.06	0.86
Operating expense ratio	2.16	0.79	0.49	0.34	0.23
Other Indicators					
Savings balance	12,962	21,008	37,417	64,199	101,623
Loan outstanding	25,260	62,390	109,000	176,493	286,798
No of loan clients	62	164	284	437	711
No of clients	210	474	851	1,363	1,943
Share capital	21,049	47,848	85,929	137,575	196,149

46. The operating income mainly derives from three sources, the loan portfolio, the selling of passbook and the money transfer operations. The net operating margin becomes positive from the year 3. The growth rate of loans outstanding over the previous year is 184% in year 2, and then declines to 64%, 50% and 59% from year 3 to year 5 respectively. The RCFIs keep maintaining a healthy liquidity ratio against the assumed liquidity requirement. The RoA and RoE are projected to improve steadily over time, increasing to a healthy 14% and 24% by year 5. By the mid of the third year of operations, these RCFIs have reached the minimum equity capital from paid up shares alone of USD 50,000.
47. Sensitivity analysis shows that if the rate of intermediation falls by 10% points to 60%, the RCFI breakeven position will be delayed to year 4. The 70% intermediation rate is highly conservative considering this is excluding the regulatory reserve requirement. The TASU/TASC shall employ corrective measures if the intermediation rate falls below 70% for three consecutive months.
48. A 40% increase in administrative cost will result in delay in RCFI becoming operational sustainable by year 4.
49. An increase in loan losses is highly likely considering the experience of other MFIs. If the loan losses increase by 15% percentage points over the assumed loan losses, the RCFI will become operational self sustainable by year 4 instead of year 3.

C-RCFIs

50. The C-RCFI is conceived for the bigger towns where the population size is more than 10,000. The projection for the sustainability of the C-RCFI is based on the following assumptions
 - (a) The proposed building design is for C-RCFI is bigger than for B-RCFIs and will have additional office for loan officer as well as larger banking hall. A C-RCFI also has provision for Manger's quarter. Apart from this, the design is similar as for B-type of RCFIs as shown in the figure above.
 - (b) The assumptions as regards the purchase of solar panels, rate of inflation, foreign exchange rate, bearing of the initial fixed asset cost, and other start up operating cost, purchase of cheque books, and bearing of operating cost for first year will remain the same as for A-RCFIs, with the exception that the ceiling for grants to cover operational losses during the first year of operations shall be fixed at USD 30,000/RCFI.
 - (c) Human resource growth is based on the clientele load. One additional loan officer will be added for every 350 loan clients. Additional part-time or full-time staff or agents for deposit collection

may be added where the RCFI wants to embark on deposit collection on markets or at door steps. The projected human resource growth over a period of five year is shown below.

Table 22: Growth of human resources in C-RCFIs over five years					
Payroll staff	Year 1	Year 2	Year 3	Year 4	Year 5
Manger	1	1	1	1	1
Credit officer		1	1	2	5
Accountant	1	1	1	1	1
Cashier	2	2	2	2	2
Off-roll staff					
Security	1	2	2	2	2
Office assistant	1	1	1	1	1
Total	6	8	8	9	12

- (d) The assumptions related to increases of salaries and operating cost remain the same as for A-RCFIs.
- (e) Share capital and shareholder growth is assumed to be 10% for the first year and then reducing by 2% points every year. It is also assumed that during the first months, the RCFI will mobilize 100 shareholders and USD 10,000 as share capital.
- (f) The cost of printing and selling of passbooks remain as for A-RCFIs.
- (g) The assumptions for the SUSU 1 savings product are that 200 market woman will participate in daily savings scheme saving USD 1 each per day. The same service fee of one day's savings will be charged. The growth is expected to reach 10% from the second year and then increases by 2% points every year.
- (h) The assumptions for SUSU 2 are that 250 people will save USD 5 each week during a 3 month period. The interest paid by RCFI on the fixed deposit is 12% per annum compounded monthly. The growth is 10% from the second year and rises by 2% points every year.
- (i) The assumptions on voluntary savings are based on the minimum balance of USD 5 per shareholder. The interest paid is 5% per annum on the average saving balance.
- (j) 10% of the accountholder will have term deposits of USD 100 with an annum growth rate of 20% on the deposit amount. Interest paid is 5% per annum compounded monthly.
- (k) The prudent liquidity requirements for deposits as A- and B-type of RCFIs apply.
- (l) The same assumptions on money transfer as above for A- and B-type of RCFIs apply, with the exception that growth rate is expected to be at a constant rate of 5% per month.
- (m) The assumptions on loan intermediation as above for A- and B-type of RCFIs apply.
- (n) The assumptions with respect to loan terms, interest rate, loans size and sectoral loan distribution will remain the same as for A-type RCFIs.
- (o) The assumptions on cost of annual TASU/TASC audit and annual maintenance fee payable to the software service provider remain the same as for A-RCFIs.
- (p) The assumptions on payment of a statutory service fee of 1.0% on loans disbursed payable to TASU/TASC and on dividends remain the same as for A-type RCFIs.
- (q) Income statements and balance sheets following the above assumptions are presented below.

Table 23: Income statement for C-RCFIs

Income statement					
	YR 1	YR 2	YR 3	YR 4	YR 5
Financial Revenue	13,805	40,915	77,082	136,681	191,994
Interest on Loan Portfolio	11,714	37,763	73,809	135,035	189,988
Income from sales of Passbook	856	1,299	2,182	267	173
Other Operating Revenue	1,235	1,853	1,092	1,379	1,833
Financial Expense	430	777	1,802	3,106	4,557
Interest and Fee Expense on Deposits	287	346	761	1,104	1,510
Interest and Fee Expense on Term Depsoit	143	431	1,041	2,002	3,047
Other Financial Expense					
Net Financial Income	13,375	40,138	75,280	133,575	187,437
Impairment Losses on Loans	449	2,205	5,585	5,468	6,346
Provision for Loan Impairment	449	2,205	5,585	5,468	6,346
(Value of Loans Recovered)					
Operating Expense	32,002	44,785	52,548	61,003	75,099
Personnel Expense	13,110	23,124	28,115	33,341	43,446
Social Security Contribution	374	659	801	950	1,238
Administrative Expense	11,164	11,379	11,610	11,857	12,124
Travel & Transport	600	645	693	745	801
Operating & Maintenance Cost- Motor Bike	180	194	208	224	240
Operating & Maintenance Cost- Generator	500	538	578	621	668
Communication	600	645	693	745	801
office materials and supplies	600	645	693	745	801
utilities	180	194	208	224	240
BoD Related Expenses	-	-	-	-	-
Audit	2,000	2,000	2,000	2,000	2,000
Registration and License	200	215	231	248	267
Depreciation and Amortization Expense	6,304	6,304	6,304	6,304	6,304
Annual Maintenance Fee	1,050	1,050	1,050	1,050	1,050
Service Fee TASC/ TASU	-	2,268	4,668	7,501	10,937
Net Operating Income	(19,076)	(6,852)	17,147	67,104	105,991
Non-Operating Revenue					
Non-Operating Expense					
Net Income (Before Taxes and Donations)	(19,076)	(6,852)	17,147	67,104	105,991
Taxes					
Net Income (After Taxes and Before Donations)	(19,076)	(6,852)	17,147	67,104	105,991
Dividend	-	-	-	33,552	52,996
Net Income (After Taxes, Dividend and Before Donations)	(19,076)	(6,852)	17,147	33,552	52,996
Donations	25,545	6,304	6,304	6,304	6,054
Donations for Loan Capital	-	-	-	-	-
Donations for Operating Expense	19,241	-	-	-	-
Donations for Fixed Asset	6,304	6,304	6,304	6,304	6,054
Net Income (After Taxes, Donations and Dividend)	6,469	(547)	23,451	39,857	59,050

Table 24: Balance sheet for C-RCFIs

Balance sheet					
	YR1	YR2	YR3	YR4	YR5
ASSETS					
Notes & Coins	3,846	5,945	11,930	19,286	26,735
Balance with Financial Institutions in Liberia	12,791	32,764	51,332	88,540	98,496
Short-term investments in market instruments					
Total loan portfolio	44,885	88,467	205,968	342,656	501,309
(Loan loss reserve)	(449)	(2,654)	(8,239)	(13,706)	(20,052)
Stock	1,715	1,282	2,554	1,685	1,065
Fixed Assets	103,905	103,905	103,905	102,905	103,905
Accumulated depreciation	(6,304)	(12,609)	(18,913)	(25,218)	(31,522)
TOTAL ASSETS	160,388	217,100	348,537	516,149	679,935
LIABILITIES					
Savings accounts: voluntary	7,228.45	12,213.88	28,913.79	53,235.69	76,322.13
Savings accounts: SUSU1	6,000	6,600	7,392	8,427	9,775
Fixed Deposit	8,853	15,222	39,298	61,110	85,378
Deferred Income/ Grant	97,601	91,296	84,992	78,687	72,633
Credit Suspense/Other Liabilities					
TOTAL LIABILITIES	119,682	125,332	160,595	201,460	244,108
EQUITY					
Paid-in equity from shareholders	28,531	71,846	144,569	231,460	293,547
Individual share capital grant	5,706	14,000	14,000	14,000	14,000
Donated equity -- prior years, cumulative	-	25,545	31,850	38,154	44,459
Donated equity -- current year	25,545	6,304	6,304	6,304	6,054
Prior years' retained earnings/losses	-	(19,076)	(25,928)	(8,781)	24,771
Current year retained earnings/loss	(19,076)	(6,852)	17,147	33,552	52,996
TOTAL EQUITY	40,706	91,768	187,942	314,689	435,826
SUBORDINATED DEBT	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	160,388	217,100	348,537	516,149	679,935

51. **Analysis of the projected results for C-RCFIs.** The above forecasts indicate that the total operating income of the RCFI-C will rise steadily over the projected five year period, breaking even on an operational basis in year 3. Thereafter, the RCFI progressively will earn a net income after dividend payments. The proposed grant income, which covers the operating expenses, except for the loan loss provision and the depreciation charges, though, ensures that the overall net income of the Bank is positive from the first year with. Using conservative assumption, these overall results will not be improved much in case the RCFI would offer fixed deposits and intermediate these into loans. A summary of the key performance ratios is shown in the table below.

Table 25: Key performance ratios for C-RCFIs					
Ratio %	Year 1	Year 2	Year 3	Year 4	Year 5
Net operating margin	(1.38)	(0.17)	0.22	0.49	0.55
Operational self-sufficiency	0.31	0.70	1.09	1.72	2.02
Return on average equity	0.32	(0.01)	0.17	0.16	0.16
Return on average assets	0.08	(0.00)	0.08	0.09	0.10
Equity to total assets	0.25	0.42	0.54	0.61	0.64
Liquidity ratio	0.75	1.14	0.84	0.88	0.73
Operating expense ratio	1.46	0.71	0.40	0.25	0.20
Other Indicators					
Savings balance	22,082	34,035	75,604	122,772	171,476
Loans outstanding	44,885	88,467	205,968	342,656	501,309
No. of loan clients	110	232	536	849	1,242
No. of clients	285	718	1,446	2,315	2,935
Share capital	28,531	71,846	144,569	231,460	293,547

52. The operating income mainly derives from three sources, the loan portfolio, the selling of passbook and the money transfer operations. The net operating margin becomes positive from the year 4. The growth in the loans outstanding is 132% in year 2, and then declines to 106%, 61% and 46% from year 3 to year 5 respectively. The RCFIs maintain a healthy liquidity ratio against the assumed liquidity requirement. The RoA and RoE are projected to improve steadily over time, to a healthy 10% and 16% respectively year 5. Before the end of year 2, the paid up share capital exceeds the minimum requirements of USD 50,000.
53. Sensitivity analysis shows that if the rate of intermediation falls by 10% points to 60% the RCFI breakeven position would not change due to a healthy loan portfolio and a good mix of sources of funds from savings and shares. However, if this falls by 20%, the C-RCFI will only break even in year 4. A 40% increase in administrative expenses has little effect on the break even position of the RCFI, as they will still break even by year 3. An increase in loan losses by 15% percentage points from the assumed loan losses will still permit the RCFI to break even in year 3, although the profit margin will be very small. Any further losses beyond this would postpone RCFI-C sustainability to year 4. The main assumptions related to the support and evolution of RCFIs are presented in Table 1 above.
54. The difference of the breakeven points between the three models is directly proportional to the volume or the turnover of the RCFIs. The smaller institutions with respect to liabilities and equity will take longer to break even compared to larger ones. The experience from Sierra Leone shows that new community banks break even within three years. The main cause for not breaking even was the value of delinquent loans. The experience across the different regions shows that high loan delinquency is the major threat to the sustainability of MFIs. As regards Liberia, the breakeven point of RCFIs may be postponed to the fifth and sixth year if this factor would not be controlled. The project should thus start with standard credit policies and procedures, a solid MIS system to report the actual portfolio at risk status, and a rule that lending should stop if the PAR (>30 days) would exceeds 15%, to be followed by an investigation on the causes of delinquent loans.

(2b) Sub-component 1.2: Technical assistance and supervision

55. **TASU/TASC Model.** The TASU/TASC is conceived as a second tier institution of RCFIs providing various product and services to RCFIs that are integral to the sustainability of RCFIs. The mission of the TASU/TASC is to provide vital non-banking services to the RCFIs with the aim of improving their operational efficiency and effectiveness.

56. The objectives of the TASU/TASC are:

- (a) To promote the interests of its shareholder RCFIs by providing non-banking services where applicable and necessary, on a sustainable basis;
- (b) To assist the shareholding RCFIs to become operationally profitable as soon as possible;
- (c) To monitor, inspect and supervise the operations of its shareholders through the offsite review of their prudential returns and on-site examinations, and ensure their compliance with banking laws, mandatory prudential regulations and internal regulations in order to complement the supervisory role of the CBL;
- (d) To provide training for directors and employees of RCFIs, and other related bodies or entities;
- (e) To provide a forum for the board and management of the respective RCFIs to share best practices, ideas, challenges, skills and savoir-faire to enhance the developmental objectives of shareholder RCFIs;
- (f) To coordinate, collaborate, partner, work with or engage in joint ventures with other financial services institutions or bodies both locally and internationally, in the acquisition of funds, the procurement of technical and managerial support, equipment supply and the provision of advisory or consultancy services geared towards advancing the TASU/TASC objects.

57. **Rationale for setting up TASU/TASC.** A survey commissioned by the CBL in 2013⁸⁸ revealed that only three out of ten adults kept a personal or joint account with a formal financial institution⁸⁹, and that 72% did not have any account at all. Even if new RCFIs are created, without the technical support, guidance and supervision of a competent external agency, efforts to bring the un-banked to the formal financial sector will not be successful.

58. Under most banking regulatory and supervisory regimes, the focus is on large financial institutions which, due to their size, pose the greatest threat to the economies in which they operate. As a consequence, most regulatory agencies (usually central banks) focus their relatively scarce resources on these banks, at the exclusion of smaller and rural financial institutions who lack scale and who are expensive to supervise because of their remoteness. In the case of Liberia, it will not be feasible that the CBL will supervise these new RCFIs. As a consequence, the first tier supervision will be delegated temporarily to TASC/TASU which will provide close monitoring and inspection to safeguard the interests of shareholders and depositors, and to contribute to the protection of the integrity of the financial sector as a whole. The CBL will decide at its own discretion how long it wishes to extend such delegation.

59. The business model of RCFIs is very distinct and different from that of commercial banks. The RCFIs focus on the low end (peasant farmers, petty traders, small artisans) of the economic landscape, living in remote, rural areas. This target market requires a discrete approach combining appropriate product development, deployment and service delivery in a cost efficient manner. Opening a network of commercial bank branches in small rural villages offering financial products to local markets (e.g. extending small loans and developing linkages with susu collectors and, village savings and loans associations) would not be viable given their operating costs. For a small, local RFI, using trained local staff and linked to a central support unit like the TASU/TASC, the delivery of financial services is possible. Similarly, a stand-alone small RFI would not be able to garner the necessary economies of scale to provide a full range of support services necessary for the proper functioning of effective financial institutions, such as internal audit, credit policies and procedures, MIS systems, and research into new financial products. An apex system can assure the required professionalism, and provide effective, standardized procedures while achieving outreach in a cost effective manner.

⁸⁸ Central Bank of Liberia: National Financial Inclusion Survey Project for the Update of the Liberian Strategy for Financial Inclusion (LSFI) 2014 – 2019. Monrovia 2013

⁸⁹ Of these, 18% had an account in a commercial bank, 3% with a microfinance bank, 1% with a MFI and 9% with a credit union (CU).

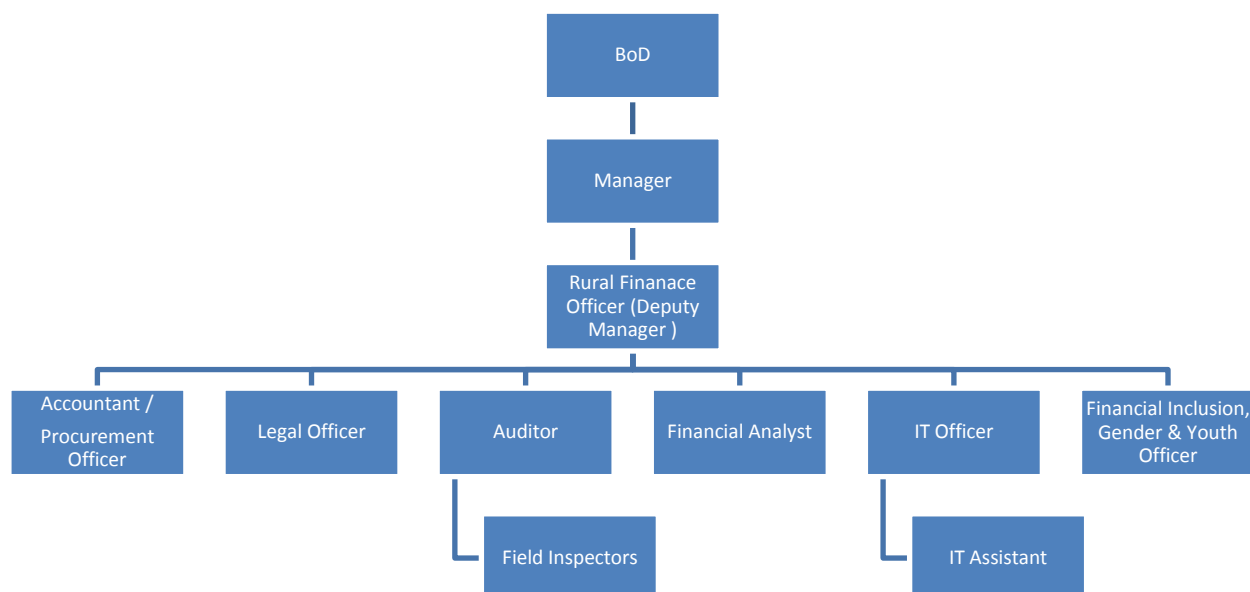
60. The rationale of setting the TASU/TASC before reaching critical mass of RCFIs is one essential lesson learnt from Sierra Leone, Ghana, Nigeria and The Philippines. The standards, policies and procedures, training, MIS software support, inspection, development of appropriate product and services have to be given to the RCFIs from the beginning, and not when these RCFIs have reached maturity state. In the absence of such apex body, there is some risk that RCFIs may fail in first two or three years after establishment. The cost of rescuing and restoring confidence could be very high and even jeopardize the viability of other RCFIs.
61. **Creation of TASU and transformation into TASC.** At the beginning, the TASU shall be established as a unit under the non-bank financial institution division of the Banking Supervision Department of the CBL. This approach guarantees the full understanding of the selected staff of the CBL principles and operations, and secures the harmonization of all support measures provided to RCFIs. This period shall take about two years. During this period, the TASU will be housed by the CBL. During the second year of RCFP implementation, preparatory steps for the transformation of the TASU and the creation of TASC will be undertaken. These activities comprise the drafting of legal documents (memorandum of association and articles of association), collection of the contributions of RCFIs for the purchase of shares, and the registration as company limited by shares. Shareholding is limited to RCFIs which subscribe to the principles of sustainable and efficient provision of affordable rural financial services and the support provided by TASC. Shares will be issued at a nominal value of USD 1000 per share. RCFIs are obliged, through a memorandum of association with the RCFP, to purchase shares worth 3% of their own equity funds. Calculations, based on the rhythm of creation of RCFIs and their expansion, show that the available share capital of TASC may reach approximately USD 126,000 at the end of the RCFP. The TASC will apply for a license from CBL as non-deposit taking financial institution, at present requiring a minimum share capital of USD 50,000. The TASC will enter into a memorandum of association with CBL on the temporary delegation of first tier supervision of RCFIs by TASC.

Table 26: Share capital mobilized by TASC at end of project years 2-5

Source of capital	Year 2	Year 3	Year 4	Year 5
Shares held by RCFIs in Cat. A	5,736	20,664	26,207	29,531
Shares held by RCFIs in Cat. B	7,177	15,467	24,763	35,307
Shares held by RCFIs in Cat. C	10,777	30,359	48,607	61,645
Total end of year TASC share capital from RCFIs	23,690	66,491	99,577	126,482

62. **Governance structure.** As a company, the TASC will be ruled by a BOD. The initial number of directors will be seven, of which four will be elected from among the chairpersons of RCFIs holding shares in TASC. During the first three years of operations, the other three directors of TASC will be comprised of one representative from the Ministry of Agriculture and two representatives from the CBL, of which one from the Banking Supervision Department and the other from the Unit in charge of financial inclusion, microfinance and informal finance promotion. Upon the end of this period, the three seats will be granted to recruited independent professionals bringing in specific skills that are needed to complement the views of the practitioners. These could comprise legal, accounting/auditing, business management, or micro- and small-enterprise development expertise.
63. **Management.** The TASU/TASC management comprises of one manager, one rural finance officer who shall also act as deputy manager, one legal officer, one chartered accountant/auditor, one analyst, two IT officers, and one accountant. The management structure is shown in the figure below.

Figure 3: Management structure of TASU/TASC



64. The Financial Management Unit will ensure accuracy, consistency and efficiency in implementing the accounting and financial management procedures of TASU/TASC. Other tasks include procurement, the preparation of financial reports, budget variance reports for internal and external purposes, and retirement of funds to the PIU for the implementation of RCFP component 1. The accountant will be responsible for accounting and budgeting of all TASU/TASC revenues and expenses, and for procurement during year 1. With effect from the second year, a procurement officer will be recruited to take care of all procurement activities. During the operations as TASU under CBL, the procurement rules of CBL will apply; with the creation of TASC, TASC will create its own procurement regulations in conformity with national legislation and IFAD procurement regulations.
65. The legal officer will be recruited in year 2 to assist RCFIs in terms of delinquency management. Loans which are due for more than 90 days will be referred to TASU/TASC upon which the legal officer will issue legal notice pushing debtors to pay arrears. This approach has been highly successful in Sierra Leone, and allows overcoming the negative local influences and politics when pursuing debtors. Other functions of the legal officer will be to facilitate the registration of RCFIs, reviewing corresponding bank agreements, drafting and revising of memoranda, revision of procedures and internal audit guidelines for RCFIs, drafting and revising of loan agreements and collateral pledging, etc.
66. The auditor will be assisted by field inspectors. The unit will ensure that the RCFIs comply with the CBL regulatory requirements and the internal policies and mandatory TASU/TASC regulations, and apply good international practices. As the unit will also provide standard audit services to all RCFIs, the head of the unit must be a chartered accountant.
67. The financial analyst will be responsible for periodic off-site reviews, reporting to external and internal purposes on the performance of RCFIs. The analyst will raise alarms that will prompt the onsite visits if any major variance, irregular occurrence of transaction or unusual trend appears. S/he will further be in charge of conducting longitudinal reviews and analyses of the data, checking the integrity of data transmitted by RCFIs to TASU/TASC and checking the performance of RCFIs.
68. The IT unit will be in charge of installing the software needed for financial transactions and accounting, providing trouble shooting support to RCFIs on IT solutions, and will maintain a centralized mirrored

platform of RCFI data bases. The other services provided will be specialized training on MIS data importation for existing RCFIs etc.

69. The Financial Inclusion, Gender & Youth Officer (FIO) will act as a business development agent of RCFIs, conceiving various linkages to increase the outreach of the RCFIs and at the same time helping clients to be successful in their own business ventures. The officer will be recruited after six months of TASU/TASC operations.
70. All staff of the TASU/TASC mentioned will be hired through competitive procedures and their selection and appointments will be subject to IFAD's no objection. The renewal of their contracts will be subject to the satisfactory performance assessed annually by the CBL as long as the TASU remains under the CBL, and by the board of TASC thereafter.
71. **Products and services.** The TASU/TASC will be offering a range of services to its client base, namely the RCFIs.
 - (a) Inspection services: In order to provide audit and supervisory services to RCFIs, the TASU/TASC will work closely with the CBL to establish a mechanism under which RCFIs will submit and file their regulatory reports to the TASU/TASC. The TASU/TASC then will forward consolidated and copies of the single reports to CBL. The CBL, while relying to a certain extent on these reports, will of course retain its direct supervision authority over both the RCFIs and the TASU/TASC. Additionally, the TASU/TASC will provide an inspection function to the RCFIs to assist them in strengthening their overall operations and improving the quality of their financial reports. This inspection function will be carried out by the stand-alone audit unit of the TASU/TASC. With the CBL retaining its regulatory oversight of both the RCFIs and the TASU/TASC, there will not be any conflict of interest by the TASU/TASC regarding lending to RCFIs and any regulatory oversight.
 - (b) The other services offered by TASU/TASC to RCFIs:
 - (i) **Centralized management information system support:** the TASU/TASC will provide a centralized MIS network for the RCFIs;
 - (ii) **Specialized training:** the TASU/TASC shall provide specialized training in the MIS, banking/microfinance operations and other related activities;
 - (iii) **Technical advice:** the TASU/TASC shall provide technical advice and guidance to the management and BOD to ensure transparency, accountability and profitability of the institution;
 - (iv) **Market research and product development:** the TASU/TASC shall provide the market research and product development services to the community banks to ensure diversification of the products and services needed for the target market;
 - (v) **Networking and liaison service:** the TASU/TASC shall provide networking and liaison services to the RCFIs;
 - (vi) **Policies and procedures services:** the TASU/TASC shall develop appropriate policies and procedures and amend same to reflect good practice in the industry and will provide RCFIs with the required documents to ensure uniform acceptance of best practices;
 - (vii) **Recruitment services:** the TASU/TASC shall provide a centralized recruitment of RCFI staff to ensure the recruitment of fully qualified staff;
 - (viii) **Knowledge sharing:** the TASU/TASC shall provide a forum for the RCFIs boards and managements to share best practices, challenges and the way forward to achieve the objective of creating sustainable RCFIs;

- (ix) **Correspondent bank linkages:** the TASU/TASC shall facilitate the linkage between RCFIs and commercial banks (e.g. on cheque clearing, depositing of excess liquidity, access to refinance facilities, etc.) by acting as a focal point for linkages;
 - (x) **Conflict resolution:** the TASU/TASC shall act as first point for resolving conflicts should these arise between any RCFIs and/or any other institution;
 - (xi) **Governance and staff performance analysis and review:** the TASU/TASC shall provide the evaluation service for governance and staff of the RCFIs.
72. **Rural Finance Facility.** On the one hand, there is a need to orient RCFIs fully on local resources, and learning how to mobilize these. Furthermore, there is a huge potential for savings mobilization, as few persons in rural areas use formal financial institutions for safekeeping of their money. On the other hand, the EVD has led to the depletion of resources, which limits the ability for the rural population to save. In addition, there is a need to support the economic recovery process of Liberia to the extent possible. As a result, a Rural Finance Facility (RFF) will be established under the RCFP in the amount of USD 150,000. Operational details will be elaborated during the first six months of the project⁹⁰.
73. As part of its ongoing operations, the TASU/TASC will have relationships with other actors in the financial sector. These are described below.
74. **Relationships with the Central Bank of Liberia (CBL).** The CBL is the regulatory and oversight entity for the registered financial sector in the country, and licenses those RCFIs that it considers fit and proper to provide financial services. A memorandum of agreement will be signed to formalize this arrangement. As such, the CBL, as part of its relationship with the TASC, will:
- (a) License the RCFI to operate in their designated areas;
 - (b) Delegate specified supervisory functions to the TASU/TASC as follow:
 - (i) Monitor, inspect, examine and supervise RCFIs in accordance with all relevant rules, regulations and policies,
 - (ii) Lend to RCFIs facing short-term temporary liquidity problems, and
 - (iii) Impose remedial measures and administrative sanctions on RCFIs as and when considered necessary.
75. To support the efficient performance of its role and supervisory duties, the TASU/TASC will:
- (a) Be housed at CBL for the initial two and half years;
 - (b) Submit periodic prudential returns to the CBL;
 - (c) Comply with relevant regulations made by the CBL;
 - (d) Provide management and technical support services to RCFIs;
 - (e) Undertake the supervisory functions delegated to it;
 - (f) Collaborate with the Banking Supervision Department of the CBL in monitoring and supervising the RCFIs;
 - (g) Perform any other functions incidental to the performance of its specified supervisory functions or as assigned to it by the CBL.
76. **Relationship between TASU/TASC and Programme Implementation Unit (PIU).** The PIU is the lead agency in the establishment of the TASU/TASC, acting in collaboration with different important key stakeholders. The PIU is responsible for providing operating cost and fixed assets support to the TASU/TASC and to carry out financial and organizational audits of the TASU/TASC within the scope of

⁹⁰ For details see the above provisions under component 1.1. in the MR, p. 10.

the RCFP⁹¹. Additionally, the PIU commissions the mid-term review and a beneficiary impact assessment on the changes pertaining to access to rural finance through on-going activities, eventual Project contributions to rural poverty alleviation and to the agricultural sector, etc. of the RCFP.

