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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)

Amendment Number

DOCUMENT CODE: 3

COUNTRY/ENTITY: LIBERIA

PD BAU 842

3. PROJECT NUMBER: 669-0201

BUREAU/OFFICE: AFR 06

5. PROJECT TITLE (maximum 40 characters): Small & Medium Enterprise Development & St

OFFICIAL PROJECT DOCUMENT

PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 07 DD 20 YY 89

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 84 B. Quarter 4 C. Final FY 87

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
1. Appropriated Total	445	55	500	2130	385	2515
(Grant)	( )	( )	( )	( )	( )	(
(Loan)	( )	( )	( )	( )	( )	(
1. Peace Corps	210	--	210	1163	--	1163
2.						
PfP/Liberia		16	16	--	88	88
Other Donor(s)	65	300	365	134	600	734
TOTALS	720	371	1091	3427	1073	4500

9. SCHEDULE OF AID FUNDING ($000)

APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
SDA	700	840		--		500		2515	
TOTALS						500		2515	

SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CO

SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code: PVOU

B. Amount

PROJECT PURPOSE (maximum 480 characters)

To increase loans and other financial services provided to small and medium enterprises in the areas of industry, construction, services and commerce.

SCHEDULED EVALUATIONS

Interim MM 07 YY 85 MM 01 YY 87 Final MM 07 YY 89

15. SOURCE/ORIGIN OF GOODS AND SERVICES

[X] 000 [ ] 941 [X] Local [ ] Other (Specify)

AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment)

Financial Plan and Methods of Payment hereby approved: USAID Controller

APPROVED BY

Signature

Title: Mission Director USAID/Liberia

Date Signed: MM 07 DD 20 YY 84

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTI

MM DD YY

AID 1330-1 (8-79)

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FINANCIAL PLAN

The following table illustrates the means of financing for the various implementation methods in the project.

Methods of Implementation	Method of Financing	Cost
Cooperative Agreement with U.S. PVO	Letter of Credit - Treasury Financial Communications System	$2,515,000
Technical Assistance: AID Direct Contract, Non-PSC (Project Evaluation)	Direct Payment	1/
Technical Assistance: AID Direct Contract, PSC (Project Manager)	Direct Payment	1/

1/ These project activities are not within the present authorized LOP amount. However, it is planned to include them in the planned project authorization amendment to increase LOP funding to $3.0 million

This plan is in accord with AID's preferred methods of financing. Likewise, host country contracting will not be used. Thus, no justification is required for the methods of financing selected.

COPY 1

Only Copy

Partnership for Productivity
International

SMALL AND MEDIUM ENTERPRISE DEVELOPMENT AND SUPPORT PROJECT

Proposed and Submitted to

USAID-Liberia

by

Partnership for Productivity|International

PfP|I
2441 18th Street, N.W.
Washington, D.C. 20009

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PROJECT PROPOSAL - LIST OF CONTENTS

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COUNTRY:	Liberia
ACTIVITY TITLE:	Small and Medium Enterprise Development and Support Project (SMEDS)
TOTAL AID REQUEST:	$2,919,547
TOTAL VALUE OF OTHER RESOURCES:	$18,469,674
ACTIVITY LOCATION:	Monrovia
PVO NAME AND LOCATION:	PFP/International, Monrovia, Liberia
CENTRAL HEADQUARTERS:	2441-18th Street, N.W., Washington, D.C., 20009
CONTACT PERSON:	Andrew Oerke, President
DATE OF SUBMISSION TO AID:	15 June, 1984

Statement of the Problem and Project Purpose

Historically, the Liberian economy has been well endowed with, and dominated by, large-scale primary product export enterprises, most notably in iron ore and rubber. The revenue and foreign exchange surpluses generated up till recent times by these enterprises together with past inadequacies in up-country and small-holder agricultural development, have left an uneviable legacy to Liberia in the depressed world economic conditions of the 1980's: a limited cash economy; and indigenous educated class hitherto unattracted to business enterprises; attraction of foreign minorities which have grown to dominate important sectors, notably large-scale enterprise, general and retail trade, and the skilled productive trades; domination of manufactured imports; inexperience and poor business practice among the (relatively) few Liberian-owned small and medium