77. **Relationship with the Rural Community Financial Institutions (RCFIs).** The TASC will play a variety of roles in supporting the RCFIs as outlines above. The TASU/TASC will provide supervisory functions on a delegated authority basis on behalf of the CBL. Other support functions will be provided on the basis of memoranda of association between TASU/TASC and RCFIs. Once the TASC has been established, RCFIs provide oversight over the TASC activities through the BOD, in conjunction with the external board members.
78. **Technical assistance.** For both existing and the start-up RCFIs, there is a continued need for technical assistance and support. Training at RCFI level will cover the following topics with a focus on agricultural lending: principles of banking and finance; credit initiation, in particular cash flow-based lending; savings mobilization; accounting; internal control reconciliation procedures; loan recovery management; market knowledge and development; business planning; how to analyze their own institution's performance; compliance with CBL reporting requirements; and others. Training in governance also will be given to board members. The training for the staff of the RCFIs, primarily the managers and the loan officers, will be provided through structured training courses, with on-going training on a periodic basis thereafter. For the training in governance, the chairpersons of the respective boards of directors will attend a formal training session, in conjunction with the managers of the RCFIs, who then will provide training to the other board members on a 'train-the-trainers' basis.
79. It is highly desirable to compose the management team of TASU/TASC with professionals from Liberia and outside. For this purposes, TASU/TASC will attempt to obtain two international experts from the British Voluntary Services Overseas (VSO) to provide technical assistance services to RCFIs. Cross border collaboration with the Apex Bank of FSAs and CBs in Sierra Leone is also envisaged.
80. The CBL will second one senior-level staff for at least two years to the TASU/TASC to provide advice on regulation and other related functions.
81. **Monitoring and control.** The TASU/TASC will establish various monitoring and evaluation tools to ensure that the vision, goals and the financial projections of itself and the RCFIs are achieved, as well as being able to prepare reports for external funders and investors. These tools will include:
 - (a) **Variance reporting:** Variance reports will be prepared quarterly by management of the TASU/TASC to monitor the performance of the RCFI in relation to the projections made. These reports will include the annual business plans and revised projections if necessary. Both raw data and ratios will be used. The results will be analyzed and reported on. All deviations of 5% or more between the actual results and the projections will be investigated and necessary remedial measures taken to keep the TASU/TASC and RCFIs on track.
 - (b) **Portfolio-at-risk (PAR):** PAR will be used as a key indicator to measure the quality of the loan portfolio for all entities. RCFIs will be trained in credit appraisal, recovery and monitoring to improve loan quality.
 - (c) **Critical financial ratios:** A number of critical financial ratios will be used to monitor the financial performance of the RCFIs to help keep them on track. These ratios follow common standards as used and applied in the Mix-Market. These ratios include all indicators of the logical framework.
 - (d) **Quarterly ratings of RCFIs:** The TASU/TASC will develop performance benchmarks to rank the RCFIs as a way of monitoring their operational activities, and will share the tables with all associated RCFIs.
82. **Reporting.** On the basis of the agreement with CBL, TASU/TASC will submit its reports on RCFI performance and status to the Banking Supervision Dept. of CBL as required. It will also submit its

⁹¹ This may be in addition to the required standard audit of the financial statements of TASC, which is compulsory. Costs for external audit are contained in the profit and loss statement of TASC.

technical reports along the logframe indicators on a regular basis to the M&E unit in the PIU, in addition to quarterly and monthly report on activities. Given the comparatively small size of the RCFIs, no reporting to the MIX Market (<http://www.mixmarket.org/>) is envisaged in the first years. TASC shall however offer providing relevant data to this internet platform as from the 5th year of implementation on behalf of the associated RCFIs.

83. **Contingency plan for human resources development.** There is some probability that the available human resources needed for the implementation of the RCFP will not suffice immediately. The TASCU/TASC officer in charge of human resources development will therefore prepare and regularly update a human resources development plan, which includes, among others, that clarifies the human resources related conditions that would translate into a need to revise implementation of budgets and time frames.
84. **Training.** The TASU/TASC shall provide a wide range of training to RCFIs, covering, among others, the topics listed in the table below. These training courses will be delivered in courses commensurate with the prior knowledge and experience of participants, the complexity of the topic, and the need for depth of coverage.

Table 27: Main training topics for RCFIs	
Target group	Main topics of training
Board of directors	<ul style="list-style-type: none"> • Board role and responsibilities • Monitoring and supervision techniques and responsibilities • Understanding financial statements • Public relations • Loan management • Mobilization of clients, shareholders and share capital • Legal status of RCFIs and obligations deriving from legal status in terms of reporting, publicity, financial statements, etc. • License as financial institutions and associated obligations
Credit committee	<ul style="list-style-type: none"> • Loan appraisal techniques • Loan monitoring • Loan recovery
Internal audit/supervision committee	<ul style="list-style-type: none"> • Roles and responsibilities of the internal audit/supervision committee • Risk management approaches • Conducting annual risk management assessments • Fraud control • Cash management control
Manager	<ul style="list-style-type: none"> • Roles and responsibilities • Annual budget preparation, planning and target setting • Staff monitoring • MIS and banking software • Loan appraisal, monitoring and recovery • Savings and share capital mobilization • License as financial institutions and associated obligations • Legal status of RCFIs and obligations deriving from legal status in terms of reporting, publicity, financial statements, etc. • Internal control procedures and approaches • Gender and financial inclusion
Accountant	<ul style="list-style-type: none"> • MIS and banking software • Preparing monthly returns to TASC/TASU and CBL • Preparing quarterly reports • Preparing financial statements • Cash control • Daily closing of accounts/balances • Supervision of cashiers • Loan provisioning, write-offs and recoveries of write-offs
Loan officer	<ul style="list-style-type: none"> • MIS and banking software • Loan appraisal, monitoring and recovery • SME development • Lending for agricultural production, trade and processing • Appraisal of term loans • Business plans for SMEs • Gender and financial inclusion
Cashier	<ul style="list-style-type: none"> • Cash transactions • Daily closing of accounts/balances • MIS and banking software • Monitoring Susu deposit collectors • Gender and financial inclusion

85. **Initial feasibility studies.** Before making any decision on the creation of a RCFI, and the support to be provided, the TASU/TASC will undertake a detailed feasibility study on the venture. The main objective

of the study shall be to: (1) determine whether a location is suitable for the creation of a RCFI; (2) classify the proposed RCFI into categories A, B or C; (3) determine the extent and phasing of support to the proposed RCFI; (4) determine the responsible persons and preparation committees and their roles and responsibilities; and (5) propose a time frame for the next two years. The report shall also comprise a detailed feasibility study on the proposed RCFI, which shall serve as basis for applying for a license from CBL⁹².

86. The **eligibility criteria** for the creation of RCFIs are to be developed during the first 3 months after the start of the Project, and will include the following criteria:
- (a) Population in the near vicinity, i.e. no. of persons living within a radius of:
 - 20 km from the location in the case of category “A” RCFIs: below 5,000;
 - 25 km from the location in the case of category “B” RCFIs: above 5,000 and less than 10,000;
 - 30 km from the location in the case of category “C” RCFIs: above 10,000;
 - (b) Community offering a suitable piece of land for the construction of the bank building, which is large enough for an eventual extension in case of business growth;
 - (c) Economic potential to amortize fully the proposed RCFI;
 - (d) Weekly market;
 - (e) Good organization of women in groups, associations and networks;
 - (f) Functional and almost uninterrupted connectivity to at least one of the mobile phone network;
 - (g) Proximity to tarred road network;
 - (h) Distance to next commercial bank less than 100 km;
 - (i) High probability to mobilize the minimum share capital required within three months;
 - (j) Good savings propensity, as established by the existence and functioning of susu groups, susu collection of savings on markets, yearly clubs, and the like;
 - (k) Good business prospects in terms of agricultural production and processing in the medium terms.
87. **Selection criteria for RCFI locations** will include:
- (a) Absence of formal financial institutions in the same location or nearby;
 - (b) No. and sizes of VSLAs, yearly clubs, susu groups, susu collectors and money transfer agents;
 - (c) Accessibility throughout the year by 4x4 vehicle and by motorcycle;
 - (d) No. of government services and companies interested in using the RCFI for payment of salaries to staff;
 - (e) Existence of operations of other donors providing relevant services to future shareholders in the community;
 - (f) No. of traders in the market;
 - (g) Viability prospects.
88. Ideally, the creation of new RCFIs shall follow a cluster pattern, where the potential in a given county or neighbouring counties shall be explored to the extent possible rather than spreading the creation over the entire territory of Liberia at the same time. Furthermore, the above criteria shall be developed in such a way that smaller locations shall have the same opportunity as larger ones. Ideally, the RCFI portfolio should represent a balanced mix of A-, B- and C-type of RCFIs. Furthermore, counties where

⁹² This will include the current service providers in the vicinity, including banks, credit unions and money transfer agents

other IFAD-funded projects are already ongoing and showing results should be covered during earlier stages, provided that the number of locations is sufficient to warrant an investment under the RCFP, and the locations meeting the conditions.

89. **Sustainability of TASC.** In order to achieve medium- to long-term sustainability of the RCFI network, both RCFIs and TASC have to be set up and structured as profit-generating enterprises geared towards achieving this right from the beginning. The aim of profit making is not to pay out dividends to shareholders, but to generate sufficient resources to be able to provide highly professional and efficient services at affordable rates to shareholders. It is obvious that this aim cannot be achieved in the relatively short period of the five years of project implementation. Projections related to the sustainability of TASC have been made on the basis of the following assumptions:

- (a) The TASU/TASC is being set up as second-tier institution. One of its main sources of income will initially be derived from audit fees charged to RCFIs from year 1.
- (b) The second important source of funds derives from a service fee of 1.0% on the total loan amount disbursed by RCFIs. This fee will be payable to TASU/TASC as from the second year of operation of a given RCFI.
- (c) For the initial first two and half years of operation the TASU/TASC will be housed by the CBL.
- (d) Operating and maintenance cost of vehicles are 18% of the purchase costs per annum.
- (e) The staffing of TASU/TASC during the RCFP is presented in the table below.

Table 28: Projected staffing of TASU/TASC

Staffing	Year 1	Year 2	Year 3	Year 4	Year 5
Manager	1	1	1	1	1
Rural Finance Officer (Deputy Manager)	1	1	1	1	1
Accountant	1	1	1	1	1
Procurement Officer		0.5	1	1	1
Legal officer		1	1	1	1
Auditor	1	1	1	1	1
Field Inspector	4	5	6	7	7
Analyst	1	1	1	1	1
IT Officer	1	1	1	1	1
IT Assistant		1	1	1	1
Financial Inclusion /Gender & Youth Officer ⁹³	0.5	1	1	1	1
FIO Assistant			0.5	1	1
Microenterprise Coach	1	1	1	1	1
Driver	2	3	3	3	3
Office Assistant/ Security	1	1	2	2	2
Total	14.5	19.0	21.5	23	23

- (f) The growth in staff corresponds directly with the increase in number of RCFIs supported. The table below shows the tentative number of RCFIs that could be supported under the RCFP under the above assumptions and parameters, and further given the resource constraints.

⁹³ The person is recruited only after six months of TASU/TASC operation.

Table 29: Number of RCFIs supported under the RCFP

RCFI	Year 1	Year 2	Year 3	Year 4	Year 5	Total
New	0	5	8	0	0	13
Existing	9	0	0	0	0	9
Total	9	5	8	0	0	22
Cumulative total	9	14	22	22	22	22

- (g) Cost of communication of USD 50 as an internet subscription fee is assumed for all professional staff.
- (h) BOD related expenses are assumed at actual cost of reimbursement at the rate of USD 250 per BOD member per meeting. It is assumed that the TASC BOD will meet four times in a year. These will only be paid once a RCFI has reached operational sustainability.
- (i) The unit cost of DSAs is taken at prevalent PIU rates. DSA cost for field staff and drivers have been projected on the basis of expected work load in the field, with an average of 38 days per annum for office staff.
- (j) The annual software maintenance fee is at 15% per annum.

90. The above assumptions lead to profit and loss statements (excluding depreciation) as shown in the table below.

Table 30: Projected profit and loss statement for TASU/TASC

	Year 1	Year 2	Year 3	Year 4	Year 5
Audit fee	18,000	28,000	44,000	44,000	44,000
Services fee per RCFI	0	14,372	28,231	45,749	66,753
Net income from lending activities	1,750	3,300	4,350	5,400	6,450
Total revenue	19,750	45,672	76,581	95,149	117,203
Salaries and social security	205,402	245,261	278,892	290,725	290,725
DSAs	39,900	54,300	58,500	62,700	62,700
Operating & maintenance cost motorbikes	720	1,800	2,520	2,520	2,880
Operating & maintenance cost vehicles	12,600	18,900	18,900	18,900	18,900
Operating & maintenance cost generator	27,000	27,000	27,000	27,000	27,000
Communication	5,400	8,400	9,000	9,600	9,600
Office materials and supplies	15,000	15,000	15,000	15,000	15,000
Utilities	1,200	1,200	1,200	1,200	1,200
BOD-related expenses	7,000	7,000	7,000	7,000	7,000
External audit	8,000	8,000	8,000	8,000	8,000
Registration and license	2,000		1,000		
Software maintenance fee	4,500	4,500	4,500	4,500	4,500
Total expenses	328,722	391,361	431,512	447,145	447,505
Net operating income before taxes & amortization	(308,972)	(345,689)	(354,931)	(351,996)	(330,303)
Grant income for operating cost	328,722	391,361	431,512	447,145	447,505
Net Income before taxes & amortization	19,750	45,672	76,581	95,149	117,203
Operational self-sufficiency	6%	12%	18%	21%	26%

91. **Analysis.** On the basis of the above assumptions, TASU/TASC will reach an operational self-sufficiency level (before taxes and depreciation) of 26% by year 5.

2 (c) Sub - component 1.3: IFAD grant to mitigate the effect of the EVD outbreak

92. Given the negative economic effects of the EVD on household incomes, earning capacity, financial and other reserves, saving capacity, IFAD will support the post-Ebola economic recovery process of the existing RCFIs and the establishment of the first new ones with an amount of USD 0.5 million over a 24-month period. The grant objective is to ensure the sustainability of existing RCFIs and enhance access to income generating activities during the period between project approval by the Executive Board and the 1st project disbursement which can take up to one year. **The grant described in detail in the attachment this appendix** comprise the following activities: coaching of the existing 9 RCFIs to improve their operational self-sufficiency levels and capacity, granting USD 20 to each of the first 7000 new shareholders buying two shares worth USD 10 to facilitate their rapid access to financial services, and coaching of micro enterprises around the establishments of RCFIs.

3. Component 2: Enabling environment for rural finance

93. This component will provide technical assistance to the CBL to finalize its efforts to create a sound regulatory and supervisory framework for deposit-taking and credit-only financial institutions. Credit unions, which operate as financial cooperative societies, the most frequent type of formal financial institution in Liberia, act on the basis of an outdated cooperative societies act dated 1936, do not have any mandatory financial regulations or prudential guidelines, other than contractual ones emanating from the apex body LCUNA. MFIs operate on a narrow basis between commercial banks, credit-only and deposit-taking institutions, for which no appropriate operating regulations have been prepared. A proper regulation for RCFIs is missing. No prudential regulations have been prepared and made mandatory. Under the component, an attempt will be made to put this into order and create a sound framework, including prudential regulation and reporting formats, for RCFIs, MFIs and CUs, in an open and participatory process, which will involve LCUNA, Cooperative Development Agency, MFIs and RCFIs, among others. This will be supplemented by: (1) printing the respective set of documents; (2) training of trainers and training of rural financial institutions (RFIs) on the new regulations and obligations; and (3) training of CBL staff in charge of supervision on supervisory techniques, models and approaches. In addition, and funds permitting, limited support will be provided to the CBL to execute its supervisory mandate over MFIs, RCFIs and CUs.
94. The main activities under this component will include:
- Establishing a complete set of documents pertaining to NBFIs engaged in financial intermediation;
 - Assessment of legal options for a tiered regulatory system, taking into consideration the existing regulations, the expectations from stakeholders, and the experience and best practices of similar countries in Africa;
 - Holding roundtable discussions and workshops on these options;
 - Drafting a new regulatory framework, presentation to and review by stakeholders, finalization and submission for CBL approval;
 - Drafting of a new supervisory system for the to be regulated NBFIs, presentation to and review by stakeholders, finalization of guidelines and submission for CBL approval;
 - Training and coaching of CBL staff on the new regulations and supervisory system;
 - Training of stakeholders on the new regulations;
 - Printing and distribution of regulations to stakeholders.

4. Component 3: Project management and coordination

95. The project management and coordination component will ensure that the project is efficiently and effectively managed to achieve expected results. Gender, youth, knowledge management and communication considerations will be integrated in all aspects of project management, and concerns activities of the PIU. The performance indicators of this component will include quality and timely

execution of annual work plan and budgets, timely submission of progress reports and annual audit reports, and operational M&E able to document key indicators and actual levels of disbursements in line with planning.

96. As required by IFAD design guidelines, a financial management and procurement assessment of the existing PIU responsible for IFAD-financed projects has been undertaken. The result is satisfactory; a few improvements including the need to ensure segregation of duties between the financial management and procurement aspects, strengthening the documentation of contract award approvals, are provided below in Appendices 7 and 8. These will also define the financial and procurement arrangements between the TASU/TASC and PIU.
97. **Procurement.** As it is not practical to vest procurement of goods and services required for the TASU/TASC and RCFIs with the PIU, procurement will therefore be vested with TASU/TASC. Oversight over procurement financed under the project will however be vested with the PIU, with the provision that all requests for non-objection will be deemed to be approved if they are not rejected within two weeks after submission of the request; this is necessary to avoid undue delays. The Project Implementation Manual of the RCFP will contain detailed procurement guidelines for procurement of goods and services to be funded under the RCFP and procured by TASU/TASC, which will become mandatory for TASU/TASC throughout the RCFP.
98. **Relationship between TASU/TASC and PIU.** The PIU is the lead agency in the establishment of the TASU, acting in collaboration with different important key stakeholders and in respect of the autonomy of the CBL. The PIU is responsible for providing operating cost and fixed assets support to the TASU/TASC and to carry out financial and organizational audits of the TASU/TASC. Additionally, the PIU provides oversight of procurement and commissions the mid-term review and a beneficiary impact assessment on the changes pertaining to access to rural finance through on-going activities, eventual Project contributions to rural poverty.

Attachment to App. 4: IFAD grant for economic recovery after the EVD

Proposed Value of IFAD grant: USD 500,000.00
Implementation period: 24 months

1. **Background.** In May/June 2014, an IFAD mission undertook a first project design mission in Liberia for a project dedicated to the creation of a network of Rural Community Finance Institutions (RCFIs), the Rural Community Finance Project (RCFP). This project envisages the creation of about 13 RCFIs in rural Liberia and the support to some nine existing RCFIs already established under the guidance of the Central Bank of Liberia (CBL) and Afriland First Bank, a commercial bank, in addition to some support to the CBL for improving the regulation and supervisory capacity of the CBL as regards the microfinance sector. The total projected costs are projected at USD 9.76 million, comprising an IFAD loan of USD 7.16 million, an IFAD grant of USD 0.5 million and contributions by the Government of Liberia, CBL and RCFIs of USD 2.12 million.
2. With the rapid expansion of the Ebola Virus Disease (EVD) in mid-2014, all further design activities in Liberia came to a standstill. As per the statistics provided by WHO, the EVD has affected 5041 persons, plus another 4197 suspected cases. Of the confirmed cases, 49.6% were women, and 50.4% men. 19% of all confirmed cases were young persons below the age of 15, and 23% persons older than 45 years. As per the surveys conducted by the WB, Gallup and the Liberia Institute of Statistics, women have been particularly affected as the labour market has been shrinking, which significantly reduced the income opportunities of women, who are often engaged in non-farm self-employment. Food insecurity persists across the country and households continue to lack the money needed to purchase rice, regardless of price. About three-quarters of households indicated that they were worried at some point in the previous week that they would not have enough to eat. Around two-thirds of households responded that they were not able to purchase enough rice to meet their needs in the previous two weeks, and nearly 80% of those cited a lack of money as the main reason. A significant impediment is the shortage of labour for farm work, as households do not have the cash to pay for hired labour; about 80% of farm households report smaller harvests this year than last year. Households across Liberia have undertaken various mechanisms to cope with Ebola's socio-economic effects. Eighty percent of those surveyed had either sold assets, sold or slaughtered livestock, borrowed money, sent their children to live elsewhere, spent savings, or delayed investments since the start of the Ebola crisis— all of which can have negative long-term effects on their welfare. Apart from the death of customers and staff, rural financial institutions in neighbouring Sierra Leone and Guinea, which are the other two countries affected by the EVD, report a substantial depletion of available resources after the significant withdrawals of savings deposits by customers, in addition to a decline in repayment rates and profitability.
3. Three institutions involved in the RCFP (CBL, Ministry of Agriculture, and Ministry of Finance and Development Planning) have asked IFAD to accelerate the processing of the proposed project as it is seen as a major contribution to the economic recovery process. In addition, they asked for grant support for two purposes, first to enable the rural population participate actively in the new RCFIs, and second to provide technical assistance and supervision to the existing nine RCFIs. Supervision is at present undertaken by one staff of Afriland First Bank Ltd, which has been the sponsor and supporter of the RCFIs, following a model of decentralized financial institutions developed and successfully implemented in Cameroon, from where the bank originates. This support is inadequate, given the dispersion of the nine RCFIs over the countryside, the lack of capacity in the RCFIs, the heterogeneous socio-cultural environment in which they operate. In the absence of training and coaching facilities, RCFIs do not have sufficient capacity to do lending other than providing advances to wage earners. This has on the one hand led to a concentration of wage earners and pensioners in the clientele of RCFIs, and on the other threatened their survival as the income realized from such lending plus the fees on account handling is not sufficient to cover the expenses. After an initial effort to mobilize share

capital, these efforts relent significantly once operations start, with the risk of creating under-capitalized financial institutions.

4. The Ebola crisis threatens the ability of the RCFP to attract large numbers of impoverished rural poor as shareholders, and the absence of guidance and coaching to loss-making RCFIs threatens the general image of the RCFIs as sound and solid financial institutions owned by rural communities, which may negatively impact on the ability of new RCFIs to attract shareholders.
5. **Direct and indirect target group.** Direct target groups are about 7,000 shareholders and borrowers from RCFIs, of which at least 50% will be women. All of these will be rural residents, who have been significantly affected by the EVD by sales of assets, declining financial reserves, indebtedness to neighbours, loss of income opportunities due to travel restrictions and an overall declining purchasing power, in addition to the loss of lives. The vast majority of these, an estimated 80%, will be poor and very poor persons, who would not be in a position to acquire shares of the RCFIs and qualify for quick economic recovery loans.
6. **Goal, objectives and expected outcomes.** The overall goal of the grant is to assist the Government of Liberia in the post-Ebola economic recovery process. The **grant objective** is to enhance access to income generating activities through access to sustainable financial services; this will be measured through:
 - **Outcome 1 (“Coaching of RCFIs”):** The nine existing RCFIs created under the joint support from CBL and one commercial bank are properly supervised, indicated by an increase of the operational self-sufficiency level of ten percent points against the baseline value.
 - **Outcome 2 (“Creating ownership in RCFIs”):** 7,000 rural residents in Liberia, of which 50% are women, have access to financial services provided by RCFIs on a sustainable basis
 -
 - **Outcome 3 (“Micro enterprise coaching”):** 7,000 economically active poor in rural Liberia are enabled to participate in the post Ebola economic recovery process
7. **Key activities by component.** The main activities are:
 - Under outcome 1 (“Coaching of RCFIs”):
 - Recruitment of one rural banking specialist and one assistant/field inspector
 - Providing systematic guidance on all aspects of RCFI management to board, management and staff of the 9 RCFIs
 - Training of boards, management and staff on critical issues of RCFI management, in collaboration with CBL and Afriland First Bank Ltd., the sponsor so far
 - Guidance on the introduction of new loan products and the respective operational manuals and processes.
 - Under outcome 2 (“Creating ownership in RCFIs”):
 - Carry out a sensitization campaign in the area of operations of the 9 existing and other newly created RCFIs to inform the rural poor about the opportunities under the grant and RCFP
 - Assisting the 9 RCFIs to introduce a new lending product for micro enterprises, in particular those of female traders and food processors and farmers; this will be a flexible short term loan facility of 3-9 months, using a maximum credit limit of 3 between shares bought and loan granted, with no other collateral requirement, and a repayment schedule in accordance with cash or business income
 - Helping the poor new clients to become shareholders of RCFIs, by granting them additional shares worth USD 20 per person for the first two shares purchased by them (at a value of two times USD 5.00); this subsidy will end once 7,000 persons have been reached; the maximum amount/no. of new shareholder entries will be determined at the beginning, as well as a sound balance between existing and new RCFIs
 - Facilitating the granting of loans of at least USD 90/new shareholder
 - Monitoring of results
 - Under outcome 3 (“Micro enterprise coaching”):
 - Recruitment of one Micro Enterprise Coach

- Establishing linkages with other similar support initiatives, input suppliers, transport operators, etc.
 - Providing training and coaching to micro-enterprises on core principles of micro enterprise development, marketing, costing, saving, investing, etc.
 - Encouraging the youth to provide farm remunerated labor as a group venture to farmers borrowing from RCFIs
 - Assisting micro-enterprises to conceive their micro investments that they want to embark on and submit their loan applications
 - Training loan officers and managers on loan appraisal of micro enterprises
8. Under outcome 3, the main target groups for the support activities of the Micro Enterprise Coach are micro-enterprises. These are usually small units with a staff strength of not more than five, and a turnover below a certain threshold. Given the spirit and objectives of this grant and sub-component, the main focus shall initially be on individual entrepreneurs with few staff and groups of such entrepreneurs, irrespective of the business sector in which they operate (trade, agricultural production, food processing, crafts etc.). It is in this target groups where the biggest overlap between IFAD target groups, needs for mental support and opportunities exist. However, with time, and some time to be devoted to other target groups, this may be enlarged to include also farmer cooperatives, small-scale enterprises, input supply, supply and value chains, as the need and opportunities arise. Priorities will be determined by the project manager in accordance with the Annual Work Plan and Budget, which should retain some degree of flexibility to accommodate new opportunities and address emerging constraints.
9. **Rationale for recipient selection and recipient capacity.** Targets for coaching are all existing and newly created RCFIs which agree on the principles of the grant and the RCFP. Support to new shareholders will be on a first come-first served basis, subject to reaching at least 50% women. Subsidy recipients must have paid for two shares worth USD 10 to qualify for the additional four shares worth USD 20. All grant recipients must be resident in the area of operations of the respective RCFI, or have their business within this area (this applies to female traders operating on more than one market place). Staff hired under the grant will be recruited competitively.

Table 31: Expenses under the IFAD grant				
Item	Year 1	Year 2	Sub-total	In % of total
Salaries	47,000	9,600	56,600	11%
Daily subsistence allowance	54,540	12,960	67,500	14%
Investments	76,000	0	76,000	15%
O&M	15,760	13,560	29,320	6%
Int. Technical Assistance	22,500		22,500	5%
Purchase of shares	84,000	56,000	140,000	28%
Training of RCFI board and staff	50,000	57,933	107,933	22%
Grand total	349,800	150,053	499,853	100%

10. All staff recruited will be engaged under the RCFP, subject to performance of the incumbent. Staff will be housed by the CBL under an agreement pertaining to RCFP. All other follow-up costs and monitoring will be provided under the RCFP.
11. The risks associated with a new outbreak of the EVD are shown in the table below.

Table 32: Risks related to a new outbreak of the EVD	
Main risks associated with this project	Potential mitigation measures
<ul style="list-style-type: none"> • New outbreak of Ebola 	<ul style="list-style-type: none"> • None
<ul style="list-style-type: none"> • Unwillingness of existing RCFIs to grant loans to micro entrepreneurs 	<ul style="list-style-type: none"> • Sensitization • Regular coaching • Joint projection of income and expenditure streams • Training
<ul style="list-style-type: none"> • Lack of willingness of micro-entrepreneurs to subscribe and purchase shares 	<ul style="list-style-type: none"> • Sensitization • Demonstrating effects of successful borrowing • Saving for shares/weekly collection in groups

12. **Monitoring & Evaluation, KM and Learning.** The project will be a precursor to the planned RCFP and be an important implementation step. It will provide concrete cases for the development of products, support services, training program etc. under the RCFP. Monitoring will be done through a system using electronically and manually generated data on RCFP performance, outreach, disbursements, repayments, etc. Data will be collected by the field inspector and the micro-enterprise coach and collated and submitted by the coordinator. All monitoring functions will be taken up under RCFP, and lessons drawn will be immediately used for modification of the planned approaches. Lessons will be shared within the existing partnerships, especially with CBL, and also with the parallel RFCIP II in Sierra Leone.
13. **Supervision modalities.** The grant, as the parallel IFAD loan, will be directly supervised by IFAD.
14. **Linkages.** As this project is the precursor to the proposed RCFP, results will directly be taken up under RCFP. In all counties where other projects funded by IFAD or other donor interventions related to small enterprise development exist, linkages will be immediately established by the micro enterprise coach. Possibilities to undertake joint and phased training with other institutions working in the field will be sought where appropriate.
15. **Scaling up.** As precursor to the proposed RCFP, this grant will permit to save the reputation of RCFIs, which are young institutions recently created, as sound financial institutions. This will enable the RCFP to scale up the results, methods and approaches to 13 or more new RCFIs to be created under RCFP. As in neighbouring Sierra Leone, there is a potential for about 50-60 RCFIs in Liberia, to be explored by the Government, IFAD and other potential investors.
16. **Sustainability.** The existing RCFIs will, under RCFP, be embedded in a comprehensive support strategy, which is expected to lead to the functioning of the network of some 25-30 RCFIs and their operational self-sufficiency under a well supervised system.

Appendix 5: Institutional aspects and implementation arrangements

1. The institutional design of the RCFP is simple and straight forward. This has been possible because of the existence of a centralized PIU for all IFAD-funded projects under the MOA, and because all rural finance activities can be clearly allocated to two implementation bodies.
2. The main institutional parameters comprise:
 - (a) Implementation of all grassroots operations under component 1 will be exclusively vested with the TASU/TASC;
 - (b) The implementation of activities related to CBL's core mandate will be exclusively implemented by CBL;
 - (c) Beyond this, no implementation unit is required;
 - (d) The central PIU takes care of all activities pertaining to its defined mandate;
 - (e) A Project Steering Committee (PSC) will be established to provide guidance on all major issues.
3. RCFP will operate under the guidance of a PSC, composed of representatives of the MOA, MFDP and the CBL. It will provide oversight over the Project, approve all relevant manuals and their changes, approve Annual Work Plan and Budgets before submission to IFAD, receive draft annual reports and take decisions over major issues. This is in accordance with the implementation guidelines pertaining to the PIU, where single sectoral sub-projects will have their own PSCs in accordance with technical requirements and capacities.
4. Actual Project implementation will be vested with two institutions, the TASU/TASC and the CBL. The TASU/TASC will be fully responsible for component 1, while the CBL will be vested with the responsibility to implement component 2. This will be cognizant of the international consensus to limit project interventions under central banks to those immediately or very closely related to their primary mandates, which in this case is regulation and supervision of financial institutions. To implement this, memoranda of agreement will be signed between the PIU on the one hand and TASU/TASC and CBL on the other, respectively. Memoranda of agreement will also be signed between TASU/TASC and its affiliated RCFIs.
5. It is obvious that the activities performed under the RCFP by the CBL do not affect the statutory mandate of the CBL. The CBL may, based on a feasibility study, decide to transfer some of its supervisory functions on a temporary and well-defined basis to the TASC to reduce its burden. Furthermore, the CBL may grant licenses to the newly created RCFIs applying for such, or revoke such license in extreme cases in line with the legal provisions. In no way does the RCFP imply that these roles and functions are changed or removed from the CBL, or that the discretion in decision making by CBL is modified in any way.
6. The coordination, management and M&E of project activities under component will be under the responsibility of the PIU responsible for IFAD-financed projects, reporting to the Ministry of Agriculture, Ministry of Finance and Development Planning and CBL. The mandate of the PIU comprises: project accounting, withdrawal applications, keeping of project accounts, consolidating AWPBs, consolidating annual reports, correspondence with government authorities on issues related to the Financing Agreement (excluding the technical implementation matters), document depository, procurement, submission of reports to IFAD and other related agencies, monitoring and evaluation, preparation, guidance and supervision of the MTR mission, commissioning the beneficiary impact assessment, and preparing the end-of-project evaluation. Other activities comprise the preparation of and support to supervision missions.
7. At the decentralized level, contacts will be established between the field officers of TASU/TASC on the one hand and the County Agricultural Coordinators and District Agriculture Officers, for planning, follow-up and monitoring of interventions related to the agricultural sector. At each county where the Project

would intervene, local authorities and chiefs would be involved in the initial mobilization steps and activities to ensure widespread participation and ownership of communities, to ensure that suitable locations for buildings would be found and the land donated to the new RCFIs. Partnerships with on-going projects will reinforce the complementary nature of the project and leverage impact on the target group. As indicated under component 1.1, partnerships with CUs, other cooperatives and farmer organizations supported under existing projects will be attempted where these are interested in financial services. This will first of all apply to the Farmers Union Network (FUN), which is supported by IFAD with Italian Government financing. IFAD will provide direct supervision to the RCFP.

8. **Project Start-up Phase.** To facilitate a prompt start-up, the PIU will commission technical support for the required start-up activities before and after the signature of the Financing Agreement. Resources have been allocated for part of this process. These will include:
 - (a) the recruitment of initial staff for TASU (manager, rural finance officer, accountant, IT officer);
 - (b) procurement of essential goods and services required during the start-up phase;
 - (c) Conduct of the first start-up workshop with partners (MOA, CBL, MFDP, AFB, TASU).
9. **IFAD start-up support.** To improve start-up and early project performance, IFAD will support a three to five day facilitated start-up workshop where the project team and implementing agency staff will work together to understand the project design documents and develop a full and common understanding of the project. This activity is reinforced by the participation of government and PIU staff in the design mission, particularly towards instilling greater ownership in the design process and in the project itself.
10. **Conditions for disbursement.** Other than opening the RCFP Designated Account in USD and the RCFP 2 Operations Account in USD in a commercial bank acceptable to IFAD by the MOA, as represented by PIU, no other conditions for the first disbursement of project funds will be established.
11. The tables below provide an overview of the implementation schedule of main activities under components 1 and 2.

Table 33: Implementation schedule for grant and pre-project start-up activities

	Pre-Project		Year 1				Year 2				Year 3				Year 4				Year 5			
Activity	-2	-1	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Finalization of ToR for TASU staff by IFAD, PIU & CBL																						
Finalization of agreements with other parties (e.g. VSO) by IFAD																						
Recruitment of one Micro Enterprise Coach																						
Carry out a sensitization campaign for existing RCFIs																						
Assisting existing RCFIs to introduce a new lending product for MSEs																						
Implementing share purchase scheme																						
Recruitment of rural banking specialist and field inspector																						
Establishing linkages with other relevant players for MSE support																						
Training and coaching of MSEs																						
Youth MSE coaching																						
Assisting MSEs in borrowing																						
Training of loan officers/managers																						

[illegible]

Table 34: Implementation schedule for comp. 1.1: RCFI creation and operation

[illegible]

Table 35: Implementation schedule for comp. 1.2: Technical assistance and supervision

	Pre-Project		Year 1				Year 2				Year 3				Year 4				Year 5			
Activity	-2	-1	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Revision of underlying assumptions and projections			X	X																		
Appointment of TASU manager by CBL		X																				
Deployment period of CBL TASU manager			X	X	X	X	X	X	X	X	X	X	X									
Recruitment of TASU staff			X		X																	
Procurement of software and apps for RCFIs/TASU				X																		
Finalization of RCFI manuals				X																		
Start-up workshop with existing RCFIs and agreement on action plan			X																			
Field assessment of existing RCFIs, institutional development plans			X																			
Revision of products and services						X				X				X				X				
ITA on agricultural finance/product development for agric finance									X													
Decide on location for construction of TASC headquarters						X																
Convene general assembly of TASC						X			X					X				X				X
Registration and licensing of TASC							X	X														
Construction of TASC building													X	X								

[illegible]

Table 36: Implementation schedule for comp. 2: Enabling environment for rural finance

[illegible]

Appendix 6: Planning, M&E and learning and knowledge management

1. **Objectives and approach.** A system to integrate planning, M&E and knowledge management (KM) will be developed in the very early months of Project implementation (including a detailed KM action plan), with the objective of: (1) providing stakeholders with information and analysis required to steer project implementation; i.e. to assess performance, detect difficulties and successes, identify lessons and support decision-making to improve project performance; (2) providing MOA and other concerned stakeholders (Ministry of Finance and Development Planning [MFDP], CBL) with information on progress, so as to measure project contributions on access to finance and other indicators, and to support coordination and synergies with other ongoing development projects; (3) monitoring project influence and impact on building participatory processes that ensure full participation of the rural poor; (4) providing participating communities and RCFIs with regular feed-back and analytical reports; and (5) informing the IFAD Country Program Management on the achievement of the Results-Based Country Strategic Opportunities Programme (RB-COSOP) targets. The PIU will manage this system in collaboration with its standard partners.

Planning

2. The integrated planning and M&E cycle will start with the preparation of the Annual Work Plan and Budget (AWPB), which utilizes a demand-driven and bottom-up approach involving the participation of beneficiaries and all project stakeholders. As monitoring and evaluation are two distinct functions, monitoring remains a management function to be based on the parameters established in the logical framework of the project. Monitoring indicators are based on the Annual Work Plan and scheduled project activities; financial monitoring will take place against the budget associated with the Annual Work Plan. The institutional performance monitoring of RCFIs forms an integral aspect, and is the responsibility of the TASU/TASC as the key implementing agency. Physical and financial monitoring is a function and responsibility of implementing partners and management, who will be responsible for regular reporting. The PIU will analyze monitoring reports throughout implementation to compare progress achieved against those projected in the AWPB, allowing project staff to make timely and informed decisions, as well as capture lessons and good practices. As described in the M&E manual, evaluations will be undertaken through regular and timely assessments, one interim reviews and one impact surveys which will permit the measuring of outcomes and impacts of RCFP.

Monitoring and evaluation

3. The integrated M&E system will: (1) measure the achievement of the logical framework indicators (including the Results and Impact Management System [RIMS]); (2) assess the relevance of the project strategy, methodologies and implementation processes; (3) assess the performance of implementing agencies and external service providers; (4) assess project outcomes and impacts on the shareholders and users of the RCFIs, and specifically on women and young people; (5) identify successes and good practices; and (6) share knowledge under appropriate formats with project stakeholders to support dialogue and decision making. The system will therefore be open, i.e. its use will not be restricted to project or government agencies staff, but also provide information and learning for all stakeholders, including the project's beneficiaries; participatory, i.e. include project stakeholders, and specifically communities, RCFIs and shareholders, in the definition of indicators, data collection, analysis and dissemination of results; focused on analysis and learning in support of decision making and policy dialogue, and not merely on data collection; and connected to MOA and government information systems. M&E and KM officers within the PIU will be key resources in conceptualizing and in implementing the system.
4. **Data management.** The TASU/TASC and PIU M&E/ KM specialists will work together with stakeholders to (1) agree on a shared understanding of project objectives, approaches and planned activities; (2) agree on a vision of the objectives and expected results of the system, as well as on a broad framework for M&E and KM and on priority actions to implement it; and (3) identify quantitative and qualitative indicators to initiate the system, both at the higher level (based on an updated logical framework) and

within each component. Indicators will be developed with relevant stakeholders at each level; will be coherent with national information systems; gender-disaggregated; and easy to collect. Key data will be collected by RCFIs via TASU/TASC as part of their management information systems. Relevant national poverty data and assessments, and data/ information from other on-going projects will complement the information generated within the project, and will also be used for measuring impact.

Learning and knowledge management

5. A knowledge-sharing and learning culture within the project and with all stakeholders will be encouraged. There is a need for sharing best practices and lessons learnt with other partners in the agriculture and financial sectors, and also with IFAD-supported projects in the region through the IFAD Africa network. Through a combined efforts, projects and programmes under the national PIU should be able to capture more pro-actively experiences and lessons generated on how SMEs, including those in the agricultural sector, should most adequately be supported with financial services. Ensuring the integration of M&E and KM across projects/ programmes will be fundamental to further learning.

Appendix 7: Financial management and disbursement arrangements

A. Financial Management Assessment (FMA) of the project

1. A Financial Management Assessment (FMA) has been undertaken as part of project design. The objective of FMA is to provide assurances that the Lead Project Agency (LPA), the Ministry of Agriculture (MOA), will have sufficiently strong financial management systems and controls in place to properly manage, control and report on project finances. The FMA involves assessing: (1) the inherent risk at country level; and (2) the project specific risk.
2. **Country context and inherent risk.** The inherent risk in Liberia is medium. The Corruption Perception index of Liberia has slightly deteriorated from 4.1 in 2012 to 3.8 in 2013 and to 3.7 in 2014. According to the latest Public Expenditure and Financial Accountability (PEFA) Assessment conducted in 2012, Government of Liberia (GOL) has made significant improvements since the past assessment (2007) but the overall state of the Public Financial Management (PFM) remains moderately weak. Main improvements have taken place in areas such as revenue administration, arrears, debt management, procurement, and accounts reconciliation. In addition, on-going reforms in internal audit, budget classifications and chart of accounts, and in the implementation of the IFMIS are likely to yield further improvements in the short to medium term. Yet, significant deficiencies remain in the GOL's PFM system, including accounting, recording, and reporting and external scrutiny and audit, which can only be addressed through steady and continuous implementation of PFM reforms.
3. At present, very few donors are channeling funds completely through the country public financial management (PFM) systems, due to concerns about the strength of fiduciary controls and low government implementation capacity. Most projects are stand-alone projects and do not rely on government financial management or procurement systems. External assistance has mainly been channeled through the UN, NGOs, private contractors, integrated PIU's within ministries and external partner- administered programs.
4. To mitigate the inherent risk, the proposed project will take advantage of the Project Implementation Unit (PIU) under the MoA with an established track record in implementing IFAD Projects. In 2014, the PIU showed satisfactory performance with regards to Financial Management and according to the risk assessment the PIU was rated as low risk. Project Audit reports have been received in a timely manner and have been unqualified.
 - **Anticorruption and Good Governance Framework.** Anticorruption and Good Governance Framework. In accordance with its Policy on Preventing Fraud and Corruption in its Activities and Operations, adopted by the Executive Board in adopted December 2005, IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive practices in projects financed through its loans and grants. 'Zero tolerance' means that IFAD will pursue all allegations falling under the scope of this Policy and, if allegations are substantiated, that appropriate sanctions will be applied. Among the remedies that IFAD may apply in accordance with its General Conditions, there is the suspension and cancellation of the right or the Borrower/Recipient to request withdrawals of funds. Suspension includes the use of financing resources for ineligible expenditures and credible allegations of coercive, collusive, corrupt or fraudulent practices when the Borrower/Recipient fails to timely take appropriate actions. Cancellation includes the use when the Borrower/Recipient fails to refund amounts determined as ineligible expenditures and when IFAD determines that coercive, collusive, corrupt or fraudulent practices have been carried out and the Borrower/Recipient fails to timely take appropriate actions. where the allegations are substantiated.
 - IFAD shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its project or grant activities and individuals or entities subject to unfair or malicious

allegations. The primary responsibility for enforcing the Policy lies with the Borrower/Recipient, and the first defence for controls shall be exercised by Project staff, Implementing Partners and Counterparts. Therefore it is crucial Given IFAD's zero tolerance described in the above paragraph, it is important that the project staff and all stakeholders of the project are familiar with IFAD's Anticorruption Policy as well as the national anticorruption policies and whistle blowing procedures. The IFAD anticorruption policy is available on the IFAD website at www.ifad.org/governance/anticorruption/index.htm). The website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

5. **Project financial profile.** At this stage, it is envisaged that IFAD financing would amount to USD 7.64million in form of a highly concessional loan of USD 7.15 million (about 73.3% of the estimated total Project costs) and IFAD grant of USD 0.49 million (about 5% of the estimated project cost) . The Government contribution is provisionally estimated at USD 0.52 million in form of taxes and duties (about 5.3.% of the estimated total Project cost). Central Bank of Liberia is expected to contribute USD 119,000 (1.2% of the estimated total Project cost) by housing the TASC for the first 30 months. USD 1.48 million (15.2% of the estimated total Project cost) would be provided by the RCFI and beneficiaries.
6. **Taxation.** As per IFAD policy, none of the IFAD proceeds of its financing can be utilized for the payment of taxes during the course of project implementation.
7. **Project implementing arrangements and expenditures by implementing partners.** The overall responsibility for the day to day planning, management and implementation of the Project would rest with the existing IFAD Project Implementation Unit under the authority of the Ministry of Agriculture (PIU/MOA), which has been responsible for the successful day to day management and implementation of all previous IFAD-financed projects in Liberia.
 - Component 1.1 "RCFI creation and operation", will be implemented by the TASU/TASC and will mainly include expenditures related to buildings, fixed assets, salaries, motor vehicles, furniture and office equipment, operating cost etc. of the RCFIs.
 - Component 1.2 "Technical assistance and supervision" will be implemented by TASU/TASC and will mainly include expenditures related to buildings, fixed assets, motor vehicles, technical assistance, training, staff salaries and allowances as well as operating costs of the TASU/TASC.
 - Component 2 "Enabling environment for rural finance" will be implemented by the CBL and will include expenditures related to International technical assistance, training and workshops for the Central Bank of Liberia. The expenditures are foreseen to be claimed either through direct payment or by reimbursement.
 - Component 3 "Project Management" and coordination will be implemented by the PIU and will include expenditures related to vehicles and equipment, studies, salaries and operating costs.
8. **Project specific financial management assessment.** As required by IFAD financial management assessment guidelines, the summarized scoring at design is as shown in the table below.

Table 37: Risk assessment at design stage			
Type of risk	Initial Risk Assessment	Proposed mitigation	Final Risk Assessment
Inherent Risk			
1. TI Index	3.7-		M
2. RSP score			
Control Risks			
3. Organization and staffing <ul style="list-style-type: none"> • Staffing limited in the PIU 	M	<ul style="list-style-type: none"> • Additional assistant accountant to be hired at the PIU 	L

Table 37: Risk assessment at design stage			
Type of risk	Initial Risk Assessment	Proposed mitigation	Final Risk Assessment
<ul style="list-style-type: none"> No staff in place in the TASC 		<ul style="list-style-type: none"> Qualified staff to be hired and trained by the TASC All Project staff to be trained in relevant IFAD FM procedures and made aware of IFAD and national anticorruption policies including the whistle blowing mechanism 	
4. Budgeting <ul style="list-style-type: none"> Several entities incurring expenditures and hence included in the Budget exercise (PIU, TASC etc.) Budget arrangements and controls partly not in place 	M	<ul style="list-style-type: none"> PIU to prepare consolidated AWPBs disclosing separately the TASC budget (expenditures by implementing agency). The consolidated AWPB to be submitted for IFAD non-objection. Proper budget controls to be ensured. 	L
5. Funds flow and disbursement arrangements <ul style="list-style-type: none"> Complex flow of funds arrangements that involves Implementing partners (TASU/TASC and CBL) 	H	<ul style="list-style-type: none"> PIU to manage the project funds until adequate FM arrangements have been put in place in the TASU/TASC Separate designated and project accounts to be opened by the PIU and TASC Audit trail for each expenditure item to be properly disclosed in Withdrawal applications by modified forms 	L
6. Internal controls <ul style="list-style-type: none"> Internal controls of the main implementing partner (TASC) to be established 	M	<ul style="list-style-type: none"> The Financial Management Manual of the PIU to be established Internal Controls of TASC to be established and documented 	L
7. Accounting systems, policies and procedures <ul style="list-style-type: none"> Accounting software needs customization in the PIU (reporting and commitment control etc.) Accounting systems not in place (TASC) 	M	<ul style="list-style-type: none"> PIU accounting software to be updated TASC accounting system to be procured and installed 	L
8. Reporting and monitoring <ul style="list-style-type: none"> Complex implementation and reporting arrangements, which are partly not in place (TASC) 	H	<ul style="list-style-type: none"> Reporting templates to be established and Accounting systems to be customized to produce these reports automatically by the PIU and TASC PIU to produce quarterly/semi-annual interim financial statements The CBL Reporting arrangements and formats to be established. 	L
9. Internal Audit <ul style="list-style-type: none"> IA of the PIU not trained and TOR to be modified. IA function of the TASC not in place 	H	<ul style="list-style-type: none"> IA to be trained in IFAD procedures. provided, TOR and report templates to be established An internal auditor to be part of TASC 	L
10. External audit <ul style="list-style-type: none"> Several entities incurring expenditures and to be audited (PMY, TASC etc.) Audit arrangements of the TASC not yet in place 	M	<ul style="list-style-type: none"> PIU to provide consolidated audit reports for the whole project TASU/TASC to be audited separately and audit report too be provided to the PIU and IFAD IFAD no objection required for the Audit TOR The possibility to involve the national Supreme Audit Institution in the audit exercise to be explored 	L
11. RCFP fiduciary risk at design stage <ul style="list-style-type: none"> The financial management arrangements of the Existing 	M	<ul style="list-style-type: none"> Mitigation action summary: Funds advanced and managed by the TASC are in proportion with its FM capacity. This may include that the PIU will for an interim period incur expenditures on behalf of the 	L

Table 37: Risk assessment at design stage			
Type of risk	Initial Risk Assessment	Proposed mitigation	Final Risk Assessment
PIU are mainly adequate to meet IFAD and GOL's requirements • The financial management arrangements of the main implementing partner, the TASC are to be established		TASC	

NB: H/M/L = High, medium and low risk as per the Guideline Note on undertaking Financial Management Assessment at design

9. **Conclusion.** The financial management arrangements and capacity of the existing PIU are mainly adequate to meet IFAD and GOL's requirements. However, as the financial management arrangements of the main implementing partners, the TASU/TASC, are not in place yet, the initial risk rating is considered to be medium. The main risk mitigating measures will revolve around ensuring that funds advanced to, and managed by the TASU/TASC are commensurate with their FM capacity. In this regard it is foreseen that the PIU will for an interim period incur expenditures on behalf of the TASU/TASC⁹⁴. Given the proper implementation of the mitigation actions, the final risk rating is estimated as low.

B. Proposed financial management arrangements

10. **Organization and staffing.** The MOA will be responsible and accountable to government and IFAD for the proper use of funds in line with the financing and other legal agreements. The implementation agencies will be the MOA. The already constituted PIU at the MOA that manages all donor funded agriculture projects under the MOA will also be charged with the management of RCFP. The FMA assessment shows that the PIU is experienced in the management of IFAD disbursement processes. In order to deal with the incremental accounting work that RCFP will cause, an additional assistant accountant will be recruited. The above staff will be hired through competitive procedures and selection and appointments will be subject to IFAD's no objection. The renewal of his/her contract will be subject to satisfactory performance assessed annually by the PIU.
11. **Budgeting and budget control.** Based on inputs from the implementing partners including the TASU/TASC, the PIU will prepare a consolidated Annual Work Plan and Budget (AWPB) and submit it to the PSC for approval and subsequently to IFAD for its non-objection at least two months before the beginning of the respective fiscal year. The format of the AWPB will indicate at least the following: expenditure items by activity, by component, by expenditure category, and by implementing entity as well as funding requirements by financier on a quarterly basis. It is important to emphasize that expenditures have to be part of the approved AWPB to be considered eligible for IFAD financing. According to the financial management assessment, the PIU has instituted sufficient budget controls in place within ToMPRO software subject to the following improvements:
- (1) The PIU has not yet installed the procurement module of ToMPRO that allows for the commitment control functionality. Thus under the current arrangements, it would be possible to over commit the projects given that budget control is purely on cash basis. The PIU assured the design mission that this was in the pipeline and would be in place by the time RCFP becomes effective.
 - (2) Given that the structure of the RCFP budget will follow its logical framework and its components, sub-components, key activities and expenditure categories, in order to achieve the project's budget control, a fresh chart of accounts/ coding will be needed within the ToMPRO accounting system.

⁹⁴This may require that the procurement capacity of the PMU will need to be strengthened either by hiring a procurement specialist or by involving the procurement staff of the CBL.

12. **Internal Controls.** In order to ensure: (a) efficiency; (b) reliability of financial reports; and (c) compliance with applicable laws and regulations including the conditions set forth in the financing agreement, the PIU will ensure that adequate internal controls are maintained through the project implementation by all implementing partners. The key features of the internal control system are summarized below:
 - Policies and procedures – the financial management procedures;
 - Segregation of duties;
 - Authorization;
 - Fixed asset maintenance and inventory checks;
 - Periodic cash and bank reconciliations and checks;
 - Restricted access; and
 - Monitoring and review.
13. A sample of transactions tested by the design team revealed that the internal controls systems at the PIU were strong and fully operational. The only control weaknesses noted were: (a) inadequate segregation of duties as the PIU procurement officer was reporting to the head of finance; and (b) the project coordinator does not approve bank reconciliation statements prepared by the financial teams. The PIU expressed its commitment to continuously improve on the control environment.
14. From a fiduciary angle, assets procured by the project and donated to the RFCIs can also pose some control issues; misappropriation cannot be ruled out ex-ante. In order to deal with this moderate risk, there will be a tripartite MOU between the TASC, PIU and the RFCI which will spell out terms and conditions related to the deployment of these assets. For example, the RFCI will be prohibited from disposing of assets funded unless there is either a written clearance for the case by the TASC and the PIU, or a principle agreement as approved by the TASC and the PMY (i.e. after full depreciation of an item). The internal auditors at the TASC and PIU will be required to physically verify the existence of these assets periodically as part of the audit activities.
15. The details of the internal controls will be outlined in the relevant section of the Project implementation manual which will be updated to reflect the FM arrangements of the RCFP.
16. **Accounting systems, policies and procedures.** The PIU is currently using ToMPRO accounting software for processing of project financials and is conversant with the use of this software. As noted above, there is need to install the procurement module of ToMPRO in order to improve on commitment control. The chart of accounts within this software will have to be reset to accommodate the RCFP funding sources and expenditures by component and category up to individual activity level. The RCFP/PIU will comply with the International Public Sector accounting standards (IPSAS) - Cash basis. However, even for the PIU, in order not to lose vital information the following information will also be kept for management control/ disclosure purposes:
 - (1) Commitments;
 - (2) Outstanding advances to staff or organizations/implementing partners: these will not be expensed at the point of payments, but will be treated as imprest/ cash held;
 - (3) Fixed assets will be expensed but a consolidated asset register will be maintained at the PIU and sub-registers maintained at each of the cost centers.
17. **Funds flow/ disbursement arrangements.** The IFAD loan proceeds will be disbursed in accordance with IFAD disbursement procedures to cover eligible project expenditures. There will be two designated bank accounts (in USD) opened in the Central Bank of Liberia, one for the IFAD Loan and one for the IFAD grant. In addition, there will be two operating account in US dollars, (operating accounts A and B) in a commercial bank acceptable to the Fund to receive funds from the respective designated accounts. There will also be one operating account (operating account C) to receive government counterpart funds in either Liberian dollars or USD. For the purposes of streamlining procedures and reducing the processing time, the RCFP designated account will be operated under the joint signature of the Project

Coordinator and the Financial Controller of the PIU. Withdrawal applications shall be approved by PIU (Project Coordinator and Financial Controller) and two representatives of the Ministry of Finance and Development Planning. Quarterly financial reports are required by the Accountant General of the Ministry of Finance and Development Planning prior to approval of withdrawal applications.

Disbursement procedures will be described in the updated Administrative, Accounting and Financial Manual, Letter to the Borrower and Disbursement Handbook. The allocation of the designated account will cover an amount equivalent to approximately six months of expenditures. The project flow of funds is presented in the diagram in the flow of funds section.

18. **Financial reporting.** The financial reporting of the project will follow the already established practice of the on-going IFAD projects. In this regard, the PIU will further customize its accounting software to automatically produce (to the extent possible) the agreed financial reports. The PIU will also put special effort to ensure expenditures during a reporting period are compared with the AWPB (actual vs. budget) and that cumulative expenditures are compared with the project appraisal (cumulative vs. appraisal).
19. The PIU will provide IFAD with consolidated financial reports within agreed timeframes as follows:
 - (1) Consolidated monthly management accounts for internal management decisions and control;
 - (2) Quarterly or semi-annual consolidated interim financial reports (IFRs) as agreed with IFAD consisting of the following: Sources and Uses of Funds, Summary of Expenditures by Loan Categories and by Financing source (IFAD grant loan only), Financial performance by Financier and by Component, Statement of Expenditures/ Disbursements - Withdrawal Application Statement, List of payments against contracts, Special/Designated Account Reconciliation Statement, Cash flow forecast and Progress report on Audit recommendations (The exact format and content will be agreed between the PIU and IFAD). The IFRs must also disclose any unjustified advances given the TASU/TASC (if any) or to other implementing partners. The IFRS are to be submitted to IFAD within 45 days following the end of each reporting period;
 - (3) Annual consolidated Financial Statements within four months after the end of the fiscal year, prepared in compliance with International Accounting Standards (IPSAS cash) and IFAD requirements. These Financial Statements are recommended to include: (a) statement of project management responsibilities including a Management Assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements; (b) statement of cash receipts and payments (by category and by financier); (c) statement of cash receipts and payments (by component); (d) statement of comparative budget and actual amount; (e) statement of Designated Account movements; (f) Statement of Designated Account Reconciliations; (g) SOE-Withdrawal Application Statement; and (h) Notes to the Financial Statements. The Financial statements must also disclose any unjustified advances given the TASU/TASC (if any) or to other implementing partners;
 - (4) Annual consolidated audit report and a management letter within six months after the end of the borrower's fiscal year.
20. The detailed templates and formats of the Financial reports will be detailed in the Financial Management Manual/Project Implementation Manual.
21. **Internal audit.** The design of RCFP recognizes the critical role of an internal auditor (IA). The PIU internal auditor (IA) was recently recruited and has not yet got accustomed to IFAD processes. The PIU internal auditor will have to include RCFP as part of his/ her rolling audit plans and thus will be expected to issue RCFP specific internal audit reports at least on semi-annual intervals, which will be shared with IFAD on a timely manner. The scope of the audit work will follow a risk based approach and the internal audit reports are foreseen to contain the following sections: (a) Objectives of audit, (b) Methodology of audit, (c) Key areas of weaknesses that need improvement, (d) Recommendations for improvements, (e) management's response to the recommendations and (f) a follow-up table on the status of past years recommendations. The TOR of the IA will be further customized to fit the Project needs during the project start-up.

22. **External audit.** The PIU will appoint independent auditors, selected in accordance with the procedures and criteria set forth in IFAD's Guidelines on Project Audits (for Borrower's Use), and acceptable to the Fund. The auditors will be required to audit the consolidated financial statements of the entire Project for each fiscal year. Possibilities to include the national Supreme Audit Institution (SAI) in the annual audit exercise of the project (e.g. to perform the audit or to participate in the selection of the auditors) will be explored. The TOR for the audit will be agreed with IFAD on annual basis. An audited annual consolidated financial statement for the entire Project, together with a management letter on audit observations on internal controls, will be submitted to IFAD within six months of the end of the fiscal year. If private audit companies are used, the appointment of the audit firm will follow the Quality and Cost-Based Selection (QCBS) procurement procedures, and each appointment shall be for a maximum period of 3 years, subject to satisfactory performance.

C. Proposed financial management arrangements for the TASU/TASC

23. It is foreseen that the TASU/TASC will implement subcomponent 1.1 and 1.2, providing technical assistance and supervision for the RCFIs included in the project. This sub-component will mainly include expenditures related to buildings, fixed assets, motor vehicles, technical assistance, training, staff salaries and allowances as well as operation and maintenance of the TASC. However, until implementation arrangements for the TASU/TASC have been duly formalized and adequate financial management arrangements have been duly established by the TASU/TASC, the project funds related to component 1.1 and 1.2 will be managed by the PIU. The detailed FM-arrangements of the TASU/TASC to be put in place are described below.
24. **Organization and staffing.** The TASC will have a fully-fledged finance team and internal auditors. TASC is to be incorporated as a fully-fledged company to account under corporate accounting standards as a going concern towards achieving operational self-sufficiency in the medium to long term.
25. **Budgeting and budget control.** The budget control systems at TASC will be set-up not only ensure budget compliance but also have metrics toward achieving financial self-sufficiency. TASU/TASC will prepare its project related AWPB in an acceptable format and submit it to the PIU for consolidation in a timely manner. This will ensure that the expenditures incurred by the TASU/TASC will fall under IFADs budget controls. The risk that TASC may be attempted to adopt a cameralistic project-type of accounting is recorded and will be dealt with as part of start-up orientation activities.
26. **Accounting.** TASC, as a new autonomous unit/company, will use the same comprehensive professional banking and accounting software package as the RCFIs. The software has been tried and tested in Sierra Leone over the past four years. The TASC systems will be set-up on accrual basis in accordance with International Financial Reporting Standards and as per the Companies Act. Setting up the accounting system will be included in the start-up activities of the entity in order to ensure all expenditures incurred by TASU/TASC are duly recorded. The risk that TASC may be subsumed into project mode of accounting is marginal and will be included as part of the start-up activities.
27. **Internal controls.** TASU/TASC will ensure that adequate internal controls are put in place from the start of the project. The internal controls will include:
- Policies and procedures – the financial management procedures;
 - Segregation of duties;
 - Authorization;
 - Fixed asset maintenance and inventory checks;
 - Periodic cash and bank reconciliations and checks;
 - Restricted access; and
 - Monitoring and review.
28. From a fiduciary angle, assets procured by the project and donated to the RCFIs can also pose some control issues; misappropriation cannot be ruled out ex-ante. In order to deal with this moderate risk,

there will be a tripartite MOU between the TASC, PIU and the RFCI which will spell out terms and conditions related to the deployment of these assets. For example, the RFCI will be prohibited from disposing of assets funded unless there is written clearance by the TASC and the PIU. TASC will maintain and up-to date and complete asset register subject to annual inventory checks. In addition the internal auditors at the TASC will be required to physically verify the existence of these assets periodically as part of the audit activities. Upon project completion the handover/disposal of assets will be formally agreed on with the Borrower.

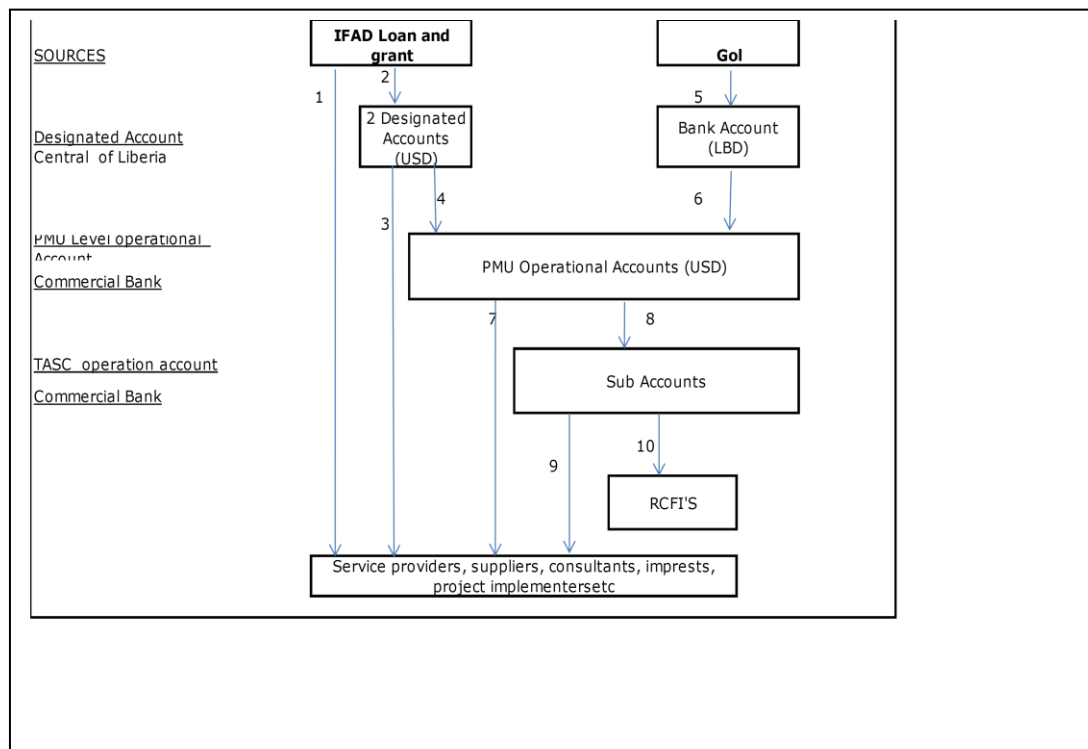
29. **Funds flow/ disbursement arrangements.** Given that the TASC is to be established as an autonomous company, it will operate its own bank accounts, initially opening a project specific account and another separate bank account for internally generated revenues. There is a moderate risk that TASC team may develop complacency and fail to properly account for project funding versus internally generated revenue. It is emphasized right from design that internally generated funding such as share capital and contributions from its members will not be comingled with project funding. The TASC accounting systems will be set up mindful that project funding shall not impair the efforts of monitoring the company's progression towards financial self-sufficiency. TASC is expected to receive an initial advance transferred to the TASC project specific operational account based on disbursement applications prepared by the chief accountant and signed by the TASC director. The subsequent advances will be subject to justification of at least 75% of the immediately previous advance and 100% of all earlier advances, if any. In this regard the expenditures will be reported monthly to PIU based on SOEs prepared on cash basis and signed by chief account and TASC director and accompanied by bank statements any necessary supporting documentation as required by PIU/IFAD. The sizes of the initial and subsequent advances will depend on the TASC's budget forecast and financial management capacity including accounting systems. Please refer to the project Flow of funds section below for a flow of funds chart.
30. A potential but moderate risk of dealing with the TASC can be the slow submission of financial returns to feed into the financial reporting and monitoring by the PIU. The TASC will provide financial returns to the PIU, on a monthly basis, to enable the latter process these in the TOMPRO accounting software. Submission of simplified financial returns will be the basis for the replenishment of funds to this company, an inbuilt incentive for compliance.
31. **Reporting and monitoring.** TASC will separately keep track of project related expenditures and provide the PIU with periodic financial reports including bank account reconciliations, expenditure by expenditure category and financier, budgeted vs. actual expenditures and any other reports as requested by the PIU. However, TASC's financial reporting will not stop at fulfilling project reporting requirements, but will prepare corporate financial statements under the accrual basis of accounting clearly following the balance sheet trends, profit and loss analysis, cash flow movements grounded in clear accounting policies and substantive notes.
32. **Internal audit.** It is foreseen that the TASC will include an internal auditor. It is expected that the internal auditor will audit both the project related activities (bank account reconciliation, approval of payments, segregation of duties, adequacy of supporting documentation etc.) as well as the operations undertaken by TASC (TASC policies and procedures, field visits to RFCIs etc.). The Internal auditor will issue semi-annual report which will contain the following sections: (a) Objectives of audit; (b) Methodology of audit; (c) Key areas of weaknesses that need improvement; (d) Recommendations for improvements; (e) Management's response to the recommendations; and (f) A follow-up table on the status of past years recommendations. The detailed TOR will be outlined in the TASC Internal Audit manual or equivalent.
33. **External audit.** As per IFAD requirements the project expenditures incurred by TASU/TASC or CBL hosting the TASU/TASC will be audited annually. It is foreseen that the audit will either be done as part of the PIU audit or by CBL audit exercise provided that i) sufficient information is disclosed on the receipts and uses of project funds and ii) the audit is provided to the PIU in a timely manner to allow for a submission of a consolidated audit report to IFAD within 6 months after the end of the borrower's fiscal year. External audits are a mandatory requirement under the Companies Act. There is provision to

support TASC to appoint an auditor to enable it full fill this corporate governance requirement. The audited financial statements should disclose separately the receipt and use of the project funds by financier and bank account reconciliation statements. The auditor should also provide a management letter outlining any material internal control issues.

D. Project flow of funds

34. Project flow of funds arrangements are shown in the diagram below.

Figure 4: Flow of funds under RCFP



35. **Project Funds Flow.** The funds flow chart above depicts the use of the standard IFI disbursement methods including: (a) Direct payment method for bigger payments over USD 100,000; (b) Use of bank accounts; and (c) Reimbursement if GOL has pre-financed any transactions. All funds destined at RCFIs will be channeled through the TASC for technical oversight. An explanation of each of the above lines on the RCFP funds flow chart is as follows:

- Line 1: Direct payments from IFAD Loan and grant account to suppliers etc. maybe used only for disbursement valued at a minimum of USD 100,000; otherwise the Designated or project accounts must be used;
- Line 2: Disbursement from IFAD Loan and grant account to the Designated Account at the Central Bank of Liberia;
- Line 3: Payment of IFAD loan funds from the Designated Account at the Central Bank of Liberia to service providers, suppliers, imprest and project implementers;
- Line 4: Transfer of IFAD loan funds to the PIU operational bank account A (USD) in an acceptable commercial bank;
- Line 5: Transfer of the GOL counterpart funds to the project bank account (operational bank account B) in USD or LRD at the Central Bank of Liberia or at a commercial bank;
- Line 6: Payment of IFAD loan and GOL counterpart funds from the PIU operational accounts A and B to service providers, suppliers, consultants and project implementers;
- Line 7: Transfer of the IFAD loan and GOL counterpart funds from the PIU bank accounts A and B in USD at the Central Bank of Liberia to the sub-accounts⁹⁵ (CBL and TASC) in an acceptable commercial bank (in the case of TASC) and into a separate internal or external commercial bank account in the case of CBL if applicable. Alternatively the expenditures incurred by the CBL will be claimed either through direct payment or by reimbursement;
- Line 8: Payment of IFAD loan and GOL counterpart funds from the sub-accounts to service providers, suppliers, consultants and project implementers;

⁹⁵The TASU/TASC will maintain separate accounts for IFAD funds and GOL funds in a bank acceptable to IFAD.

- Line 9: Transfer of the financiers funds from the Sub accounts to the RCFI's.
36. Another moderate risk rates to enforcing RCFI contributions towards salaries and operational costs. Based the financial forecasts done, the assumption with respect to the operating cost support to RCFIs is as follows:
- 100% of operating cost incurred during the first four months excluding the non cash expenses;
 - 75% of operating cost incurred during the second four months excluding the non cash expenses;
 - 50% of operating cost incurred during the third four months excluding the non cash expenses for.
37. In order to enforce the above requirement, TASU/TASC will obtain evidence that the RCFI has made its contribution (e.g. by way of copying cheques paid and receipts) before effecting the project contribution in the above proportions. This will call for the TASU/TASC to maintain a very good data base about each individual RCFI including age profiling; otherwise any confusion can result in over funding some RCFIs at the expense of others.

E. IFAD disbursement categories and disbursement procedures

38. **Withdrawals from the IFAD loan account and grant account.** Between the date of entry into force of the Financing Agreement and the Financing Closing Date, the PIU may request withdrawals from the Loan Account and/or Grant Accounts of amounts paid or to be paid for eligible expenditures.
39. **IFAD disbursement procedures.** Four standard disbursement procedures may be used for withdrawal of financing:
- (1) Advance withdrawal;
 - (2) Direct payment;
 - (3) Special commitment;
 - (4) Reimbursement.
40. **Authorized allocation.** IFAD will make an initial deposit to the Loan Designated Accounts equal to the approximate requirements for average six months implementation (Authorized Allocation) upon request by MFDP after loan and grant effectiveness. The Designated Accounts will be operated and replenished following the Imprest Account Arrangements.
41. **Conditions for first withdrawal.** The following conditions related to financial management are to be met before the first withdrawal can be realized:
- (1) IFAD has received from the Minister of Finance a letter designating the name(s) of official(s) authorized to sign withdrawal applications, which includes their authenticated specimen signature(s);
 - (2) IFAD has received documentation evidencing the opening of (a) the bank account designated to receive IFAD loan and in advance; and (b) the project accounts in local currency with advice of the persons/titles authorized to operate these accounts.
42. **Start-up funds.** To ensure smooth implementation the project will receive start-up funds not exceeding USD 200 000 to cover expenditures related to start up activities after the date of entry into force and before the fulfillment of the conditions precedent to withdrawal. The start-up funds will be deposited in the Designated Account after IFAD has received from the Minister of Finance: (a) a letter designating the name(s) of official(s) authorized to sign withdrawal applications, which includes their authenticated specimen signature; (b) documentation evidencing the opening of the bank account designated to receive IFAD Loan in advance; and (c) a duly signed withdrawal application. Any unjustified start-up funds will be considered part of the authorized allocation. start-up funds will
43. **Withdrawal applications.** The PIU will compile and consolidate, on a timely basis, eligible project expenditures for activities. From these expenditures the PIU will prepare withdrawal applications

(Was) for eligible project expenditures for submission to IFAD for reimbursement or replenishment. All WAs will be signed by the authorized signatories.

44. **Minimum withdrawal amounts.** In order to minimize transaction costs, the minimum withdrawal amounts are set as follows:
 - (1) Withdrawal Applications requesting replenishments of the Designated Account should at least cover a minimum amount of thirty per cent (30%) of the initial advance.
 - (2) Direct Payment method should only be used for payments of USD 100 000 and above while expenditures below USD 100 000 should be financed from the Designated Account if possible and claimed through the replenishment of the Designated Account.
45. IFAD withdrawal application forms. In order to further strengthen the financial controls and reduce the amount of supporting documentation, it is foreseen that the SOE thresholds will be increased from the current practice while the IFAD standard WAs will be modified to:
 - (1) Disclose the entire audit trail of each expenditure item;
 - (2) Improve budget controls undertaken at project and IFAD-level;
 - (3) Strengthen the link between disbursements/FM and procurement; and
 - (4) Provide key information regarding financial and accounting systems used by the project.
46. The PIU accounting software will be customized accordingly.
47. **Statement of Expenditure (SOE).** The SOE thresholds shall be determined in the light of the associated risk for each expenditure category and will be duly documented in the Letter to the Borrower. The initial estimate is that the SOE threshold will be USD 50 000 for all contracts under all categories.
48. The project will retain the relevant support documents and make them readily available for inspection and review by supervision missions and the auditors.

F. Supervision and implementation support plan

49. **Project supervision.** RCFP will be directly supervised by IFAD with annual implementation support missions, followed initially by shorter follow-up missions six months later. Supervision will not be conducted as a general inspection or evaluation, but rather as an opportunity to assess achievements and lessons jointly, and to reflect on ways to improve implementation and impact. From a financial management perspective, IFAD missions will keenly follow up the fiduciary risk at various levels including the use of the SOE.
50. **Governance and anti-corruption measures.** Specific measures to mitigate identified fiduciary risks include: (a) computerized accounting system at the PIU to substantially reduce the scope of human error; (b) checks and balances in contracting and administration (discussed in Appendix 7); (c) inclusion of RCFP internal audit plans at all cost centers; (d) annual external audits that require the inclusion of a procurement auditor in the TOR; (e) cascading replenishment system of operation as opposed to general cash releases; and (g) reduced SOE ceiling in case of the project risk rating would be high.
51. **Supervision and implementation support plan.** In light of the risk assessment residual (medium FM risk), in the first two years of implementation, the supervision plan of project will especially focus on the following actions:
 - 1) At least two on-site visits that will involve inter alia visits to the implementing partners (TASU/TASC) and conducting/updating the FM assessments;
 - 2) Detailed review of adequacy of the staffing arrangements at the PIU and TASU/TASC;
 - 3) Detailed review of the Project Financial Management and accounting procedures and the TOR and performance of the financial staff of both the PIU and TASU/TASC;
 - 4) Detailed review of the accounting software and financial reports produced by the accounting software and the use of budget controls by the PIU and TASU/TASC;

- 5) Review of flow of funds (and resolving any bottlenecks);
 - 6) Detailed review of the fixed asset register of the PIU and TASU/TASC;
 - 7) Detailed review of the operation of the designated and project accounts (including monthly reconciliations) at the PIU and Implementing partner (TASU/TASC) level;
 - 8) Detailed review of records management, back up and the use of the SOE procedure and the applicable SOE-thresholds (adequacy of supporting documentation) by the PIU and TASU/TASC;
 - 9) Follow-up on contracting the project (independent) external auditors;
 - 10) Follow-up on work performed by the internal audit function.
52. The supervision process will be complemented by desk review of progress and financial reports, the program's annual financial statements, internal audit reports, and annual audits.

Appendix 8: Procurement

1. Assessment of procurement systems

1. IFAD General Conditions were revised in April 2009 to take into account IFAD's new approach to procurement financed by its loans and grants. Specifically in relation to procurement, the General Conditions focus on the emphasis placed on using the borrower/recipient's procurement regulations, provided they are deemed to be consistent with IFAD's guidelines. This is in line with the various commitments of the international donor community to work towards increasing the use of national systems where they can be shown to be compatible with the requirement of the donors.
2. The IFAD procurement Guidelines require a procurement assessment to be done as part of project design, in order to assess the extent to which national systems are consistent with IFAD guidelines, risk assessment and risk mitigation. The assessment is required under a two-tiered approach:
 - **Stage 1: Overarching country assessment:** This is a desk-based review to provide a high level assessment of the status of two aspects: the overall legislative and regulatory framework, and national structure for public procurement;
 - **Stage 2: Project specific assessment:** During project design stage, IFAD is required to undertake a more comprehensive assessment of the degree of practical implementation of the regulatory framework, and of the procurement capacity of agency designated to undertake project procurement.

(1a) Overarching national procurement assessment

3. In 2003, Liberia started the process of improving its national procurement systems. The approach involved two phases, with phase 1 being the development of a processes manual. The objective of the second phase of the public procurement reform was to establish a comprehensive public procurement and concessions law which would address many of the corruption risks. This was achieved in 2005 with the approval of Public Procurement and Concessions Act (PPC Act), revised again in 2010. The PPC Act and the Procurement Regulations issued in 2010 underpin Liberia's public procurement framework. The Act established a Public Procurement and Concessions Commission (PPCC) as the national public procurement and oversight body. Some of the key elements comprised in the PPC Act to ensure transparency, accountability and competitiveness in all processes linked to public procurement of goods, services and works, which in turn should reduce corruption opportunities, are shown in the table below, together with the assessment.

Table 38: Legal provisions strengthening procurement	
Aspects reviewed based in available assessment reports	Comments
Mandatory professional training for public procurement officials	Satisfactory
Regulations addressing conflicts of interest	Satisfactory
Strict formal limits for sole sourcing and advertised open competitive bidding as the default method of procurement	Not satisfactory. Despite this legal provision over use of shopping method is still reported. The threshold for shopping may be set at rather high.
An independent administrative procurement complaints body is in place.	Satisfactory. There is an Complaints, Appeals and Review Panel (CARP) through which unsuccessful bidders may challenge PPCC decisions
Strong sanctions such as imprisonment and punitive fines are in place	Satisfactory. The sanctions and fines can be very punitive if applied: imprisonment of up to five years, and/or fines up to USD100,000

Suspension from participating in any public tender for companies found guilty of major violations of the Act	Not satisfactory. This is provided for in the law, but reports reveal that not one company has so far been blacklisted in spite of numerous complaints about bid tampering
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4. Overall, Liberia's legal framework for public procurement is robust as it complies with most of the international best practices. While the procurement law is considered robust and procurement processes have become more efficient, in practice public procurement falls short of the high standard the law sets. A recent (2013) Global Integrity Report, for example, rates Liberia's public procurement system as "moderately effective". Some of the deficiencies in the enforcement of the PPC Act are:
- (a) **Overuse of single sourcing:** The PEFA framework grants Liberia the lowest possible score (D) in the indicators related to implementation, due to an overuse of single sourcing. According to the PEFA evaluation, this is caused by the devolution of procuring powers to ministries and agencies that lack good procurement planning. This has forced the PPCC to issue a high number of "No Objections" when the procurement method is changed from the default open competitive bidding to single sourcing.
 - (b) **Blacklisting:** Although the PPC Act contemplates this mechanism as a way to sanction companies and reduce risks of corruption in public procurement, according to Transparency International, no company, despite reports of misconduct, has been blacklisted or banned from participating in future biddings.
 - (c) **Public access to information:** In accordance with the PPC Act, the PPCC has started publishing the procurement plans of the five largest spending ministries, in charge of finance, public works, health and social welfare, education and internal affairs. However, this has not happened systematically. Furthermore, while most ministries and agencies advertise contract opportunities that are open for competitive bidding, contract awards are rarely advertised.
 - (d) **Low capacity context:** Despite the achievements in capacity building outlined in the previous section, the PPCC still lacks the capacity to effectively monitor many projects. Some challenges identified by the PPCC to further address its implementation capacity gap include the lack of trained procurement specialist at the PPCC to facilitate continuous training of procurement professionals in Ministries and Agencies; the lack of IT infrastructure including accounting software to enhance the work of the PPCC while ensuring a high degree of accuracy; and the lack of training for CARP to facilitate proper discharge of its duties which is tied to restoring bidders' confidence in the bidding process.
5. The **overall finding** is that the legal framework for public procurement in Liberia is strong and provides clear guidance for the procurement practitioners and providers. There are checks and balances within the system which, if utilized, ensure the public procurement is undertaken transparently and competitively. However, these checks and balances are not being fully implemented. In this regard, the RCFP supervision missions and auditors will keenly follow compliance with the national system.

(1b) Project specific assessment

6. In addition, during the current RCFP design mission, an assessment was undertaken of the practical implementation of the regulatory frame work based on MOA donor-funded projects by the PIU in order to draw lessons to be applied to the RCFP. The choice to base the assessment on this joint PIU was based on the fact that RCFP will be operating under a similar arrangement. The overall assessment is partially satisfactory. The following gaps were noted:
- (a) Procurement staff report to the head of finance. These two functions are supposed to be separate to assure adequate segregation of duties. This improvement will be needed under RCFP.
 - (b) The procurement unit does not maintain minutes of contract award decisions; this is considered a serious anomaly. Formal award decision minutes must be well collated, with detailed discussions

registered, duly signed off and filed in procurement files. Record keeping will have to be improved as it is at the heart of procurement audit trail.

- (c) The PIU does not maintain a catalogue of prices even for commonly procured items. The procurement unit is supposed to be the nerve centre for such information not only to guide in realistic budgeting but also where the procurement is not under open competitive bidding, such information would be useful to spot inflated prices. This will be crucial under RCFP.
- (d) Prequalification is not done as a matter of procedure and yet this shopping method is very popular. Given the relative uniformity of the items that will be needed for the RCFIs, prequalification and/or use of framework contracts will be fully pursued under RCFP.
- (e) Contract administration will need improvement, and a first step forward would be to install the procurement module integrated into the Tompro software system that is being used to process the financials. This will ensure that funds are encumbered once contracts/ firm commitments have been entered into the system.

2. Summary of RCFP procurement arrangements

7. The TASC will undertake its procurement through the PIU procurement unit with the exception of items falling under the shopping method where the former will be allowed to obtain three quotations. RCFP will use a Procurement Committee that has already been established at the PIU to review and/or approve the following documents or actions: procurement plan, draft adjustments and bidding documents (including specifications/terms of reference [TOR]), evaluation reports and contract award recommendations, rejection of bids, contract or contract amendments above pre-defined thresholds.
8. Thresholds for IFAD prior review will be initially set as USD 30,000 for goods, USD 50,000 for works and USD 20,000 for consulting services. Thresholds will be specified in the procurement plan and may be revised from time to time based on procurement performance and subsequent risk assessments. Use of single source procurement shall always be subject to prior review and in any case under national systems open competitive bidding is the default procurement method.
9. Time given to bidders to submit their bids will be four weeks for national competitive bidding (NCB) and six weeks for international competitive bidding (ICB). Preference margins may be applied in accordance with IFAD Guidelines. Thresholds for publication are set as follows in accordance with the national law:
 - a. Contracts for the procurement of goods: USD 25,000
 - b. Contracts for the procurement of works: USD 50,000
 - c. Contracts for the procurement of consulting services: USD 10,000
10. The following requirements will be taken into account for NCB procedures: (1) the invitation to bid is advertised in national newspapers with wide circulation; (2) the bid evaluation, qualification of bidders and contract award criteria are clearly indicated in the bidding documents; (3) the bidders are given adequate response time (at least four weeks) to prepare and submit their respective bids; (4) the contract is awarded strictly in accordance with the evaluation criteria specified in the bidding documents; (5) eligible bidders, including foreign bidders, are not precluded from participating; and (6) no preference margin is granted to local suppliers or contractors. A specific procurement notice will be published in a national newspaper and/or on a freely accessible website.
11. **Procurement of works.** Contracts for work estimated at less than USD 200,000 will be procured under NCB procedure. Contracts for works estimated at USD 30,000 or less may be procured under the shopping procedure. Works will be procured under contracts awarded on the basis of quotations obtained from at least three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, basic specifications, required completion date, and basic form of agreement acceptable to IFAD. The award will be made to the contractor with the lowest price quotation and who has the best experience and resources to successfully complete the contract.

12. In all cases related to the procurement of goods and services for the benefit of RCFIs, the terms of reference, specifications etc. shall be developed with RCFIs. This is of particular importance as regards the construction of new bank buildings, including staff quarters. Payments by TASU/TASC and PIU shall only be made once the full compliance of goods, works and services with the specifications has been certified by the respective RCFIs.
13. **Procurement of goods.** ICB procedures will be applied for purchase of goods estimated above USD 100,000. A General Procurement notice will be prepared by the PIU and published in the United Nations Development Business online (UNDB online) and Development Gateway market (dgMarket) and may include international professional technical bulletins/ international newspapers.
14. Contracts estimated at less than USD 100,000 for locally available goods will be awarded through NCB procedures. Contracts for small goods and office supplies, as well as minor equipment and furniture available locally and estimated at less than USD 10,000, may be procured under shopping procedures. These include: furniture, computers, accessories, software, communication and office equipment, etc., depending on the volume.
15. **Selection of consultants.** Consultants will be selected using the Quality and Cost Based Selection method in most cases. In special cases specified in the Procurement Plan, the following methods will be used: (1) Quality-Based Selection; (2) Least-Cost Selection; (3) Selection Based on the Consultants' Qualifications; and (4) ICB procedures will be applied for contracts estimated above USD 100,000. Contracts estimated at less than USD 50,000 will be awarded through NCB procedures. Shopping procedures will be applied for services below USD 10,000.
16. As regards **training, workshops and study tours**, at the beginning of each year, the TASU/TASC will submit its proposed plans in the form of an annual action plan for the coming year, to be reviewed by IFAD as part of its no objection to the AWPB. The plan will indicate the persons or groups to be trained, the type of training to be provided, indicative learning outcomes, the provider and the location of the training, and its estimated total cost.

Appendix 9: Project cost and financing

1. Main assumptions for cost estimation

1. **Introduction.** This appendix describes the assumptions underlying the derivation of the project costs, presents the summary and detailed cost tables and the financing plan.
2. **Inflation.** Annual average inflation picked up to an estimated 7.6% in 2013, as a weaker Liberian dollar more than offset the downward impact on inflation of lower global food and oil prices, both of which are major influences on inflation trends in Liberia. The dampening impact on inflation of a further modest easing in world food and oil prices in 2014 will again be more than offset by the continued weakness of the Liberian dollar against the US currency. However, the impact of the local currency's depreciation will be mitigated in part by the economy's high level of US dollarization, which will also restrain the inflationary impact of a modest increase in world oil prices in 2015. It is expected that inflation will average 7.8% in 2014 and 7.4% in 2015. In the cost tables, in computing the price contingencies, local inflation rate has been set at 7.5%.
3. **Exchange rates.** Although the official currency is the Liberian dollar, the US dollar remains a legal tender. The IMF classifies the LRD: USD exchange rate as "other managed", meaning that the authorities intervene to influence its direction. However, because of the high level of US dollarization, it is not really used as a policy tool to improve competitiveness. The Liberian dollar depreciated by around 5% in 2013, reflecting a shortage of US dollars on the open market. Changes allowing businesses to pay taxes in Liberian dollars instead of US dollars will give some support to the Liberian dollar. But high import levels, together with low (albeit rising) export earnings, will keep the currency weak, at an average of LRD 84.53 against one USD in 2014. The currency is likely to appreciate slightly to an average of LRD 81.75: USD 1 in 2015, as the measures aimed at reducing US dollarization start to have an impact. In the cost tables, the exchange rate has been set at LRD 82: USD 1.
4. **Taxes and duties.** Goods and Services Tax (GST) in the range of 7-10% is levied on most goods, works and some services. The Government will waive or finance the GST in Project costs. The rates of goods and service tax payable on the various taxable supplies are as shown in the table below.

Table 39: Taxation rates for goods and services	
Type of supply	Rate (%)
Goods and services	7%
Alcoholic beverages	10%
Export of goods	0%
Imported goods	0%, 7% or 10% depending on the type of imported goods

2. Project costs

5. **Total project costs.** The total project investment and incremental recurrent costs, including price contingencies, are estimated at USD 13.965 million (LRD 1341 million). Price contingencies amount to 4% of the project costs. The foreign exchange component is estimated at USD 3.866 million (28%). Taxes represent approximately USD 0.512 million. The total baseline costs are USD 13.526 million, while price contingencies account for USD 0.439 million. The table below presents a breakdown of the costs by component and sub-component. The detailed cost tables and additional summary tables are presented in Attachments 1 and 2 to this Appendix.
6. The investment in Component 1, Rural financial services, in base costs totals USD 13.526 million (93% of total base costs) while Component 2, Enabling environment for rural finance, accounts for USD 0.6 million (3% of total base costs). Project Management and coordination account for 4% of base cost or USD 0.56 million, as shown in the table below. Additional contributions to the project objective will be made by all actors, ranging from community members (investments in their businesses); the RCFIs

(contributions to operating costs of TASU/TASC) and the CBL (staff time), which are excluded for simplicity reasons.

Table 40: Project cost by component

Liberia Rural Community Finance Programme Components Project Cost Summary	(LRD Million)			(USD '000)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
A. Rural Financial services								
Grassroots rural community finance institutions (RCFIs)	684	149	833	7,599	1,660	9,259	18	68
Technical Assistance and Supervision Company (TASC)	128	129	257	1,425	1,428	2,853	50	21
Grant for economic recovery after the Ebola Virus Disease	30	15	45	335	165	500	33	4
Subtotal	842	293	1,135	9,359	3,253	12,612	26	93
B. Enabling environment for rural finances								
Technical assistance to the CBL	7	25	32	81	273	354	77	3
Subtotal	7	25	32	81	273	354	77	3
C. Project management and coordination	33	18	50	363	197	560	35	4
Total BASELINE COSTS	882	335	1,217	9,803	3,723	13,526	28	100
Physical Contingencies	7	1	8	77	14	91	15	1
Price Contingencies	72	43	115	219	129	348	37	3
Total PROJECT COSTS	962	379	1,341	10,099	3,866	13,965	28	103

3. Financing Plan

7. **Financing Plan.** The project is to be financed by the GOL, IFAD loan, Central Bank of Liberia, RCFIs and beneficiaries/shareholders. IFAD will finance 73% of the project costs (USD 7.65 million) through a loan to the government on highly concessionary terms of USD 7.15 million and a grant of USD 0.5 million. The RCFI contribution to operating costs is estimated at USD 1.48 million (15%). The Central Bank of Liberia will for the first 30 months house the TASC and deploy a project manager; this contribution is estimated as USD 0.12 million (1%). The government will finance the taxes and duties (USD 0.519 million, representing 5% of total costs). The details of financing arrangements are shown in the table below.

Table 41: Financing plan by component (USD'000)

Liberia Rural Community Finance Programme Components by Financiers (USD '000)	GoL		IFAD		IFAD GRANT		ICFIs		Central Bank of Liberia		Beneficiaries		Total		Local (Excl. Taxes)		Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.	Taxes	
A. Rural Financial services																	
Grassroots rural community finance institutions (RCFIs)	313	3.3	3,499	36.8	-	-	1,480	15.6	-	-	4,210	44.3	9,502	68.0	1,713	7,476	313
Technical Assistance and Supervision Company (TASC)	149	5.0	2,739	91.1	-	-	-	-	119	4.0	-	-	3,008	21.5	1,501	1,357	149
Grant for economic recovery after the Ebola Virus Disease	11	2.1	-	-	490	97.9	-	-	-	-	-	-	501	3.6	165	325	11
Subtotal	473	3.6	6,238	47.9	490	3.8	1,480	11.4	119	0.9	4,210	32.4	13,010	93.2	3,379	9,158	473
B. Enabling environment for rural finances																	
Technical assistance to the CBL	7	1.8	358	98.2	-	-	-	-	-	-	-	-	364	2.6	280	77	7
C. Project management and coordination	40	6.7	551	93.3	-	-	-	-	-	-	-	-	591	4.2	207	344	40
Total PROJECT COSTS	519	3.7	7,147	51.2	490	3.5	1,480	10.6	119	0.9	4,210	30.1	13,965	100.0	3,866	9,580	519

ATTACHMENTS

Attachment 1: Summary cost tables

Table 42: Project components' cost summary

Liberia Rural Community Finance Programme Components Project Cost Summary						% Foreign Exchange	% Total Base Costs
(LRD Million)			(USD '000)				
Local	Foreign	Total	Local	Foreign	Total		
A. Rural Financial services							
Grassroots rural community finance institutions (RCFIs)	684	149	833	7,599	1,660	9,259	18
Technical Assistance and Supervision Company (TASC)	128	129	257	1,425	1,428	2,853	50
Grant for economic recovery after the Ebola Virus Disease	30	15	45	335	165	500	33
Subtotal	842	293	1,135	9,359	3,253	12,612	26
B. Enabling environment for rural finances							
Technical assistance to the CBL	7	25	32	81	273	354	77
Subtotal	7	25	32	81	273	354	77
C. Project management and coordination							
	33	18	50	363	197	560	35
Total BASELINE COSTS	882	335	1,217	9,803	3,723	13,526	28
Physical Contingencies	7	1	8	77	14	91	15
Price Contingencies	72	43	115	219	129	348	37
Total PROJECT COSTS	962	379	1,341	10,099	3,866	13,965	28

Table 43: Expenditure accounts project cost summary

Liberia Rural Community Finance Programme Expenditure Accounts Project Cost Summary						% Foreign Exchange	% Total Base Costs
(LRD Million)			(USD '000)				
Local	Foreign	Total	Local	Foreign	Total		
I. Investment Costs							
A. Consulting services	-	46	46	-	507	507	100
B. Workshop and training	192	21	214	2,136	237	2,374	10
C. Works	69	12	81	770	136	905	15
D. Vehicles Equipment and Material	26	66	91	284	730	1,013	72
E. Grant	13	-	13	140	-	140	-
F. RCFI capitalization	379	-	379	4,210	-	4,210	-
G. Rural Finance Facility	14	-	14	150	-	150	-
Total Investment Costs	692	145	837	7,689	1,610	9,299	17
II. Recurrent Costs							
A. Salaries	135	135	270	1,500	1,500	3,000	50
B. Operating Costs	55	55	110	614	614	1,227	50
Total Recurrent Costs	190	190	380	2,114	2,114	4,227	50
Total BASELINE COSTS	882	335	1,217	9,803	3,723	13,526	28
Physical Contingencies	7	1	8	77	14	91	15
Price Contingencies	72	43	115	219	129	348	37
Total PROJECT COSTS	962	379	1,341	10,099	3,866	13,965	28

Table 44: Project components by year – Totals including contingencies

Liberia
Rural Community Finance Programme
Project Components by Year -- Base Costs
(USD '000)

	Base Cost					Total
	2016	2017	2018	2019	2020	
A. Rural Financial services						
Grassroots rural community finance institutions (RCFIs)	1,598	2,886	2,047	1,545	1,183	9,259
Technical Assistance and Supervision Company (TASC)	540	851	483	471	509	2,853
Grant for economic recovery after the Ebola Virus Disease	336	164	-	-	-	500
Subtotal	2,474	3,901	2,530	2,016	1,691	12,612
B. Enabling environment for rural finances						
Technical assistance to the CBL	116	155	78	5	-	354
Subtotal	116	155	78	5	-	354
C. Project management and coordination	130	70	120	70	172	560
Total BASELINE COSTS	2,719	4,126	2,728	2,091	1,863	13,526
Physical Contingencies	26	65	-	-	-	91
Price Contingencies						
Inflation						
Local	37	203	152	176	217	785
Foreign	11	43	20	23	32	129
Subtotal Inflation	49	246	172	199	248	914
Devaluation	-26	-144	-109	-128	-158	-566
Subtotal Price Contingencies	23	102	62	71	90	348
Total PROJECT COSTS	2,768	4,292	2,790	2,162	1,953	13,965
Taxes	149	174	73	60	63	519
Foreign Exchange	1,239	1,499	414	343	371	3,866

Table 45: Expenditure accounts by year – Totals including contingencies (USD '000)

Liberia
Rural Community Finance Programme
Expenditure Accounts by Years -- Totals Inc
(USD '000)

	Totals Including Contingencies					Total
	2016	2017	2018	2019	2020	
I. Investment Costs						
A. Consulting services	195	211	79	25	11	521
B. Workshop and training	328	552	679	503	431	2,494
C. Works	287	733	-	-	-	1,020
D. Vehicles Equipment and Material	587	384	7	4	54	1,036
E. Grant	70	70	-	-	-	140
F. RCFI capitalization	140	570	1,500	1,100	900	4,210
G. Rural Finance Facility	70	80	-	-	-	150
Total Investment Costs	1,678	2,601	2,265	1,631	1,396	9,571
II. Recurrent Costs						
A. Salaries	813	1,281	327	337	354	3,112
B. Operating Costs	277	410	198	193	203	1,281
Total Recurrent Costs	1,090	1,691	525	531	556	4,394
Total PROJECT COSTS	2,768	4,292	2,790	2,162	1,953	13,965

Table 46: Components by year

Liberia
Rural Community Finance Programme
Project Components by Year -- Totals Including Contingencies
(USD '000)

	Totals Including Contingencies					
	2016	2017	2018	2019	2020	Total
A. Rural Financial services						
Grassroots rural community finance institutions (RCFIs)	1,638	3,002	2,075	1,577	1,209	9,502
Technical Assistance and Supervision Company (TASC)	545	894	508	505	556	3,008
Grant for economic recovery after the Ebola Virus Disease	337	164	-	-	-	501
Subtotal	2,520	4,061	2,582	2,082	1,765	13,010
B. Enabling environment for rural finances						
Technical assistance to the CBL	117	160	82	5	-	364
Subtotal	117	160	82	5	-	364
C. Project management and coordination	131	72	126	75	188	591
Total PROJECT COSTS	2,768	4,292	2,790	2,162	1,953	13,965

Table 47: Expenditure accounts by financiers (USD '000)

Liberia
Rural Community Finance Programme
Expenditure Accounts by Financiers
(USD '000)

	GoL		IFAD		IFAD GRANT		ICFIs		Central Bank of Liberia		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Investment Costs																	
A. Consulting services	-	-	499	95.7	23	4.3	-	-	-	-	-	-	521	3.7	521	-	-
B. Workshop and training	167	6.7	2,219	89.0	108	4.3	-	-	-	-	-	-	2,494	17.9	249	2,078	167
C. Works	51	5.0	969	95.0	-	-	-	-	-	-	-	-	1,020	7.3	153	816	51
D. Vehicles Equipment and Material	145	14.0	825	79.6	66	6.4	-	-	-	-	-	-	1,036	7.4	746	145	145
E. Grant	-	-	-	-	140	100.0	-	-	-	-	-	-	140	1.0	-	140	-
F. RCFI capitalization	-	-	-	-	-	-	-	-	-	-	4,210	100.0	4,210	30.1	-	4,210	-
G. Rural Finance Facility	-	-	150	100.0	-	-	-	-	-	-	-	-	150	1.1	-	150	-
Total Investment Costs	363	3.8	4,662	48.7	336	3.5	-	-	-	-	4,210	44.0	9,571	68.5	1,669	7,539	363
II. Recurrent Costs																	
A. Salaries	0	-	1,429	45.9	124	4.0	1,480	47.6	79	2.5	-	-	3,112	22.3	1,556	1,556	-
B. Operating Costs	156	12.2	1,056	82.4	29	2.3	-	-	40	3.2	-	-	1,281	9.2	641	485	156
Total Recurrent Costs	156	3.5	2,485	56.6	153	3.5	1,480	33.7	119	2.7	-	-	4,394	31.5	2,197	2,041	156
Total PROJECT COSTS	519	3.7	7,147	51.2	490	3.5	1,480	10.6	119	0.9	4,210	30.1	13,965	100.0	3,866	9,580	519

Attachment 2: Detailed cost tables

Table 48: Costs under Comp. 1.1: RCFI creation and operation

Liberia
Rural Community Finance Programme
Table 1.1. Grassroots rural community finance institutions (RCFIs)
Detailed Costs
(USD)

	Unit	Quantities					Unit Cost	Totals Including Contingencies					Total			
		2016	2017	2018	2019	2020		2016	2017	2018	2019	2020				
I. Investment Costs /a																
A. New RCFIs																
1. Group A: Micro RCFIs																
Building	Number	-	6	-	-	-	6	40,000	-	271,973	-	-	271,973			
Vault	Number	-	6	-	-	-	6	1,100	-	7,479	-	-	7,479			
Plant and machinery /b	Set	-	6	-	-	-	6	18,000	-	111,262	-	-	111,262			
Furniture and office equipment /c	Set	-	6	-	-	-	6	8,805	-	42,063	-	-	42,063			
Motobike	Number	-	6	-	-	-	6	1,000	-	6,181	-	-	6,181			
Software	RCFI	-	6	-	-	-	6	7,000	-	43,268	-	-	43,268			
Fees	RCFI	-	6	-	-	-	6	1,500	-	9,272	-	-	9,272			
Subtotal								-	491,498	-	-	-	491,498			
2. Group B: Small RCFIs																
Building	Number	2	1	-	-	-	3	45,000	99,990	50,995	-	-	150,985			
Manager/Staff Quarters	Number	2	1	-	-	-	3	12,000	26,664	13,599	-	-	40,263			
Vault	Number	2	1	-	-	-	3	1,100	2,444	1,247	-	-	3,691			
Plant and machinery /d	Set	2	1	-	-	-	3	18,000	36,360	18,544	-	-	54,904			
Furniture and office equipment /e	Set	2	1	-	-	-	3	6,805	13,746	7,011	-	-	20,757			
Motobike	Number	2	1	-	-	-	3	1,000	2,020	1,030	-	-	3,050			
Software	Ls	2	1	-	-	-	3	7,000	14,140	7,211	-	-	21,351			
Fees	RCFI	2	1	-	-	-	3	1,500	3,030	1,545	-	-	4,575			
Subtotal								198,394	101,181	-	-	-	299,575			
3. Group C: Medium RCFIs																
Building	Number	2	2	-	-	-	4	55,000	122,210	124,654	-	-	246,864			
Manager/Staff Quarters	Number	2	2	-	-	-	4	15,000	33,330	33,997	-	-	67,327			
Vault	Number	2	2	-	-	-	4	1,100	2,444	2,493	-	-	4,937			
Plant and machinery /f	Set	2	2	-	-	-	4	18,000	36,360	37,087	-	-	73,447			
Furniture and office equipment /g	Set	2	2	-	-	-	4	6,805	13,746	14,021	-	-	27,767			
Motobike	Number	2	2	-	-	-	4	1,000	2,020	2,060	-	-	4,080			
Software	Ls	2	2	-	-	-	4	7,000	14,140	14,423	-	-	28,563			
Fees	RCFI	2	2	-	-	-	4	1,500	3,030	3,091	-	-	6,121			
Subtotal								227,280	231,826	-	-	-	459,106			
Subtotal								425,675	824,505	-	-	-	1,250,180			
B. Existing RCFIs																
1. Group A: Micro RCFIs																
a. Building rehabilitation/equipment renovation /h	Number	3	-	-	-	-	3	8,000	24,240	-	-	-	24,240			
b. Motobike	Number	3	-	-	-	-	3	1,000	3,030	-	-	-	3,030			
c. Software improvement/ replacement																
Licence	Ls	3	-	-	-	-	3	7,000	21,210	-	-	-	21,210			
Fees	RCFI	3	-	-	-	-	3	1,500	4,545	-	-	-	4,545			
Subtotal								25,755	-	-	-	-	25,755			
Subtotal								53,025	-	-	-	-	53,025			
2. Group B: Small RCFIs																
a. Building rehabilitation/equipment renovation /i	Number	3	-	-	-	-	3	5,000	15,150	-	-	-	15,150			
b. Motobike	Number	3	-	-	-	-	3	1,000	3,030	-	-	-	3,030			
c. Software improvement/ replacement																
Licence	Ls	3	-	-	-	-	3	7,000	21,210	-	-	-	21,210			
Fees	Ls	3	-	-	-	-	3	1,500	4,545	-	-	-	4,545			
Subtotal								25,755	-	-	-	-	25,755			
Subtotal								43,935	-	-	-	-	43,935			
3. Group C: Medium RCFIs																
a. Building rehabilitation/equipment renovation /j	Number	3	-	-	-	-	3	5,000	15,150	-	-	-	15,150			
b. Motobike	Number	3	-	-	-	-	3	1,000	3,030	-	-	-	3,030			
c. Software improvement/ replacement																
Licence	Ls	3	-	-	-	-	3	7,000	21,210	-	-	-	21,210			
Fees	Ls	3	-	-	-	-	3	1,500	4,545	-	-	-	4,545			
Subtotal								25,755	-	-	-	-	25,755			
Subtotal								43,935	-	-	-	-	43,935			
Subtotal								140,895	-	-	-	-	140,895			

Table: Costs under Comp. 1.1: RCFI creation and operation ...continued

C. Training courses, workshop, fora														
1. Duration 2 days courses	No	5	8	12	12	6	43	7,218	36,451	59,488	91,016	92,837	47,347	327,139
2. Duration 5 days	No	4	8	10	12	8	42	13,775	55,651	113,528	144,748	177,172	120,477	611,576
3. Duration 12 days	No	4	8	10	6	4	32	32,255	130,310	265,833	338,937	207,429	141,052	1,083,561
Subtotal									222,412	438,849	574,702	477,438	308,876	2,022,276
D. Other Equipments and related programming work														
1. small cameras	No	100	-	-	-	-	100	100	10,100	-	-	-	-	10,100
2. USB fingerprint recognition devices	No	100	-	-	-	-	100	130	13,130	-	-	-	-	13,130
3. smartphones	No	90	-	-	-	-	90	120	10,908	-	-	-	-	10,908
4. Receipt thermo printers	No	100	-	-	-	-	100	200	20,200	-	-	-	-	20,200
5. programming work /k	Ls	1	-	-	-	-	1	20,000	20,200	-	-	-	-	20,200
Subtotal									74,538	-	-	-	-	74,538
E. RCFI capitalization														
Share capital	lps								140,000	570,000	1,500,000	1,100,000	900,000	4,210,000
Total Investment Costs									1,003,520	1,833,354	2,074,702	1,577,438	1,208,876	7,697,889
II. Recurrent Costs														
A. New RCFIs														
1. Category A : Micro RCFIs														
a. Personnel Plan														
Manager	P/m	-	864	-	-	-	864	325	-	289,280	-	-	-	289,280
Cashier	P/m	-	864	-	-	-	864	175	-	155,766	-	-	-	155,766
Security	P/m	-	864	-	-	-	864	60	-	53,406	-	-	-	53,406
Office Assistant	P/m	-	864	-	-	-	864	60	-	53,406	-	-	-	53,406
Social security	P/m	-	864	-	-	-	864	18	-	15,728	-	-	-	15,728
Subtotal									-	567,585	-	-	-	567,585
b. Operating costs /l	RCF/lan	-	6	-	-	-	6	3,840	-	23,736	-	-	-	23,736
c. Operating loss cover	RCFI	-	6	-	-	-	6	14,500	-	89,627	-	-	-	89,627
Subtotal									-	680,949	-	-	-	680,949
2. Category B : Small RCFIs														
a. Personnel Plan														
Manager	P/m	288	144	-	-	-	432	325	94,536	48,213	-	-	-	142,749
Accountant	P/m	288	144	-	-	-	432	238	69,084	35,233	-	-	-	104,317
Cashier	P/m	288	144	-	-	-	432	175	50,904	25,961	-	-	-	76,865
Security	P/m	288	144	-	-	-	432	60	17,453	8,901	-	-	-	26,354
Office Assistant	P/m	288	144	-	-	-	432	60	17,453	8,901	-	-	-	26,354
Social security	P/m	288	144	-	-	-	432	31	9,017	4,599	-	-	-	13,616
Subtotal									258,447	131,808	-	-	-	390,255
b. Operating costs /m	RCF/lan	2	1	-	-	-	3	4,860	9,817	5,007	-	-	-	14,824
c. Operating loss cover	RCFI	2	1	-	-	-	3	22,100	44,642	22,767	-	-	-	67,409
Subtotal									312,906	159,582	-	-	-	472,488
3. Category C : Medium RCFIs														
a. Personnel Plan														
Manager	P/m	288	288	-	-	-	576	325	94,536	96,427	-	-	-	190,963
Accountant	P/m	288	288	-	-	-	576	238	69,084	70,466	-	-	-	139,550
Cashier	P/m	288	288	-	-	-	576	175	50,904	51,922	-	-	-	102,826
Security	P/m	288	288	-	-	-	576	60	17,453	17,802	-	-	-	35,255
Office Assistant	P/m	288	288	-	-	-	576	60	17,453	17,802	-	-	-	35,255
Social security	P/m	288	288	-	-	-	576	31	9,017	9,198	-	-	-	18,215
Subtotal									258,447	263,616	-	-	-	522,063
b. Operating costs /n	RCF/lan	2	2	-	-	-	4	5,910	11,938	12,177	-	-	-	24,115
c. Operating loss cover	RCFI	2	2	-	-	-	4	25,500	51,510	52,540	-	-	-	104,050
Subtotal									321,895	328,333	-	-	-	650,228
Total Recurrent Costs									634,801	1,168,864	-	-	-	1,803,665
Total									1,638,321	3,002,218	2,074,702	1,577,438	1,208,876	9,501,554

Table: Costs under Comp. 1.1: RCFI creation and operation ...continued

la	Each RCFIs is for one compaany per year
lb	3 KVA Back up Generator (350 \$), 1 Solar panels (10000\$), 1 Inverter (1000\$), Batteries (6000\$), Rack (50\$), Fitting and installation (600\$)
lc	2 laptops, 3 cubicles, 1 large table, 3 high chairs, 3 desks, 2 cash accounting machines, 9 sitting chairs, 1 server, 2 printers, 1 photocopier, Scanner, UPS , benches
ld	3 KVA Back up Generator (350 \$), 1 Solar panels (10000\$), 1 Inverter (1000\$), Batteries (6000\$), Rack (50\$), Fitting and installation (600\$)
le	2 laptops, 3 cubicles, 1 large table, 3 high chairs, 3 desks, 2 cash accounting machines, 9 sitting chairs, 1 server, 2 printers, 1 photocopier, Scanner, UPS , benches
lf	3 KVA Back up Generator (350 \$), 1 Solar panels (10000\$), 1 Inverter (1000\$), Batteries (6000\$), Rack (50\$), Fitting and installation (600\$)
lg	2 laptops, 3 cubicles, 1 large table, 3 high chairs, 3 desks, 2 cash accounting machines, 9 sitting chairs, 1 server, 2 printers, 1 photocopier, Scanner, UPS , benches
lh	Depends on the actual needs of each RCFI
li	Depends on the actual needs of each RCFI
lj	Depends on the actual needs of each RCFI
lk	KYC-proof data bases, Susu 1 and Susu 2 savings products, App for smartphones for biometric recognition of clients in data base and links with Susu 1 and Susu 2
ll	Travel and Transport (240\$), Motorbike maintenance (120\$), generator maintenance (500\$), communication (420\$), office materials and supplies (240\$), utilities (120\$), External audit (2000\$), Registration and licence (200\$)
lm	Travel and Transport (600\$), Motorbike maintenance (180\$), generator maintenance (500\$), communication (600\$), office materials and supplies (600\$), utilities (180\$), External audit (2000\$), Registration and licence (200\$)
ln	Travel and Transport (600\$), Motorbike maintenance (180\$), generator maintenance (500\$), communication (600\$), office materials and supplies (600\$), utilities (180\$), External audit (2000\$), Registration and licence (200\$), Annual Main. fee (1050\$)

Table 49: Costs under Comp. 1.2: Technical assistance and supervision

Liberia
Rural Community Finance Programme
Table 1.2. Technical Assistance and supervision Company
Detailed Costs
(USD)

(USD)		Quantities						Unit Cost	Totals Including Contingencies						
		Unit	2016	2017	2018	2019	2020		Total	2016	2017	2018	2019	2020	Total
I. Investment Costs															
A. Fixed Assests															
	Buildings	Buildings	-	1	-	-	-	1	200,000	-	226,644	-	-	-	226,644
	Vehicles	Vehicle	2	1	-	-	1	4	37,000	74,740	38,117	-	-	40,450	153,308
	Motorbike	Motorbike	2	3	2	-	3	10	2,000	4,040	6,181	4,203	-	6,560	20,984
	Laptops	Laptop	9	5	2	-	1	17	650	5,909	3,348	1,366	-	711	11,333
	GSM Modem	Modem	9	5	2	-	1	17	50	455	258	105	-	55	872
	Rain Gear	Rain gear	2	3	2	-	3	10	80	162	247	168	-	262	839
	Helmets	Helmet	2	3	2	-	3	10	60	121	185	126	-	197	630
	Filing cabinets /a	Filing carbinet	7	-	-	7	-	14	300	2,121	-	-	2,251	-	4,372
	Anti Virus	Ls	9	14	16	16	17	72	50	455	721	841	857	929	3,803
	MS Office and Windows	Ls	9	5	2	-	1	17	100	909	515	210	-	109	1,744
	Scanner	Scanner	2	-	-	-	2	4	250	505	-	-	-	547	1,052
	Stabilizer	Stabilizer	1	-	-	-	1	2	250	253	-	-	-	273	526
	AC 900 BTU	No	-	4	-	-	2	6	600	-	2,472	-	-	1,312	3,784
	Generator /b	Generator	-	1	-	-	-	1	10,000	-	10,302	-	-	-	10,302
	Backup Generator /c	Backup Generator	-	1	-	-	-	1	3,500	-	3,606	-	-	-	3,606
	Table Fan	Table fan	10	-	-	10	-	20	50	505	-	-	536	-	1,041
	Safe Key	Safe Key	1	-	-	-	-	1	2,000	2,020	-	-	-	-	2,020
	Large Printer	Large Printer	2	-	-	-	-	2	1,000	2,020	-	-	-	-	2,020
	Software	Ls	1	-	-	-	-	1	30,000	30,300	-	-	-	-	30,300
	Website	Ls	1	-	-	-	-	1	5,000	5,050	-	-	-	-	5,050
	Server	Ls	1	-	-	-	-	1	3,500	3,535	-	-	-	-	3,535
	LAN	Ls	1	-	-	-	-	1	1,500	1,515	-	-	-	-	1,515
	Switch	Switch	25	-	-	-	-	25	40	1,010	-	-	-	-	1,010
	Cables	Cable	1	-	-	-	-	1	500	505	-	-	-	-	505
Subtotal										136,128	292,597	7,019	3,644	51,405	490,794
B. Gender, youth, and knowledge management															
	International technical assistance /d	month	-	1	-	-	-	1	24,000	-	24,725	-	-	-	24,725
	Learning exchange for women groups /e	Ls	-	-	1	1	1	3	8,000	-	-	8,406	8,575	8,746	25,727
	Motorbike training for female staff of RCFIs	Is	-	1	1	1	-	3	2,000	-	2,060	2,102	2,144	-	6,306
	Peer reviews for chairpersons and managers of RCFIs	No	1	2	3	2	-	8	4,000	4,040	8,242	12,610	8,575	-	33,466
	Various KM activities /f	Is/ year	1	1	1	1	0.5	4.5	5,000	5,050	5,151	5,254	5,359	2,733	23,547
Subtotal										9,090	40,178	28,372	24,652	11,479	113,771
	C. Other technical assistance	Month	2	2	-	-	-	4	23,000	46,460	47,389	-	-	-	93,849
	D. Staff training	Ls	1	2	2	2	-	7	3,500	3,535	7,211	7,356	7,503	-	25,605
	E. Rural Finance Facility	Ls								70,000	80,000	-	-	-	150,000
Total Investment Costs										265,213	467,376	42,747	35,799	62,884	874,018

Table: Costs under Comp. 1.2: Technical assistance and supervision ...continued

II. Recurrent Costs

A. Operating Costs

1. Daily Subsistence Allowance (DSA)

a. DSA for Field Staff

Field Inspector /g	field days	240	600	840	840	960	3,480	35	8,484	21,634	30,894	31,512	36,733	129,257
Drivers /h	field days	-	360	360	360	360	1,440	35	-	12,981	13,240	13,505	13,775	53,501

Subtotal									8,484	34,615	44,134	45,016	50,508	182,757
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b. DSA for Office Staff

Manager	field days	50	50	50	50	50	250	60	3,030	3,091	3,152	3,215	3,280	15,768
Rural Finance Officer (Dty. Manager)	field days	-	60	60	60	60	240	60	-	3,709	3,783	3,859	3,936	15,286
Accountant	field days	15	15	15	15	15	75	60	909	927	946	965	984	4,730
Lawyer	field days	-	25	25	25	25	100	60	-	1,545	1,576	1,608	1,640	6,369
Auditor	field days	60	60	60	60	60	300	60	3,636	3,709	3,783	3,859	3,936	18,922
Analyst	field days	10	10	10	10	10	50	60	606	618	630	643	656	3,154
IT Officer	field days	25	25	25	25	25	125	60	1,515	1,545	1,576	1,608	1,640	7,884
IT Asst.	field days	-	50	50	50	50	200	60	-	3,091	3,152	3,215	3,280	12,738
Financial Inclusion /Gender & Youth Officer	field days	25	50	50	50	50	225	60	1,515	3,091	3,152	3,215	3,280	14,253
FIO Assistant	field days	-	-	25	50	50	125	60	-	-	1,576	3,215	3,280	8,071

Subtotal									11,211	21,325	23,328	25,402	25,910	107,176
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c. Office space /i	Months	12	12	6	-	-	30	1,500	18,180	18,544	9,457	-	-	46,181
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Subtotal									37,875	74,483	76,919	70,419	76,419	336,115
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2. Maintenance costs

Motor Bike maintenance /j	Per Motor bike	2	5	7	7	8	29	360	727	1,854	2,648	2,701	3,149	11,079
Motor vehicle maintenance	Per Motovehicle	2	3	3	3	3	14	6,300	12,726	19,471	19,860	20,257	20,663	92,977
Generator maintenance /k	Per Gallon	216	216	216	216	216	1,080	125	27,270	27,815	28,372	28,939	29,518	141,914
Communication	Staff per year	9	14	16	16	17	72	600	5,454	8,654	10,088	10,289	11,151	45,636
Office materials and supplies	Per year	1	1	1	1	1	5	15,000	15,150	15,453	15,762	16,077	16,399	78,841
Utilities	Per year	1	1	1	1	1	5	1,200	1,212	1,236	1,261	1,286	1,312	6,307
BoD Related Expenses /l	Per year	28	28	28	28	28	140	250	7,070	7,211	7,356	7,503	7,653	36,793
External Audit	Per year	1	1	1	1	1	5	8,000	8,080	8,242	8,406	8,575	8,746	42,049
Registration and License /m	Per year	2	-	1	-	-	3	1,000	2,020	-	1,051	-	-	3,071

Subtotal									79,709	89,936	94,804	95,628	98,590	458,667
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Subtotal									117,584	164,420	171,722	166,046	175,008	794,781
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B. Staffing

Manager	Per year	1	1	1	1	1	5	30,000	30,300	30,906	31,524	32,155	32,798	157,682
Rural Finance Officer (Dty. Manager)	Per year	-	1	1	1	1	4	21,600	-	22,252	22,697	23,151	23,614	91,715
Accountant	Per year	1	1	1	1	1	5	12,000	12,120	12,362	12,610	12,862	13,119	63,073
Lawyer	Per year	-	1	1	1	1	4	12,000	-	12,362	12,610	12,862	13,119	50,953
Auditor	Per year	1	1	1	1	1	5	18,000	18,180	18,544	18,914	19,293	19,679	94,609
Field Inspector	Per year	2	5	7	7	8	29	8,400	16,968	43,268	61,787	63,023	73,467	258,514
Analyst	Per year	1	1	1	1	1	5	18,000	18,180	18,544	18,914	19,293	19,679	94,609
IT Officer	Per year	1	1	1	1	1	5	12,000	12,120	12,362	12,610	12,862	13,119	63,073
IT Asst.	Per year	-	1	1	1	1	4	8,400	-	8,654	8,827	9,003	9,183	35,667
Financial Inclusion/ Gender & Youth Officer /n	Per year	0.5	1	1	1	1	4.5	18,000	9,090	18,544	18,914	19,293	19,679	85,519
Financial Inclusion Assistant	Per year	-	-	0.5	1	1	2.5	7,000	-	-	3,678	7,503	7,653	18,833
Drivers	Per year	-	3	3	3	3	12	5,400	-	16,689	17,023	17,363	17,711	68,787
Office Asst./ Security	Per year	1	1	2	2	2	8	3,000	3,030	3,091	3,152	3,215	3,280	15,768
Social Security	Per year	-	-	-	-	-	-	-	5,734	8,010	8,840	9,017	9,546	41,148
VSO	Per year	-	-	-	-	-	-	-	36,360	37,087	37,829	38,586	39,357	189,219

Subtotal									162,082	262,675	293,083	302,696	318,282	1,338,818
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Total Recurrent Costs									279,666	427,095	464,805	468,742	493,290	2,133,599
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Total									544,879	894,471	507,552	504,541	556,175	3,007,617
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Table: Costs under Comp. 1.2: Technical assistance and supervision ...continued

\a 6Ft*3Ft
\b 20 KVA
\c 7.5 KVA
\d gender audit, assessment and training for TASC and RCFIs
\e covers moderator, transport allowance
\f e.g radio, brochures, etc.
\g Assumes 120 days per staff per year (The projection of number of inspectors per year is 3,5,7,7,8)
\h Assumes 120 days per drivers per year (The projection of number of drivers per year is 2,3,3,3,3)
\i To be provided in kind by the CBL for the first 30 months
\j The unit costs of USD 360 is based on 18% of the cost price per motor bike
\k quantity assumes 2 gallons for 9 hours for every month
\l Quantity assumes 7 board of directors for 4 meetings annually
\m 2000 assumes registartion and licenses and 1000 for license only
\n The person will be recruited only after six months of TASU/ TASC Operation

Table 50: Costs under Comp. 1.3: Grant for economic recovery after the Ebola Virus Disease

	Unit	Quantities					Total	Unit Cost (USD)	Base Cost (USD)					
		2016	2017	2018	2019	2020			2016	2017	2018	2019	2020	Total
I. Investment Costs														
A. Equipement														
Vehicule 4X4 Double cabin	Number	2	-	-	-	-	2	35,000	70,000.0	-	-	-	-	70,000.0
Laptops	Number	3	-	-	-	-	3	700	2,100.0	-	-	-	-	2,100.0
Printer	Number	2	-	-	-	-	2	300	600.0	-	-	-	-	600.0
Office furniture	Set	3	-	-	-	-	3	1,100	3,300.0	-	-	-	-	3,300.0
International Technical Assistance	Month	1	-	-	-	-	1	22,500	22,500.0	-	-	-	-	22,500.0
Training of RCFI board and staff	Ls								50,000.0	57,933.0	-	-	-	107,933.0
Purchase of shares	Share	14,000	14,000	-	-	-	28,000	5	70,000.0	70,000.0	-	-	-	140,000.0
Total Investment Costs									218,500.0	127,933.0	-	-	-	346,433.0
II. Recurrent Costs														
A. Salaries														
1. Coordinator/RFO	Month	11	-	-	-	-	11	1,800	19,800.0	-	-	-	-	19,800.0
2. Field inspector	Month	11	-	-	-	-	11	800	8,800.0	-	-	-	-	8,800.0
3. Drivers	Month	22	-	-	-	-	22	400	8,800.0	-	-	-	-	8,800.0
4. Micro enterprise coach	Month	12	12	-	-	-	24	800	9,600.0	9,600.0	-	-	-	19,200.0
Subtotal									47,000.0	9,600.0	-	-	-	56,600.0
B. Daily subsistence allowance	Ls								54,540.0	12,960.0	-	-	-	67,500.0
C. Operation and maintenance costs	Ls								15,760.0	13,560.0	-	-	-	29,320.0
Total Recurrent Costs									117,300.0	36,120.0	-	-	-	153,420.0
Total									335,800.0	164,053.0	-	-	-	499,853.0

Table 51: Costs under Comp. 2: Enabling environment for rural finance

Liberia
Rural Community Finance Programme
Table 2. Technical Assistance to the CBL
Detailed Costs
(USD)

(USD)		Quantities						Totals Including Contingencies						
		Unit	2016	2017	2018	2019	2020	Total	Unit Cost	2016	2017	2018	2019	2020
I. Investment Costs														
A. CBL regulation and supervision														
International Technical Assistance (ITA)	Person months	4	5	2	-	-	11	24,000	96,960	123,624	50,439	-	-	271,023
Workshops, round tables seminars	No	4	5	3	-	-	12	5,000	20,200	25,755	15,762	-	-	61,717
Training sessions for Fin Institutions	No	-	2	3	1	-	6	5,000	-	10,302	15,762	5,359	-	31,423
Total									117,160	159,681	81,963	5,359	-	364,163

Table 52: Costs under Comp. 3: Project management and coordination

Liberia
Rural Community Finance Programme
Table 3. Programme management and coordination
Detailed Costs
(USD)

Unit	Quantities						Unit Cost	Totals Including Contingencies					
	2016	2017	2018	2019	2020	Total		2016	2017	2018	2019	2020	Total
Vehicle	1	-	-	-	-	1	37,000	37,370	-	-	-	-	37,370
No	2	-	-	-	2	4	1,000	2,020	-	-	-	2,187	4,207
No	1	-	-	-	-	1	1,200	1,212	-	-	-	-	1,212
								40,602	-	-	-	2,187	42,789
study	1	-	-	-	-	1	20,000	20,200	-	-	-	-	20,200
study	-	-	1	-	-	1	50,000	-	-	52,540	-	-	52,540
study	-	-	-	-	1	1	100,000	-	-	-	-	109,326	109,326
per annum	1	1	1	1	1	5	12,000	12,120	12,362	12,610	12,862	13,119	63,073
								32,320	12,362	65,150	12,862	122,445	245,139
								72,922	12,362	65,150	12,862	124,631	287,927
person months	12	12	12	12	12	60	1,264	15,324	15,631	15,943	16,262	16,587	79,748
person months	12	12	12	12	12	60	60	727	742	757	772	787	3,784
person months	12	12	12	12	12	60	1,300	15,756	16,071	16,393	16,720	17,055	81,995
person months	12	12	12	12	12	60	62	751	766	782	797	813	3,911
								32,559	33,210	33,874	34,552	35,243	169,437
Ls/ P.a	1	1	1	1	1	5	7,400	7,474	7,623	7,776	7,931	8,090	38,895
Ls/ month	12	12	12	12	12	60	1,500	18,180	18,544	18,914	19,293	19,679	94,609
								25,654	26,167	26,690	27,224	27,769	133,504
								58,213	59,377	60,565	61,776	63,011	302,942
								131,135	71,739	125,714	74,638	187,643	590,869

/a e.g recruitment

/b Estimated as 20% of cost base

Appendix 10: Economic and Financial Analysis

1. Project Benefits

1. The RCFP will have a wide range of direct benefits for:
 - Shareholders and users and their household members, which will be able to undertake economic activities within the communities where the financial institutions are or will be located;
 - The RCFIs, which will realize incremental profits to the financial institutions targeted through the intervention (efficiency gains can lower operation costs and ensure self-sufficiency and sustainability of financial services supply);
 - At the macro level, where the Project will make a significant contribution to bringing informal financial transactions into the formal sector, and making decentralized rural financial institutions more viable;
 - The state, which will benefit from additional tax revenues at 25% of tax profits payable by the RCFIs, as RCFIs are subject to taxation schemes; an increase in their efficiency and their portfolios will result in incremental taxation revenues; relying on the redistribution effect, this may be considered as a proxy of the overall economic impact on society;
 - The entire country will also benefit from a denser network of financial institutions, through which remittances and transfers can be made from within and outside the country;
 - Finally, the country will benefit from higher levels of confidence into the financial sector, in particular in rural areas, as a result of the improved regulatory framework and the improved supervisory systems under the guidance of the CBL.
2. Some benefits above are not quantifiable with classical methods of economic and financial analysis, i.e. macro level benefits (increasing deposits in the formal financial sector, integrity of and higher confidence into the formal financial sector, increased network for transfers/payments). In a project like this where the flows of funds will not go directly to agriculture, the approach to undertaking the financial and economic analysis has been to identify the different streams of benefits deriving from the project at the following levels:
 - Returns based on sectoral distribution of loans disbursed;
 - Benefits to the RCFIs themselves, i.e. net profit after taxes;
 - Government tax revenues.

2. Beneficiaries

3. It is estimated that the RCFP will serve directly about 31,000 shareholders and users through three categories of RCFIs, Category A RCFIs (small RCFIs), Category B (medium RCFIs) and Category C (larger RCFIs). These estimations are subject to verification once the project has started, as some of the parameters for estimation (1) could not be verified because of the travel ban (e.g. population sizes of the different counties and districts, number of users and shareholders of the existing RCFIs), or (2) will only be available once the locations for new establishments will be determined.
4. Most products and services will be available to the general public, with the exception of loans which are restricted to shareholders.

Table 53: Estimated number of beneficiaries

Indicator	RCFI Category A	RCFI Category B	RCFI Category C	Total
No. of users in Year 5 after 5 years of operations	1,073	1,943	2,935	
No. of new RFCIs	4	4	5	13
No. of clients in new RFCIs after 5 years of operations	6,438	5,829	11,740	24,007
No. of existing RFCIs	3	3	3	9
Incremental no. of users/shareholders per existing RCFI	600	800	1,000	
Incremental no. of users/shareholders in existing RFCIs	1,800	2,400	3,000	
No. of clients served after 5 years of operations	8,238	8,229	14,740	31,207

17. Under the assumption that about one quarter of users and shareholders would belong to the same household, this would translate into an outreach of at least 31,000 individuals by the network of RFCIs towards the end of the five-year period, or about 24,100 households, with positive effects on about 117,000 households of an average size of 5.

3. Financial analysis and underlying assumptions

5. The financial analysis is used to:
- assess the financial viability of the of some enterprises that RCFI shareholders are likely to borrow for;
 - Use enterprise models to demonstrate that there are sufficient financial incentive for the prospective RCFI shareholders to undertake such loan-funded investments.
6. The assumptions for the Financial and Economic Analysis include the following:
- **Incremental benefits:** the project benefits are estimated based on incremental net benefits between the “without project” and the “with project” scenarios for both existing and new RFCIs;
 - **Models:** based on detailed models for each sector of activity and past experiences in other countries, conservative average IRR were estimated and applied for each type of productive loan ranging from 25% to 200%;
 - The **sectoral distribution of loans** has been made in accordance to the types of enterprises and income generating activities found in the rural areas of Liberia, the pace of introduction of new loan products within the network, taking into consideration capacity and demand, and the experience in neighbouring Sierra Leone with the different loan products introduced by CBs and FSAs;
 - **Economic prices:** conversion factors for inputs and labour of 0.77 and 0.15 respectively were adopted to estimate economic incremental margin for each model;
 - **Adoption or success rate:** a gradual success rate was applied to the total economic benefit stream to take into account potential risks such as loan failure, lower portfolio size, slower establishment or expansion of RFCIs, etc.; a conservative rate of 20% is applied in year 1, 30% in year 2, 40% in year 3 and 50% for the remaining years;
 - **Opportunity cost of capital:** a 10% opportunity cost of capital was used to determine the project NPV and IRR;
 - **Economic costs:** the economic costs were obtained through the COSTAB software. The recurrent costs of the last year of implementation are applied for the remaining years of the analysis. The initial losses supported by the RFCIs before they break even are included in the economic costs as a negative stream.
7. Apart from this, the assumptions laid down for the three different types of RFCIs (A, B and C) and their growth paces, for the TASU and TASC operations and profitability, the amount of the RFF and the

interest rates charged and received, have been laid down in detail in the Main Report under Project Description , sections B and C, and in the Appendix 4.

8. The likely enterprises for which beneficiaries will borrow include the following possibilities:

Table 54: Estimation of loan purposes and loan sizes	
Loan purpose	Loan size range (in USD)
Petty trade, agricultural trade	USD 200-500
Agricultural processing	USD 1000 -2000
Transport	USD 800-1000
VSLA re-finance	USD 800-3000
Agricultural production	USD 200-500
Housing	USD 500-1000
Small and medium enterprise	USD 500-1000
Salary advances/consumption	USD 200-1000

9. The investments in each one of these sectors will generate different profit rates of return, depending on the sector. Crop and enterprise models presented in appendix 1 show the following rates of return for the different sectors.

Table 55: Summary of models used for financial and economic analysis (financial prices)							
Business activity	Sectoral Distribution					IRR	
	Year 1	Year 2	Year 3	Year 4	Year 5	Model used	%
Petty Trade	40%	35%	30%	30%	27%	Clothes	200%
Agricultural trade	30%	20%	20%	12%	14%	Gari	80%
Agricultural processing	5%	5%	5%	10%	10%	Gari	40%
Transport	10%	10%	5%	5%	5%	Okada	150%
VSLA Re-finance		10%	10%	10%	10%	Clothes/Gari	50%
Agricultural production	5%	7%	10%	12%	13%	Rice	25%
Housing			5%	5%	5%		0%
Small and medium enterprise		3%	5%	6%	6%	Estimation	120%
Consumption	10%	10%	10%	10%	10%		0%
Total	100%	100%	100%	100%	100%		

10. **Discount rates for financial analysis.** A discount rate of 12% has been used. This is based on interest rates that beneficiaries are in a position to receive on savings/ deposits although this would be highly difficult given the current outreach levels. Never the less this is an attempt to estimate the alternative investment/ time value for money.

11. **RCFI profitability** has been estimated as follows below for the various categories.

Table 56: Profitability and tax implications by category of RCFI (USD'000)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Category A RCFIs					
Net income (before taxes and donations)	(18,428)	(11,993)	(3,007)	11,127	24,367
Taxes				2,225	4,873
Net income (after taxes and before donations)	(18,428)	(11,993)	(3,007)	8,901	19,494
Category B RCFIs:					
Net income (before taxes and donations)	(19,535)	(8,380)	1,905	18,975	46,583
Taxes			381	3,795	9,317
Net income (after taxes and before donations)	(19,535)	(8,380)	1,524	15,180	37,266

Table 56: Profitability and tax implications by category of RCFI (USD'000)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Category C RCFIs:					
Net income (before taxes and donations)	(19,076)	(6,852)	17,147	67,104	105,991
Taxes			3,429	13,421	21,198
Net income (after taxes and before donations)	(19,076)	(6,852)	13,717	53,683	84,793

4. Economic analysis

12. **Conversion Factor (CF) and shadow prices.** For purposes of the economic analysis, financial prices have been converted to economic prices unless there is justification for the CF to equal 1.
13. **Labour pricing.** In Liberia, rural unemployment rate is reported as 85%. Given the 85% unemployment rate, the economic labour rate is adjusted to 15%, that is, CF= 0.15. Inputs such as fertilizers also comprise some element of distortion such as subsidies as formally announced in budget speeches; the CF here has been estimated at 0.77.
14. The tables below **quantify the various benefit streams.**

Table 57: Benefit streams related to RCFI shareholders taking loans

Category A:

Sectoral Distribution						IRR	Loan Out.					Return						
	Year 1	Year 2	Year 3	Year 4	Year 5		Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7 +
Petty Trade	40%	35%	30%	30%	27%	200%	7,232	17,251	24,246	37,245	43,359	14,465	34,502	48,491	74,490	86,719	86,719	86,719
Agricultural trade	30%	20%	20%	12%	14%	80%	5,424	9,858	16,164	14,898	22,483	4,339	7,886	12,931	11,918	17,986	17,986	17,986
Agricultural processing	5%	5%	5%	10%	10%	40%	904	2,464	4,041	12,415	16,059	362	986	1,616	4,966	6,424	6,424	6,424
Transport	10%	10%	5%	5%	5%	150%	1,808	4,929	4,041	6,207	8,030	2,712	7,393	6,061	9,311	12,044	12,044	12,044
VSLA Re-finance		10%	10%	10%	10%	50%	-	4,929	8,082	12,415	16,059	-	2,464	4,041	6,207	8,030	8,030	8,030
Agricultural production	5%	7%	10%	12%	13%	25%	904	3,450	8,082	14,898	20,877	226	863	2,020	3,724	5,219	5,219	5,219
Housing			5%	5%	5%	0%	-	-	4,041	6,207	8,030	-	-	-	-	-	-	-
SME		3%	5%	6%	6%	120%	-	1,479	4,041	7,449	9,635	-	1,774	4,849	8,939	11,563	11,563	11,563
Salary advances/consumption	10%	10%	10%	10%	10%	0%	1,808	4,929	8,082	12,415	16,059	-	-	-	-	-	-	-
Total	100%	100%	100%	100%	100%							0	0	0	0	0	-	-
TOTAL												66,313	189,710	406,422	718,021	963,562	1,189,716	1,331,858
												66,313	223,474	720,097	1,076,003	1,331,858	1,331,858	1,331,858

Category B:

Sectoral Distribution						IRR	Loan Out.					Return						
	Year 1	Year 2	Year 3	Year 4	Year 5		Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7 +
Petty Trade	40%	35%	30%	30%	27%	200%	10,104	21,836	32,700	52,948	77,435	20,208	43,673	65,400	105,896	154,871	154,871	154,871
Agricultural Trade	30%	20%	20%	12%	14%	80%	7,578	12,478	21,800	21,179	40,152	6,062	9,982	17,440	16,943	32,121	32,121	32,121
Agric Processing	5%	5%	5%	10%	10%	40%	1,263	3,119	5,450	17,649	28,680	505	1,248	2,180	7,060	11,472	11,472	11,472
Transport	10%	10%	5%	5%	5%	150%	2,526	6,239	5,450	8,825	14,340	3,789	9,358	8,175	13,237	21,510	21,510	21,510
VSLA Re-fin		10%	10%	10%	10%	50%	-	6,239	10,900	17,649	28,680	-	3,119	5,450	8,825	14,340	14,340	14,340
Agric Production	5%	7%	10%	12%	13%	25%	1,263	4,367	10,900	21,179	37,284	316	1,092	2,725	5,295	9,321	9,321	9,321
Housing			5%	5%	5%	0%	-	-	5,450	8,825	14,340	-	-	-	-	-	-	-
SME		3%	5%	6%	6%	120%	-	1,872	5,450	10,590	17,208	-	2,246	6,540	12,708	20,649	20,649	20,649
Salary Advances/Consumption	10%	10%	10%	10%	10%	0%	2,526	6,239	10,900	17,649	28,680	-	-	-	-	-	-	-
Total	100%	100%	100%	100%	100%							30,881	70,719	107,910	169,963	264,284	264,284	264,284
TOTAL												92,642	273,918	496,048	626,465	1,240,688	1,491,384	1,585,705

Category C:

Sectoral Distribution								Loan Out.					Return							
	Year 1	Year 2	Year 3	Year 4	Year 5	IRR		Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7 +	
Petty Trade	40%	35%	30%	30%	27%	200%		17,954	30,963	61,790	102,797	135,353	35,908	61,927	123,581	205,594	270,707	270,707	270,707	
Agricultural Trade	30%	20%	20%	12%	14%	80%		13,466	17,693	41,194	41,119	70,183	10,772	14,155	32,955	32,895	56,147	56,147	56,147	
Agric Processing	5%	5%	5%	10%	10%	40%		2,244	4,423	10,298	34,266	50,131	898	1,769	4,119	13,706	20,052	20,052	20,052	
Transport	10%	10%	5%	5%	5%	150%		4,489	8,847	10,298	17,133	25,065	6,733	13,270	15,448	25,699	37,598	37,598	37,598	
VSLA Re-fin		10%	10%	10%	10%	50%		-	8,847	20,597	34,266	50,131	-	4,423	10,298	17,133	25,065	25,065	25,065	
Agric Production	5%	7%	10%	12%	13%	25%		2,244	6,193	20,597	41,119	65,170	561	1,548	5,149	10,280	16,293	16,293	16,293	
Housing			5%	5%	5%	0%		-	-	10,298	17,133	25,065	-	-	-	-	-	-	-	
SME		3%	5%	6%	6%	120%		-	2,654	10,298	20,559	30,079	-	3,185	12,358	24,671	36,094	36,094	36,094	
Salary Advances/Consumption	10%	10%	10%	10%	10%	0%		4,489	8,847	20,597	34,266	50,131	-	-	-	-	-	-	-	
Total	100%	100%	100%	100%	100%								0	0	0	0	0	-	-	
													54,872	100,277	203,908	329,978	461,956	461,956	461,956	
TOTAL													164,616	410,576	922,024	1,598,305	2,453,641	2,969,736	3,233,693	

Table 58: Benefit streams related to RCFIs and the related taxes

Category A:

RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	3	1	5	0	0	0	0
RCFIs in year 2	0	3	1	5	0	0	0
RCFIs in their year 3	0	0	3	1	5	0	0
RCFIs in their year 4	0	0	0	3	1	5	-
RCFIs in their year 5+	0	0	0	0	3	4	9
	3	4	9	9	9	9	9
Profits for RCFIs							
RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	-	-	-	-	-	-	-
RCFIs in year 2	-	-	-	-	-	-	-
RCFIs in their year 3	-	-	-	-	-	-	-
RCFIs in their year 4	-	-	-	26,704	8,901	44,507	-
RCFIs in their year 5	-	-	-	-	58,481	77,974	175,442
	-	-	-	26,704	67,382	122,481	175,442
Government Taxes							
RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	-	-	-	-	-	-	-
RCFIs in year 2	-	-	-	-	-	-	-
RCFIs in their year 3	-	-	-	-	-	-	-
RCFIs in their year 4	-	-	-	6,676	2,225	11,127	-
RCFIs in their year 5	-	-	-	-	14,620	19,494	43,860
	-	-	-	6,676	16,846	30,620	43,860

Category B:

RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	3	2	1	0	0	0	0
RCFIs in year 2	0	3	2	1	0	0	0
RCFIs in their year 3	0	0	3	2	1	0	0
RCFIs in their year 4	0	0	0	3	2	1	-
RCFIs in their year 5+	0	0	0	0	3	5	6
	3	5	6	6	6	6	6
Profits for RCFIs							
RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	-	-	-	-	-	-	-
RCFIs in year 2	-	-	-	-	-	-	-
RCFIs in their year 3	-	-	4,571.78	3,048	1,524	-	-
RCFIs in their year 4	-	-	-	45,540	30,360	15,180	-
RCFIs in their year 5	-	-	-	-	111,799	186,332	223,598
	-	-	4,572	48,588	143,683	201,512	223,598
Government Taxes							
RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	-	-	-	-	-	-	-
RCFIs in year 2	-	-	-	-	-	-	-
RCFIs in their year 3	-	-	1,143	761.96	380.98	-	-
RCFIs in their year 4	-	-	-	11,385	7,590	3,795	-
RCFIs in their year 5	-	-	-	-	27,950	46,583	55,900
	-	-	1,143	12,147	35,921	50,378	55,900

Category C:

RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	3	2	2	0	0	0	0
RCFIs in year 2	0	3	2	2	0	0	0
RCFIs in their year 3	0	0	3	2	2	0	0
RCFIs in their year 4	0	0	0	3	2	2	0
RCFIs in their year 5	0	0	0	0	3	5	7
	3	5	7	7	7	7	7
Profits for RCFIs							
RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	-	-	-	-	-	-	-
RCFIs in year 2	-	-	-	-	-	-	-
RCFIs in their year 3	-	-	41,152	27,435	27,435	-	-
RCFIs in their year 4	-	-	-	161,050	107,367	107,367	-
RCFIs in their year 5	-	-	-	-	254,379	423,965	593,551
	-	-	41,152	188,485	389,181	531,332	593,551
Government Taxes							
RCFIs by year	PY1	PY2	PY3	PY4	PY5	PY6	PY7
RCFIs in year 1	-	-	-	-	-	-	-
RCFIs in year 2	-	-	-	-	-	-	-
RCFIs in their year 3	-	-	10,288	6,859	6,859	-	-
RCFIs in their year 4	-	-	-	40,262	26,842	26,842	-
RCFIs in their year 5	-	-	-	-	63,595	105,991	148,388
	-	-	10,288	47,121	97,295	132,833	148,388

Table 59: Overall aggregated benefits and economic analysis

(in constant 2014 values)																
(USD '000)		PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	PY9	PY10	PY11-15	P12	PY13	PY14	PY15
Project Benefits																
Returns based on sectoral distribution of disbursed loans																
Category A- RCFIs		66	190	406	718	964	1190	1332	1332	1332	1332	1332	1332	1332	1332	1332
Category B- RCFIs		93	274	496	626	1241	1491	1586	1586	1586	1586	1586	1586	1586	1586	1586
Category C- RCFIs		165	411	922	1598	2454	2970	3234	3234	3234	3234	3234	3234	3234	3234	3234
Benefits to the RCFIs- net profit after taxes																
Category A- RCFIs		0	0	0	27	67	122	175	175	175	175	175	175	175	175	175
Category B- RCFIs		0	0	5	49	144	202	224	224	224	224	224	224	224	224	224
Category C- RCFIs		0	0	41	188	389	531	594	594	594	594	594	594	594	594	594
Government taxes																
Category A- RCFIs		0	0	0	7	17	31	44	44	44	44	44	44	44	44	44
Category B- RCFIs		0	0	1	12	36	50	56	56	56	56	56	56	56	56	56
Category C- RCFIs		0	0	10	47	97	133	148	148	148	148	148	148	148	148	148
Project Net Benefits		324	874	1882	3273	5408	6720	7392	7392	7392	7392	7392	7392	7392	7392	7392
Adoption/ succeeded rate		0.2	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total Project Benefits		65	262	753	1636	2704	3360	3696	3696	3696	3696	3696	3696	3696	3696	3696
Project Costs																
Investment Costs		1385	1794	681	463	420										
Losses before achieving break even point		581	581	581												
Recurrent Costs		1048	1595	476	473	486	486	486	486	486	486	486	486	486	486	486
Total Project Costs		3015	3971	1739	935	905	486	486	486	486	486	486	486	486	486	486
Total Project Net Benefits		-2950	-3708	-986	701	1799	2874	3210	3210	3210	3210	3210	3210	3210	3210	3210
IRR	22%															
NPV @10% (US 000)	7,166															
Project Benefit Stream		65	262	753	1636	2704	3360	3696	3696	3696	3696	3696	3696	3696	3696	3696
NPV @ 10%	17,549															
Project Cost Stream		3015	3971	1739	935	905	486	486	486	486	486	486	486	486	486	486
NPV @ 10%	10,383															
Project Net Incremental Benefits		-2950	-3708	-986	701	1799	2874	3210	3210	3210	3210	3210	3210	3210	3210	3210
NPV @ 10%	7,166															
Switching Values																
	Appraisal Value	Switching Value	% Change													
Incremental Benefits	17549	10383	41%													
Incremental Costs	10383	3217	69%													

15. **Results of the economic analysis justify the Project investments.** The analysis shows that the Project has the capacity to generate an economic rate of return (ERR) of 22% over a 15-year period, in addition to many benefits that could not be quantified. Thus, the actual ERR will likely be higher than the 22% reported herein.
16. **Discount rate for economic analysis.** While assessing the profitability of the project “as a whole” an average passive rate of interest in the national economy has been based on the government’s public bonds which are trading in the region of 10-12.5% p.a.
17. The project economic costs used in this analysis exclude price contingencies, taxes and duties. To avoid double counting of costs, economic costs included in the estimation of models have been excluded given that these are already accounted for in the net profit per RCFI.
18. **Sensitivity analysis.** A number of scenarios were tested to establish the economic viability of the total Project in the event of adverse factors. The ERR is relatively stable with regard to cost increases, benefits reductions and time lags. The NPV would become negative if benefits would decrease by more than about 25%.

Table 60: Sensitivity analysis of the entire Project IRR (USD ‘000)

Sensitivity Analysis of the Total Project IRR (USD 000)												
Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11-15	IRR /a
Benefits	65	262	753	1,636	2,704	3,360	3,696	3,696	3,696	3,696	3,696	
Benefits +10%	71	288	828	1,800	2,975	3,696	4,066	4,066	4,066	4,066	4,066	
Benefits +20%	78	315	903	1,964	3,245	4,032	4,435	4,435	4,435	4,435	4,435	
Benefits -10%	58	236	677	1,473	2,434	3,024	3,326	3,326	3,326	3,326	3,326	
Benefits -20%	52	210	602	1,309	2,163	2,688	2,957	2,957	2,957	2,957	2,957	
Benefits -30%	19	79	226	491	811	1,008	1,109	1,109	1,109	1,109	1,109	
Project Costs	3,015	3,971	1,739	935	905	486	486	486	486	486	486	
Costs+10%	3,316	4,368	1,913	1,029	996	534	534	534	534	534	534	
Costs+20%	3,618	4,765	2,087	1,122	1,086	583	583	583	583	583	583	
Costs+50%	4,522	5,956	2,609	1,403	1,358	729	729	729	729	729	729	
Net cash flow												
base scenario	-2,950	-3,708	-986	701	1,799	2,874	3,210	3,210	3,210	3,210	3,210	22%
Costs+10%	-3,252	-4,105	-1,160	608	1,708	2,826	3,162	3,162	3,162	3,162	3,162	20%
Costs+20%	-3,553	-4,503	-1,334	514	1,618	2,777	3,113	3,113	3,113	3,113	3,113	18%
Costs+50%	-4,458	-5,694	-1,856	234	1,346	2,631	2,967	2,967	2,967	2,967	2,967	13%
Benefits +10%	-2,944	-3,682	-911	865	2,069	3,210	3,580	3,580	3,580	3,580	3,580	25%
Benefits +20%	-2,937	-3,656	-836	1,028	2,340	3,546	3,949	3,949	3,949	3,949	3,949	27%
Benefits -10%	-2,957	-3,735	-1,062	538	1,528	2,538	2,841	2,841	2,841	2,841	2,841	20%
Benefits -20%	-2,963	-3,761	-1,137	374	1,258	2,202	2,471	2,471	2,471	2,471	2,471	17%
Benefits -30%	-2,995	-3,892	-1,513	-444	-94	522	623	623	623	623	623	-4%
1 year lag in benefit	-3,015	-3,906	-1,477	-182	731	2,218	2,874	3,210	3,210	3,210	3,210	18%
2 years lag in benefit	-3,015	-3,971	-1,674	-673	-153	1,150	2,218	2,874	3,210	3,210	3,210	15%
a/ IRR												
b/ Net Present Value (NPV), @10%.												
Sensitivity Analysis (15-year period)	Base case	Costs Increase			Increase of Benefits		Decrease of Benefits			Delay of Benefits		
		+10%	+20%	+50%	+10%	+20%	-10%	-20%	- 30%	1 year	2 years	
IRR@10%	22%	20%	18%	13%	25%	27%	20%	17%	-4%	18%	15%	
NPV (000'USD)	7,166	6,128	5,090	1,975	8,921	10,676	5,411	3,656	-5,118	5,571	4,121	
Discount rate	10%											

Attachment 1: Crop and Enterprise models

Rice

Republic of Liberia
Rural Community Finance Project Programme Design Report
Rice

FINANCIAL BUDGET

(In LRD Per ha)

	January-- December					
	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	14,850.0	35,640.0	53,460.0	65,340.0	71,280.0	83,160.0
Input costs						
Rice seeds	990.0	-	-	-	-	-
Improved rice seed	-	1,782.0	1,782.0	1,782.0	1,782.0	1,782.0
Fertilizer (Urea)	-	3,560.0	3,560.0	3,560.0	3,560.0	3,560.0
Fertilizer (DAP)	-	6,540.0	6,540.0	6,540.0	6,540.0	6,540.0
Sub-total Input costs	990.0	11,882.0	11,882.0	11,882.0	11,882.0	11,882.0
Income (Before Labor Costs)	13,860.0	23,758.0	41,578.0	53,458.0	59,398.0	71,278.0
Labor costs						
Brushing	1,584.0	2,772.0	2,772.0	2,772.0	2,772.0	2,772.0
Ploughing(Harrow ing)	2,970.0	4,752.0	4,752.0	4,752.0	4,752.0	4,752.0
Bunding/Leveling	-	16,632.0	16,632.0	16,632.0	16,632.0	16,632.0
Nursery/transplanting/planting	-	3,564.0	3,564.0	3,564.0	3,564.0	3,564.0
Weeding	990.0	1,188.0	1,188.0	1,188.0	1,188.0	1,188.0
Bird scaring	990.0	1,188.0	1,188.0	1,188.0	1,188.0	1,188.0
Threshing & Winnow ing	198.0	198.0	198.0	198.0	198.0	198.0
Harvesting	594.0	594.0	594.0	594.0	594.0	594.0
Transport	198.0	198.0	198.0	198.0	198.0	198.0
Sub-total Labor costs	7,524.0	31,086.0	31,086.0	31,086.0	31,086.0	31,086.0
Income (After Labor Costs)	6,336.0	-7,328.0	10,492.0	22,372.0	28,312.0	40,192.0
		-13,664.0	4,156.0	16,036.0	21,976.0	33,856.0

Income After Labor: IRR = 34%, NPV = 119,406.9

Republic of Liberia
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Rice

ECONOMIC BUDGET (In LRD Per ha)	January-- December					
	Existing	New Technology				
	1 to 20	1	2	3	4	5 to 20
Revenue	14,850.0	35,640.0	53,460.0	65,340.0	71,280.0	83,160.0
Input costs						
Rice seeds	762.3	-	-	-	-	-
Improved rice seed	-	1,372.1	1,372.1	1,372.1	1,372.1	1,372.1
Fertilizer (Urea)	-	2,741.2	2,741.2	2,741.2	2,741.2	2,741.2
Fertilizer (DAP)	-	5,035.8	5,035.8	5,035.8	5,035.8	5,035.8
Sub-total Input costs	762.3	9,149.1	9,149.1	9,149.1	9,149.1	9,149.1
Income (Before Labor Costs)	14,087.7	26,490.9	44,310.9	56,190.9	62,130.9	74,010.9
Labor costs						
Brushing	237.6	415.8	415.8	415.8	415.8	415.8
Ploughing(Harrow ing)	445.5	712.8	712.8	712.8	712.8	712.8
Bunding/Leveling	-	2,494.8	2,494.8	2,494.8	2,494.8	2,494.8
Nursery/transplanting/planting	-	534.6	534.6	534.6	534.6	534.6
Weeding	148.5	178.2	178.2	178.2	178.2	178.2
Bird scaring	148.5	178.2	178.2	178.2	178.2	178.2
Threshing & Winnow ing	29.7	29.7	29.7	29.7	29.7	29.7
Harvesting	89.1	89.1	89.1	89.1	89.1	89.1
Transport	29.7	29.7	29.7	29.7	29.7	29.7
Sub-total Labor costs	1,128.6	4,662.9	4,662.9	4,662.9	4,662.9	4,662.9
Income (After Labor Costs)	12,959.1	21,828.0	39,648.0	51,528.0	57,468.0	69,348.0

Republic of Liberia
Rural Community Finance Project Programme Design Report
Rice

Rice		January-- December					
YIELDS AND INPUTS		Existing Technology		New Technology			
(Per ha)	Unit	1 to 20	1	2	3	4	5 to 20
Yields	Kg	500	1,200	1,800	2,200	2,400	2,800
Operating							
Inputs							
Rice seeds	Kg	50	-	-	-	-	-
Improved rice seed	Kg	-	60	60	60	60	60
Fertilizer (Urea)	Kg	-	100	100	100	100	100
Fertilizer (DAP)	Kg	-	150	150	150	150	150
Labor							
Brushing	Days	8	14	14	14	14	14
Ploughing(Harrow ing)	Days	15	24	24	24	24	24
Bunding/Leveling	Days	-	84	84	84	84	84
Nursery/transplanting/planting	Days	-	18	18	18	18	18
Weeding	Days	5	6	6	6	6	6
Bird scaring	Days	5	6	6	6	6	6
Threshing & Winnow ing	Days	1	1	1	1	1	1
Harvesting	Days	3	3	3	3	3	3
Transport	Days	1	1	1	1	1	1

Cassava

Republic of Liberia
Rural Community Finance Project Programme Design Report
Cassava Crop Model

FINANCIAL BUDGET

(In LRD Per ha)

	January-- December					
	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue						
Cassava	40,800.0	61,200.0	102,000.0	153,000.0	204,000.0	272,000.0
Cassava stems	-	1,360.0	2,040.0	2,720.0	3,400.0	4,080.0
Sub-total Revenue	40,800.0	62,560.0	104,040.0	155,720.0	207,400.0	276,080.0
Input costs						
Self consumption(20%)	18,360.0	45,560.0	59,160.0	68,000.0	91,120.0	113,560.0
Unimproved cassava cuttings	13.6	-	-	-	-	-
Resistant cassava cuttings	-	20.4	20.4	20.4	20.4	20.4
NPK (Basal Application)	-	7,800.0	7,800.0	7,800.0	7,800.0	7,800.0
Bagging	1,377.0	3,519.0	4,590.0	5,304.0	6,120.0	7,140.0
Sub-total Input costs	19,750.6	56,899.4	71,570.4	81,124.4	105,060.4	128,520.4
Income (Before Labor Costs)	21,049.4	5,660.6	32,469.6	74,595.6	102,339.6	147,559.6
Labor costs						
Land clearing	594.0	594.0	594.0	594.0	594.0	594.0
Ploughing(Harrow ing)	198.0	198.0	198.0	198.0	198.0	198.0
Planting	1,980.0	1,980.0	1,980.0	1,980.0	1,980.0	1,980.0
Weeding	1,980.0	990.0	990.0	990.0	990.0	990.0
Harvesting	1,980.0	2,970.0	2,970.0	2,970.0	2,970.0	2,970.0
Transport	198.0	198.0	198.0	198.0	198.0	198.0
Sub-total Labor costs	6,930.0	6,930.0	6,930.0	6,930.0	6,930.0	6,930.0
Income (After Labor Costs)	14,119.4	-1,269.4	25,539.6	67,665.6	95,409.6	140,629.6
		-15,388.8	11,420.2	53,546.2	81,290.2	126,510.2

Income After Labor: IRR = 55%, NPV = 495422.73

Republic of Liberia
Rural Community Finance Project Programme Design Report
Cassava Crop Model

ECONOMIC BUDGET

(In LRD Per ha)

	January-- December					
	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue						
Cassava	40,800.0	61,200.0	102,000.0	153,000.0	204,000.0	272,000.0
Cassava stems	-	1,360.0	2,040.0	2,720.0	3,400.0	4,080.0
Sub-total Revenue	40,800.0	62,560.0	104,040.0	155,720.0	207,400.0	276,080.0
Input costs						
Self consumption(20%)	14,137.2	35,081.2	45,553.2	52,360.0	70,162.4	87,441.2
Unimproved cassava cuttings	10.5	-	-	-	-	-
Resistant cassava cuttings	-	15.7	15.7	15.7	15.7	15.7
NPK (Basal Application)	-	6,006.0	6,006.0	6,006.0	6,006.0	6,006.0
Bagging	1,060.3	2,709.6	3,534.3	4,084.1	4,712.4	5,497.8
Sub-total Input costs	15,208.0	43,812.5	55,109.2	62,465.8	80,896.5	98,960.7
Income (Before Labor Costs)	25,592.0	18,747.5	48,930.8	93,254.2	126,503.5	177,119.3
Labor costs						
Land clearing	89.1	89.1	89.1	89.1	89.1	89.1
Ploughing(Harrow ing)	29.7	29.7	29.7	29.7	29.7	29.7
Planting	297.0	297.0	297.0	297.0	297.0	297.0
Weeding	297.0	148.5	148.5	148.5	148.5	148.5
Harvesting	297.0	445.5	445.5	445.5	445.5	445.5
Transport	29.7	29.7	29.7	29.7	29.7	29.7
Sub-total Labor costs	1,039.5	1,039.5	1,039.5	1,039.5	1,039.5	1,039.5
Income (After Labor Costs)	24,552.5	17,708.0	47,891.3	92,214.7	125,464.0	176,079.8

Republic of Liberia
Rural Community Finance Project Programme Design Report
Cassava Crop Model

YIELDS AND INPUTS

(Per ha)

Cassava Crop Model YIELDS AND INPUTS (Per ha)		January-- December					
		Without Project		With Project			
		Unit	1 to 20	1	2	3	4
Main Production							
Cassava	Kg	600	900	1,500	2,250	3,000	4,000
Cassava stems	Bags	-	2	3	4	5	6
Operating Inputs							
Self consumption(20%)	Kg	270	670	870	1,000	1,340	1,670
Unimproved cassava cuttings	Kg	2	-	-	-	-	-
Resistant cassava cuttings	Kg	-	2	2	2	2	2
NPK (Basal Application)	Kg	-	100	100	100	100	100
Bagging	Bags	27	69	90	104	120	140
Labor							
Land clearing	Days	3	3	3	3	3	3
Ploughing(Harrowing)	Days	1	1	1	1	1	1
Planting	Days	10	10	10	10	10	10
Weeding	Days	10	5	5	5	5	5
Harvesting	Days	10	15	15	15	15	15
Transport	Days	1	1	1	1	1	1

Cassava Flour

Republic of Liberia
Rural Community Finance Project Programme Design Report
Cassava flour Crop Model

FINANCIAL BUDGET

(In LRD)

	January-- December					
	Without Project		With Project			
	1 to 20	1	2	3	4	5 to 20
Revenue	3,570.0	4,760.0	14,280.0	21,420.0	28,560.0	38,080.0
Input costs						
Self consumption(50%)	1,785.0	5,950.0	6,426.0	6,259.4	6,664.0	7,140.0
Milling services	102.0	204.0	255.0	357.0	459.0	510.0
Transport	68.0	136.0	170.0	238.0	306.0	340.0
Land rental	-	2,040.0	2,040.0	2,040.0	2,040.0	2,040.0
Sub-total Input costs	1,955.0	8,330.0	8,891.0	8,894.4	9,469.0	10,030.0
Income (Before Labor Costs)	1,615.0	-3,570.0	5,389.0	12,525.6	19,091.0	28,050.0
		-5,185.0	3,774.0	10,910.6	17,476.0	26,435.0

Income Before Labor: IRR = 55%, NPV = 106,244.52

Republic of Liberia
Rural Community Finance Project Programme Design Report
Cassava flour Crop Model

ECONOMIC BUDGET

(In LRD)

	January-- December					
	without Project		With Project			
	1 to 20	1	2	3	4	5 to 20
Revenue	3,570.0	7,140.0	10,710.0	11,900.0	13,328.0	15,232.0
Input costs						
Self consumption(50%)	1,374.5	4,581.5	4,948.0	4,819.7	5,131.3	5,497.8
Milling services	78.5	157.1	196.4	274.9	353.4	392.7
Transport	52.4	104.7	130.9	183.3	235.6	261.8
Land rental	-	1,570.8	1,570.8	1,570.8	1,570.8	1,570.8
Sub-total Input costs	1,505.4	6,414.1	6,846.1	6,848.7	7,291.1	7,723.1
Income (Before Labor Costs)	2,064.7	725.9	3,863.9	5,051.3	6,036.9	7,508.9

Clothes

Republic of Liberia
Rural Community Finance Project Programme Design Report
Clothes

FINANCIAL BUDGET

(In LRD)

	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	6,270.0	6,930.0	7,260.0	7,590.0	8,250.0
Input costs						
Investment costs						
First Equipment purchase	-	5,100.0	-	-	-	-
Operating Costs						
Purchase of the clothes	-	2,040.0	2,040.0	2,040.0	2,040.0	2,040.0
Transport	-	1,088.0	1,088.0	1,088.0	1,088.0	1,088.0
Sub-total Operating Costs	-	3,128.0	3,128.0	3,128.0	3,128.0	3,128.0
Sub-total Input costs	-	8,228.0	3,128.0	3,128.0	3,128.0	3,128.0
Income (Before Labor Costs)	-	-1,958.0	3,802.0	4,132.0	4,462.0	5,122.0
		-1958.0	3802.0	4132.0	4462.0	5122.0

Income Before Labor: IRR = 75%, NPV = 24,626.22

Republic of Liberia
Rural Community Finance Project Programme Design Report
Clothes

ECONOMIC BUDGET

(In LRD)

		January-- December				
ECONOMIC BUDGET (In LRD)	Without	With Project				
	Project					
	1 to 20	1	2	3	4	5 to 20
Revenue	-	6,600.0	7,260.0	7,920.0	8,580.0	9,900.0
Input costs						
Investment costs						
First Equipment purchase	-	3,927.0	-	-	-	-
Operating Costs						
Purchase of the clothes	-	1,570.8	1,570.8	1,570.8	1,570.8	1,570.8
Transport	-	837.8	837.8	837.8	837.8	837.8
Sub-total Operating Costs	-	2,408.6	2,408.6	2,408.6	2,408.6	2,408.6
Sub-total Input costs	-	6,335.6	2,408.6	2,408.6	2,408.6	2,408.6
Income (Before Labor Costs)	-	264.4	4,851.4	5,511.4	6,171.4	7,491.4

Fish Mongering

Republic of Liberia
Rural Community Finance Project Programme Design Report
Fish mongering

FINANCIAL BUDGET

(In LRD)

Fish mongering		January-- December				
FINANCIAL BUDGET		Without				
(In LRD)	Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	51,000.0	68,000.0	85,000.0	102,000.0	136,000.0
Input costs						
Investment costs						
Start-up capital for smoked fish	-	2,040.0	-	-	-	-
Basket,scale	-	340.0	-	-	-	-
Sub-total Investment Costs	-	2,380.0	-	-	-	-
Operating Costs						
Purchase of smoked fish	-	48,960.0	59,840.0	65,280.0	70,720.0	81,600.0
Transport(74Km Return)	-	680.0	680.0	680.0	680.0	680.0
Sub-total Operating Costs	-	49,640.0	60,520.0	65,960.0	71,400.0	82,280.0
Sub-total Input costs	-	52,020.0	60,520.0	65,960.0	71,400.0	82,280.0
Income (Before Labor Costs)	-	-1,020.0	7,480.0	19,040.0	30,600.0	53,720.0
		-1,020.0	7,480.0	19,040.0	30,600.0	53,720.0

Income Before Labor: IRR = 211%, NPV = 228,285.76

Republic of Liberia
Rural Community Finance Project Programme Design Report
Fish mongering

ECONOMIC BUDGET

(In LRD)

	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	51,000.0	68,000.0	85,000.0	102,000.0	136,000.0
Input costs						
Investment costs						
Start-up capital for smoked fish	-	1,570.8	-	-	-	-
Basket,scale	-	261.8	-	-	-	-
Sub-total Investment Costs	-	1,832.6	-	-	-	-
Operating Costs						
Purchase of smoked fish	-	37,699.2	46,076.8	50,265.6	54,454.4	62,832.0
Transport(74Km Return)	-	523.6	523.6	523.6	523.6	523.6
Sub-total Operating Costs	-	38,222.8	46,600.4	50,789.2	54,978.0	63,355.6
Sub-total Input costs	-	40,055.4	46,600.4	50,789.2	54,978.0	63,355.6
Income (Before Labor Costs)	-	10,944.6	21,399.6	34,210.8	47,022.0	72,644.4

Income Before Labor: IRR = None, NPV = 403,032.33

Income After Labor: IRR = None, NPV = 403,032.33

Motorcycle taxis ('Okada')

Republic of Liberia
Rural Community Finance Project Programx
Okada

FINANCIAL BUDGET

(In LRD)

	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	400,000.0	412,400.0	420,800.0	432,800.0	448,000.0
Input costs						
Investment costs						
Initial purchase	-	153,000.0	-	-	-	-
Operating Costs						
Fuel	-	262,500.0	262,500.0	262,500.0	262,500.0	262,500.0
Service for okada	-	15,300.0	15,300.0	15,300.0	15,300.0	15,300.0
Insurance	-	7,650.0	7,650.0	7,650.0	7,650.0	7,650.0
Sub-total Operating Costs	-	285,450.0	285,450.0	285,450.0	285,450.0	285,450.0
Sub-total Input costs	-	438,450.0	285,450.0	285,450.0	285,450.0	285,450.0
Income (Before Labor Costs)	-	-38,450.0	126,950.0	135,350.0	147,350.0	162,550.0
		-38,450.0	126,950.0	135,350.0	147,350.0	162,550.0

Income Before Labor: IRR = 110%, NPV = 813358.31

Republic of Liberia
Rural Community Finance Project Programme Design Report
Okada

ECONOMIC BUDGET

(In LRD)

	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	420,000.0	504,000.0	630,000.0	756,000.0	840,000.0
Input costs						
Investment costs						
Initial purchase	-	117,810.0	-	-	-	-
Operating Costs						
Fuel	-	202,125.0	202,125.0	202,125.0	202,125.0	202,125.0
Service for okada	-	11,781.0	11,781.0	11,781.0	11,781.0	11,781.0
Insurance	-	5,890.5	5,890.5	5,890.5	5,890.5	5,890.5
Sub-total Operating Costs	-	219,796.5	219,796.5	219,796.5	219,796.5	219,796.5
Sub-total Input costs	-	337,606.5	219,796.5	219,796.5	219,796.5	219,796.5
Income (Before Labor Costs)	-	82,393.5	284,203.5	410,203.5	536,203.5	620,203.5

Income Before Labor: IRR = None, NPV = 3,681,673.07

Income After Labor: IRR = None, NPV = 3,681,673.07

Sewing

Republic of Liberia
Rural Community Finance Project Programme Design Report
Sewing machine

FINANCIAL BUDGET

(In LRD)

	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	43,520.0	54,400.0	70,720.0	81,600.0	92,480.0
Input costs						
Investment costs						
Sewing machine	-	5,100.0	-	-	-	-
Operating Costs						
Materials	-	1,360.0	1,360.0	1,360.0	1,360.0	1,360.0
Rent	-	40,800.0	40,800.0	40,800.0	40,800.0	40,800.0
Tailor trainee	-	4,080.0	4,080.0	4,080.0	4,080.0	4,080.0
Sub-total Operating Costs	-	46,240.0	46,240.0	46,240.0	46,240.0	46,240.0
Sub-total Input costs	-	51,340.0	46,240.0	46,240.0	46,240.0	46,240.0
Income (Before Labor Costs)	-	-7,820.0	8,160.0	24,480.0	35,360.0	46,240.0
		-7,820.0	8,160.0	24,480.0	35,360.0	46,240.0

Income Before Labor: IRR = 75%, NPV = 201134.64

Republic of Liberia
Rural Community Finance Project Programme Design Report
Sewing machine

ECONOMIC BUDGET

(In LRD)

	Without Project	With Project				
	1 to 20	1	2	3	4	5 to 20
Revenue	-	43,520.0	54,400.0	70,720.0	81,600.0	92,480.0
Input costs						
Investment costs						
Sewing machine	-	3,927.0	-	-	-	-
Operating Costs						
Materials	-	1,047.2	1,047.2	1,047.2	1,047.2	1,047.2
Rent	-	31,416.0	31,416.0	31,416.0	31,416.0	31,416.0
Tailor trainee	-	3,141.6	3,141.6	3,141.6	3,141.6	3,141.6
Sub-total Operating Costs	-	35,604.8	35,604.8	35,604.8	35,604.8	35,604.8
Sub-total Input costs	-	39,531.8	35,604.8	35,604.8	35,604.8	35,604.8
Income (Before Labor Costs)	-	3,988.2	18,795.2	35,115.2	45,995.2	56,875.2

Appendix 11: Draft project implementation manual

1. Two manuals will be needed for the purposes of the RCFP: a proper Project Implementation Manual (PIM) of the PIU, and second an operational manual for the TASC/TASU. The RCFP PIM will be a copy of the existing PIU-PIM, which will follow the generic points outlined below. This will have to be supplemented by the regulations pertaining to implementation modalities and regulations of the TASC/TASU and the CBL.

Project Implementation Manual of the RCFP

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8 ACCOUNTING PROCEDURES

- 8.1 Accounting rules and principles
- 8.2 Financial information system
- 8.3 Recording of transactions
- 8.4 Monthly and annual closing of accounts
- 8.5 Financial statements and audits

Chapter 8 Annexes

- a. Chart of accounts
- b. Transaction voucher
- c. Checklist for closing of accounts

9 Monitoring and Evaluation

- 9.1 Planning of M&E
- 9.2 AWPB preparation
- 9.3 Follow-up on outputs
- 9.4 Follow-up on outcomes
- 9.5 Follow-up on impacts
- 9.6 Elaboration of progress reports

TASC/TASU operational manual

1 INTRODUCTION

- 1.1 Presentation of the TASC
- 1.2 Presentation of the Manual
- 1.3 Links with the RCFP and PIU

2 ORGANIZATIONAL BASICS

- 2.1 Objectives and mandate
- 2.2 Set-up and structure

- 2.3 Implementation modalities of RCFP and support to RCFIs
- 2.4 Monitoring, evaluation and reporting modalities
- 2.5 Legal framework and applicable regulations, rules and procedures

3 ADMINISTRATION

- 3.1 Board of Directors
- 3.2 Management
- 3.2 Office administration
- 3.4 Information and communication systems
- 3.5 Documents archiving and storage
- 3.6 Official travel

4 PERSONNEL

- 4.1 Types of contracts
- 4.2 Identification and selection of candidates
- 4.3 Remuneration package
- 4.4 Recruitment of project personnel
- 4.5 Administration of project personnel
- 4.6 Conduct/ Personnel obligations and disciplinary measures
- 4.7 Contract termination
- 4.8 Temporary personnel
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5 ASSET MANAGEMENT

- 5.1 Definition of assets
- 5.2 Assets monitoring and inventory
- 5.3 Maintenance and security of assets
- 5.4 Vehicles
- 5.5 Disposal of assets
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6 PROCUREMENT

- 6.1 General
- 6.2 Procurement planning
- 6.3 Purchase requisition
- 6.4 Technical specifications and terms of reference
- 6.5 Identification and shortlisting of suppliers
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- 6.7 Award and signature of contracts
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- 6.11 No-objection in PIU procurement

7 FINANCIAL MANAGEMENT

- 7.1 General
- 7.2 Budgeting
- 7.3 Expenditure
- 7.4 Disbursement
- 7.5 Contributions from donors
- 7.6 Financial reporting

8 ACCOUNTING PROCEDURES

- 8.1 Accounting rules and principles
- 8.2 Financial information system
- 8.3 Recording of transactions
- 8.4 Monthly and annual closing of accounts
- 8.5 Financial statements and audits

Appendix 12: Compliance with IFAD policies

1. **Overall compliance with IFAD Policies.** The design of RFCP is aligned to all relevant IFAD strategies and policies, including:
 - (a) Strategic Framework 2011-15;
 - (b) Targeting Policy – Reaching the Poor (2010);
 - (c) Gender Equality and Women’s Empowerment;
 - (d) Rural Finance Policy;
 - (e) Private-Sector Development and Partnership Strategy;
 - (f) Rural Enterprise Policy;
 - (g) Policy on Supervision and Implementation Support
 - (h) Climate Change Strategy (2010);
 - (i) Environment and Natural Resource Management Policy (2011); and
 - (j) Environmental and Social Assessment Procedures.
2. **Targeting.** In order to ensure project benefits reach IFADs target group, target groups have been defined, a targeting strategy developed and means of operationalizing that strategy integrated into project design and implementation modalities. The latter includes geographic targeting to poor districts; self-targeting as related to economic opportunities, and empowerment and capacity building.
3. **Gender.** The proposed RFCP is fully in line with IFAD’s policies on Gender Equality and Women’s Empowerment. The Project will ensure that women and youth equally benefit from project interventions; all provisions have been made to ensure that women will constitute at least half of all shareholders and clients of RFCIs. By setting a target of 50 percent women to become shareholders/clients of RFCIs and other measures, the RCFP will contribute to achieve SO 1 (economic empowerment) and SO 2 (decision-making and representation) of the new Gender Policy. The respective gender and targeting check lists are provided as Attachments to Appendix 2.
4. **Compliance with IFAD’s Rural Finance Policy.** The proposed RCFP proposes to create new rural financial institutions and their apex body. This is a typical “green-field” operation, which should normally be avoided given the high risks. However, as the analysis of the rural finance sector has shown, Liberia has almost no institution that caters for the needs of the rural population; the number of commercial bank branches in rural areas is very small, and these banks hardly satisfy the enormous demand for deposit, credit and transfer/payment services. In addition, the few MFIs have been scaling down their operations primarily in rural areas and are not capable to provide relevant services to a larger number of people. As a consequence, the most important support that Liberia needs is the creation of new formal financial institutions in rural areas, as already started in a partnership between CBL and a commercial bank (AFB). As this is the preferred model and approach of the CBL to cater for the needs of the rural populace, and as similar institutions have been created with very good success in neighbouring Sierra Leone, from where some of the features in the RCFP design have been adopted, these concerns do not apply in this particular case. Furthermore, a whole range of precautionary steps have been envisaged in design. Finally, where the mission has contacted the rural poor, MSEs, market women, VSLAs and other savings associations, the youth, chiefs and other

authorities, they have overwhelmingly embraced the concept, and asked not to waste time with the launching of the activities in their home districts.

5. Apart from this, the proposed project establishes the new RCFIs as savings- and share-based financial institutions, which intermediate the resources mobilized into credit granted to support the local economy. Emphasis is placed on the emulation of existing informal rural finance practices, which are known to everybody, and which will reduce any psychological barrier to accessing the services. With the adoption of a share-based system of ownership, the Project will attempt to mobilize the entire local communities – as shareholders and owners of the new institutions. No effort will be made under the Project to substitute these efforts of mobilizing local financial resources through endowment funds, contributions to share capital or credit lines. Only where additional capacity and demand for supplementary resources exist, access to a credit facility from a local commercial bank shall be facilitated, without however providing any guarantees for such.
6. Lessons have been taken from the experiences made in Liberia with the first RCFIs, from Sierra Leone with its FSAs and CBs, and from Ghana with its rural and community banks, and integrated into the design.
7. Finally, design creates the framework for high standards of prudent rural finance operations, protection of depositors and shareholders, careful expansion of lending activities, prudent selection of loan products and borrowers, and organic growth models. The institutional set-up and external support remain flexible and can be attuned to the actual performance of a RCFI.

Appendix 13: Contents of the Project Life File

Liberia Portfolio:

1. Liberia Country Strategic Opportunities Programme (COSOP) 2011-2014
2. Project Design Report of the “Smallholder Tree Crop Revitalization Support Project” (STCRSP)
3. PIM of the PIU

Sierra Leone Portfolio

1. PDR of the “Rural Finance and Community Improvement Programme”
2. PIM of the “Rural Finance and Community Improvement Programme”
3. Supervision mission and annual progress reports on the “Rural Finance and Community Improvement Project”
4. PDR of the “Rural Finance and Community Improvement Programme – Phase II”

Policy documents of the Government of Liberia

1. Central Bank of Liberia: The Liberian Strategy for Financial Inclusion (2009-2013), Monrovia, June 2009
2. Central Bank of Liberia: National Strategy for Financial Inclusion 2014-2018. Draft Report. Monrovia (not dated)
3. Central Bank of Liberia: Directory of Financial Inclusion Stakeholders in Liberia. Monrovia, 2013

RCFP documents:

1. Concept Note on the “LIBERIA – Rural Finance Project”, dated 01 April 2014
2. OSC Issues Paper on the “LIBERIA – Rural Finance Project”, dated 10 April 2014
3. Aide memoire of the first design mission dating 12.07.2014
4. QE Panel report
5. CPMT minutes (March 2014)

Appendix 14: Draft terms of reference for key staff

1. TASU/TASC staff

1.1 Manager of TASU/TASC

Terms of Reference. The manager reports directly to the BoD and is overall responsible for the management of TASU/TASC. Her/his specific responsibilities include but are not limited to the following:

- Manage the day-to-day operations of the TASC/TASU in accordance with its mission, values and goals;
- Utilize effective and efficient networks to maximize outreach, resources and profits within the framework of approved budgets;
- Develop objectives through short and long term strategic planning;
- Set annual performance targets with a focus on profitability, quality, and efficiency;
- Institute performance and monitoring systems;
- Evaluate progress against business plans, budgets, best practices and RCFI network standards;
- Provide appropriate appraisals and feedbacks as and when required;
- Motivate, nurture, and develop staff;
- Encourage and mentor staff to perform their assigned duties promptly and efficiently;
- Promote an atmosphere of teamwork, encouraging a culture of equity and sensitivity to gender, class and other differences;
- Ensure full operational compliance with internal control and regulatory policies, procedures and systems;
- Recommend appropriate changes to policy, procedures, and processes to ensure application of sound credit and risk management policies;
- Support the establishment of effective business development, marketing, sales and client service strategies and approaches;
- Coordinate feasibility studies for the establishment of RCFIs;
- Carry out, in collaboration with the management team, the recruitment and training of RCFI and TASU/TASC staff in accordance with the training guidelines and plans;
- Attend TASU/TASC board meetings as an ex-officio member, presenting progress and other reports
- Coordinate with various funding/ donor/ investment agencies as a focal point;
- Coordinate the RCFI network;
- Perform any other duties as assigned by the Board of Directors.

1.2 Rural Finance Officer

Terms of Reference. The Rural Finance Officer (RFO) reports directly to the Manager and acts as deputy manager in the absence of the manager. The RFO is responsible for the design and implementation of the process to create RCFIs and assist in their overall development and sustainability. Specific responsibilities include but are not limited to the following:

- Coordinate project activities relating to rural financial services;
- Monitor the progress achieved in the creation and evolution of RCFIs and their compliance with rules and regulations;
- Plan and be responsible for the implementation of the RCFIs in a number of counties (to be determined);

- Finalize the monitoring and reporting system;
- Spearhead the development and modification of financial products and services to be offered by RCFIs;
- Maintain close contacts with relevant commercial banks interested in providing support services to RCFIs, such as correspondent banking, investment of excess liquidities, cheque clearing, and refinance, and develop suitable memoranda of association with these where demanded by RCFIs;
- Maintain close contacts with relevant technical service providers and money transfer agencies, and facilitate the integration of the RCFI network into domestic and international money transfer systems
- Establish close links with all partner institutions, in particular CBL, MOA, PIU, other donors engaged in rural finance, relevant service providers, financial institutions, etc.;
- Prepare the Annual Work Plan and Budget related to the rural finance component;
- Assist in the preparation and implementation of technical support missions and evaluation missions;
- Prepare reports for project management and financiers;
- Take the lead in annual risk management assessments of the entire network;
- Undertake any other activities that may be assigned by the Manager.

1.3 Accountant

Terms of Reference. The Accountant reports directly to the Manager and is responsible for the proper recording and accounting of all funds and transactions flowing through the TASU/TASC. Specific responsibilities include but are not limited to the following:

- Prepare and implement a sound financial management system;
- Prepare financial reports, including monthly funds reconciliation, and monthly expenditure statements;
- Prepare transaction vouchers, and input all transactions into the accounting system before submission for approval;
- Process all payments, ensuring that TASU/TASC procedures are strictly adhered to;
- Process monthly payroll, payment of salaries to staff and social security contributions;
- Prepare withdrawal applications;
- Prepare cash flow forecasts as required;
- Monitor financial returns from RCFIs, including periodic visits to their offices;
- Assist in the preparation and monitoring of annual operational budgets;
- Functional supervision and training of junior staff in the accounting unit;
- Maintenance of a well-organized and up-to-date filing system for accounting and financial records;
- Perform physical inventory of TASU/TASC assets each year;
- Provide assistance to the external auditors as required;
- Provide quality monthly report on status of funds and disbursement to PIU;
- Undertake any other activities assigned by TASU/TASC management.

1.4 Legal officer

Terms of Reference. The legal officer reports directly to the manager. Specific responsibilities include but are not limited to the following:

- Provide appropriate legal advice to the TASU/TASC in accordance with all legal agreements entered into with other parties;
- Guide and assist RCFIs in recovery of overdue loans;
- Act as company board secretary during its Board Meetings;
- Liaise with external solicitors on legal issues concerning the company;
- Attending to all pre-litigation matters/claims;
- Receiving and acknowledging all letters/complaints from external parties, pending any prudent investigations;
- Refer letters/claims to the compliance /audit unit to investigate and revert promptly where appropriate, with a view to settling the matter amicably, upon approval of the company

management, so as to forestall any litigation, or revert to external solicitors to defend the company/RCFI in the event of litigation;

- Briefing of external solicitors in respect of recovery matters;
- Review legal matters referred to the unit/department and prepare preliminary opinions on the strength of the employer's position and advice on the possible prosecution/defence of the case or otherwise;
- Follow up on external solicitors, and liaise with witnesses to ensure that they attend court sittings;
- Where judgment is in favour of the employer, take steps with external solicitors to secure judgment and obtain proceeds and if vice versa, prepare opinion stating employer's options citing whether there is good basis to appeal decision;
- Attend meetings with the police and law enforcement agencies or/and accompany staff upon invitation by such organs;
- Review of lending policies of RCFIs and advice accordingly;
- Confirm that all the required criteria for lending are met at cost without any discrimination;
- Receive and verify the authenticity of guarantees before approval memos for issuance of guarantees with assigned control / reference numbers etc. and present them to appropriate authorities for execution and copies filed;
- Demand for payments and processing of indemnities for lost shares;
- Conduct due diligence on staff or client mortgages, if any;
- Keep an inventory of the assets of the company;
- Provide legal opinions as and when referred;
- Perform any other duties that may be assigned the incumbent from time to time.

1.5 Auditor

Terms of Reference. The Auditor reports directly to the Manager and is responsible for the proper auditing of RCFIs. The incumbent also supervises and guides the work of field inspectors, in collaboration with the RFO. Specific responsibilities include but are not limited to the following:

- Devise internal mechanisms (methods, tools, procedures and reporting formats) for the TASU/TASC and RCFI network;
- Organize and conduct regular periodic inspection of the RCFIs and submit report accordingly;
- Carry out periodic on-site monitoring and evaluation of the operations of RCFIs and submit appropriate reports;
- Provide TASU/TASC Manager, Board of Directors and Managers of RCFIs with relevant information on these assessments;
- Participate in and lead, in collaboration with the RFO and Analyst, annual risk management reviews;
- Be in charge of monitoring the implementation of recommendations concerning recorded deficiencies and corrective actions to be taken as a result of the above mentioned activities;
- Analyze the financial statement of RCFIs including returns being prepared for submission to the CBL Banking Supervision Department;
- Coordinate and support external inspections conducted by statutory auditors and/or regulatory authorities, and ensure that corrective action is taken based as needed;
- Prepare a summary report on all controlling operations carried out within the network prior to meeting the Board of Directors;
- Monitor and inspect the operations of members through offsite review of their prudential returns, on-site examination and ensure compliance with banking laws and regulation of CBL;
- Provide external audit and inspection services to RCFIs;
- Design a mechanism through which members in financial or management difficulties shall be supported by the TASU/TASC;
- Perform any other function that is incidental to the attainment of the objects of the TASU/TASC and any other activities assigned by the Manager.

1.6 Financial Inclusion, Gender & Youth Officer

Terms of Reference. Working closely with the Micro-Enterprise Coach and credit officers, the Financial Inclusion, Gender & Youth Officer (FIO) reports directly to the Manager and is responsible

for increasing RCFI outreach with a particular focus on women, youth and financially excluded community members, as well as the identification and facilitation of linkages to help clients develop their business ventures. Specific responsibilities include but are not limited to the following:

- Develop overall gender and youth action plans, including capacity building plan for RCFI clients, staff and board, as well as TASU/TASC staff, based on needs assessments;
- Provide support to the development, implementation and review of individual RCFI outreach strategies, including gender and targeting strategies;
- Support credit officers to assist women and youth in developing feasible business and financial management plans, and seek out and facilitate required linkages including preparation of memoranda of understanding for partnerships;
- Develop, organize and coordinate the exposure program for youth and women's MSE training and knowledge sharing, as well as knowledge sharing networks for credit officers;
- Liaise with on-going IFAD-supported projects to ensure complementarity and develop partnerships with the supported cooperatives and farmer organizations;
- Collaborate with VSLA service providers and networks to develop, where opportune, linkages between VSLAs and RCFIs;
- Conduct regular field visits and interactions with RCFI staff and clients, particularly target groups, for ongoing participatory monitoring and evaluation of interventions, and identify ways in which RCFIs could better adapt financial products for target groups as required;
- Develop mechanisms for RCFI clients to provide feedback on service quality and for addressing any complaints;
- Working with the PIU and service providers, develop and implement the RCFI knowledge management and communications strategy and action plan, responding to the differing needs of the different target groups;
- Systematically compile and document success stories / case studies / key findings and lessons learned, particularly relating to gender and targeting issues, and disseminate information to staff and to stakeholders outside the organization in suitable formats. Ensure a common understanding of these issues in the RCFIs and TASU/TASC;
- Provide input for the Annual Work Plan & Budget (AWPB) for activities relating to financial inclusion, gender, youth and MSE development;
- Ensure integration of gender, youth and social inclusion aspects in the PIM;
- Serve as KM officer/focal point of the RCFP;
- Any other tasks determined by the manager.

1.7 Micro-Enterprise Coach

Terms of Reference. Working closely with the FIO and credit officers, the Micro-Enterprise Coach (MEC) reports directly to the Manager and is responsible for assisting clients with training, coaching and borrowing from their RCFI related to small enterprise development, and assisting the existing RCFIs to process loan applications. The incumbent will work closely with the Division of Micro, Small and Medium Enterprise under the Ministry of Commerce and Industry, which is implementing Liberia's First National Policy on Micro, Small and Medium Enterprise (MSME), launched 20 September 2011). Specific responsibilities include but are not limited to the following:

- Establish linkages and partnerships in all counties where other projects funded by IFAD or other donor interventions related to small enterprise development exist, including linkages with input suppliers, transport operators, etc.;
- Seek possibilities to undertake joint and phased training with other institutions working in the field where appropriate;
- Assist clients in their planning and provide training and coaching to micro-enterprises on core principles of micro enterprise development, marketing, costing, saving, investing, etc., based on needs identified;
- Assist micro-enterprises to conceive their micro investments that they want to embark on and submit their loan applications;
- Train credit officers and managers on loan appraisal of micro enterprises and provide ongoing follow up support and coaching;

- Regularly assess credit officer performance and capacity, and identify any additional training needs. Develop and implement training modules as required;
- Establish/improve the tools needed to develop the SME loan portfolio (procedures, follow up tools, reporting tools, other working tools, etc.);
- Help to develop new products suitable to the local market demand where necessary;
- Assist the RCFIs to introduce a specific MSE loan product offering individual loans for persons who do not associate with groups, particularly targeting female traders and food processors, as well as farmers;
- Develop specific support to agricultural SME development including for groups/ cooperatives, based on an audit. This would include SME links to agricultural production and production-related activities, such as input supply, processing, trade, wholesaling, and marketing at all levels;
- Encourage the youth to provide farm remunerated labour as a group venture to farmers borrowing from RCFIs;
- Work with existing entrepreneurial youth organisations. This may include the motorcycle rider associations and savings groups, assisting them to do their own assessments of business potential and develop their business plans;
- Assist to develop the gender mainstreaming and women's empowerment strategy of the RCFP linked to MSE development, working with the FIO and international gender technical assistance.

1.8 Field Inspector

Terms of Reference. The Field Inspector reports directly to the Auditor Manager and to the RFI and is responsible for providing technical assistance, coaching, mentoring and supervision to new and existing RCFIs. Specific responsibilities include but are not limited to the following:

- Providing guidance and orientation to communities desirable to create their own RCFI during the initial start-up phase;
- Providing assistance in the transition phase, in particular as regards the undertaking of feasibility studies, preparation and adjustment of business plans, submission of documents to incorporate RCFIs, application for CBL license, mobilization of shareholders and share capital;
- Witnessing every loans disbursement in RCFIs and ensure that only well appraised loans are disbursed to client that are physically present;
- Fortnightly vouching of RCFI transactions;
- Carryout monthly spot check of RCFIs under domain as prescribed in the spot check list and subsequently prepare spot check report for timely submission to RFO for appropriate action;
- Ensuring thorough control over the RCFI cash management by ensuring that the cash movement register for Manager and cash, Board custodian and Manager are well maintained and dual control exist at all times;
- Receiving monthly reports from managers for onward submission to TASU/TASC;
- Monthly review of RCFI financials to ensure completeness and accuracy;
- Provide guidance on the introduction of new products and services;
- Assist initially in the preparation of accounts, income statements and balance sheets;
- Train RCFI staff as and when necessary on activities within their scope of duties;
- Identification and reporting of emerging operational risk of FSAs.

1.9 Analyst

Terms of Reference. The analyst reports directly to the manager and is responsible for the off-site supervision of RCFIs. Specific responsibilities include but are not limited to the following:

- Conduct off-site reviews and assessments of all prudential returns submitted by RCFIs;
- Monitor the weekly liquidity positions of the RCFIs;
- Collect and collate social performance indicators from RCFIs;
- Monitor the exposure and key risk indicators of RCFIs on a weekly/monthly basis;
- Analyze variances and explore potential problems with line managers and the audit unit;
- Make appropriate recommendations and advise TASU/TASC management on any action related to RCFI performance;

- Provide feedback on the accuracy of reports submitted by RCFIs and explanation on any variation;
- Undertake forecast variance analysis at agreed intervals during the year in conjunction with RCFIs;
- Prepare monthly reports on RCFI performance for TASU/TASC management, which shall include trend analyses, risk assessment and recommendations, among others;
- Act as focal point for providing agreed data and information to the M&E officer of PIU, CBL or any other stakeholder;
- Provide training to RCFIs on financial reporting, data analysis and related matters;
- Perform any other duty assigned by the manager.

1.10 IT Officer

Terms of Reference. The IT-Officer reports directly to the Manager and is responsible for all IT hardware and software of TASU/TASC and associated RCFIs. Specific responsibilities include but are not limited to the following:

- Reviewing the information systems strategy and advising on changes in light of TASU/TASC operations and external environment;
- Planning and coordination of all information systems and development projects to support the achievement of the TASU/TASC and RCFI network business strategy;
- Overseeing timely implementation of information systems projects, focused on efficient information exchanges among the TASU/TASC and RCFI networks and delivery of customer services;
- Carrying out routine reviews of the core banking system to ensure optimum interactions between the system and users;
- Providing centralized MIS services and troubleshooting support to member RCFIs;
- Maintaining main server and centralized database management services;
- Providing training on MIS, LAN trouble shooting and other applications to member RCFIs;
- Providing centralized internet service and web portal services to member RCFIs;
- Carrying out an overall review of the effectiveness of the system in addition to having responsibility for quality assurance;
- Evaluating developments in the banking industry to ensure that the TASU/TASC, RCFIs core network banking systems provide state-of-the-art business solutions to users;
- Preparing and maintaining a database on RCFIs as well as on customers
- Planning and designing disaster recovery plans for the RCFI network system information systems;
- Designing a biometric identification system of RCFI clients, including photographs and fingerprints, and their integration into RCFI-based client data bases;
- Developing savings products using biometric identification of clients to reduce fraud and misappropriation of funds, and to reduce transaction times;
- Having overall responsibility for designing the information security policy covering applications and infrastructure at member RCFIs;
- Undertaking a review of the branch network connectivity to establish the operating level;
- Coaching and monitoring staff on information systems development at the local country level;
- Carrying out annual appraisal of staff performance and make recommendations on staff training needs;
- Conduct annual risk management reviews of the entire IT solutions, and propose appropriate action plans and devices to contain misappropriation and embezzlement of funds;
- Training of all staff of the RCFIs and TASU/TASC on the use of software applications to execute task and customer services.

1.11 Procurement Officer

Terms of Reference. The Procurement Officer is part of the financial management unit which reports directly to the Manager. The Procurement Officer is responsible for all procurement of goods and services for the TASU/TASC and for procurement of goods and services for RCFIs under the RCFP. Specific responsibilities include but are not limited to the following:

- Review the draft procurement guidelines and finalize these for board approval;
- Ensure that all procurement activities are in conformity with the procurement regulations and procedures applicable to the IFAD projects;
- Prepare and update the 18-months procurement plan based on the AWPB;
- Serve as a secretary of the TASU/TASC Procurement Committee and evaluation committees;
- Manage the procurement tracking database system;
- Prepare bidding documents and related advertisements;
- Review terms of reference and technical specifications prepared by technical staff;
- Organize the bid opening, evaluation and selection process;
- Prepare contracts for signature by authorized TASU/TASC representatives and supplier(s);
- Compile and confidentially keep reports, documents, and records of all TASU/TASC procurement activities for transparency and ease of reference, and maintain procurement files;
- Prepare periodic reports on the status of procurement for the projects;
- Maintain a close liaison with the PIU staff in charge of procurement and IFAD pertaining to procurement;
- Provide training on procurement issues within the RCFP scope where instructed by TASU/TASC management;
- Undertake any other activities assigned to by TASU/TASC Management.

2. PIU staff

2.1 M&E assistant

Terms of Reference. Under the direct supervision of the M&E Officer of PIU, the M&E Assistant will assist the M&E Officer in carrying out the under-mentioned functions:

- Establish and maintain the project management information and monitoring and evaluation system;
- Define the requirements for information gathering, sources of verification and the means of collecting them;
- Define the needs/activities and prepare the annual budget of the M&E unit for purposes of the AWPB;
- Contribute to the preparation of the overall AWPB for each project based on proposals submitted by PIU technical staff;
- Ensure consistency of planning and planning documents (logical framework, AWPB);
- Undertake systematic analysis of data collected through the M&E system so as to establish the impact of the projects, in particular on the target groups;
- Generate lessons, highlight key issues and bring them to the attention of PIU management;
- Define the need for specific studies including base line surveys and oversee design and execution;
- Conduct strategic planning and define/review direction and content of project activities to ensure compatibility with RCFP approach and guidelines;
- Present findings and issue M&E reports regularly and according to need to the PIU management;
- Finalize and consolidate the progress reports based on the input provided by the TASC/TASU technical staff;
- Undertake any other activities assigned by the M&E Officer and the Project Coordinator.

2.2 Accounting assistant

Duration:	Aligned to Project duration
Recruitment:	National
Contract:	Two-year contract, with six months' probation period, renewable based on agreed performance targets and deliverables
Reports to:	Financial Controller, PIU

Position Description

The RCFP accountant reports to the Financial Controller PIU, and is responsible for the hands on day to day accounting aspects of the project: consolidations of budgets; manning the entries into the accounting software, key reconciliations, preparation of withdrawal applications etc.

Terms of reference

- Assist the senior accountant and the financial controller in the implementation of a sound financial management system;
- Prepare financial reports, including monthly funds reconciliation, and monthly expenditure statements;
- Data entry into the accounting software;
- Prepare transaction vouchers, and input all transactions into the PIU accounting system before submission to the senior accountant and financial controller for approval;
- Performance of bank reconciliations;
- Process all payments related to RCFP, ensuring that PIU procedures are strictly adhered to;
- Assist the financial controller in the preparation of withdrawal applications;
- Prepare cash flow forecasts as required;
- Consolidations of budgets ensuring feasibility of budgets and ensure budget control at all cost centers;
- Monitor financial returns from implementing institutions, including periodic visits to their offices where required;
- Follow up on all project funds released to TASC for timely retirement and proper utilization;
- Process documentation and follow up on disbursements from the government and IFAD to ensure that releases are not delayed. Ensure that funds for Project implementation are disbursed in a timely manner to enable Project interventions to be carried out on time;
- Assist in the preparation and monitoring of annual operational budgets;
- Prepare Withdraw applications and manage the overall treasury/ cash flow planning aspects of the project;
- Prepare informative management accounts in the form of monthly, quarterly, semi-annual and annual reports regarding aspects of Project financial monitoring bringing out variances and advising implementers as to the limits of expenditure;
- Support the PIU Financial controller to ensure that project expenditure is carefully compared for eligibility with relevant financial agreements and the disbursement handbook, and with budget control discipline;
- Maintenance of a well-organized and up-to-date filing system for accounting and financial records;
- Facilitate both internal and external auditors to audit the Project accounts to meet the required submission dates by IFAD, and provide assistance to the external auditors as required;
- Provision of quality monthly reports on status of funds and disbursement of RCFP;
- Review fixed assets are well accounted for and annual verification is undertaken of the condition of assets and their location;
- Undertake any other activities assigned by PIU management within the scope of the RCFP.

Minimum Qualifications

- Bachelor's degree in accounting;
- At least five years of relevant work experience;
- Knowledge of work planning, budgeting and reporting;
- Excellent quantitative and analytical skills;
- Computer-literate including accounting packages and well-versed in the use of Excel, Word and basic data base set-ups.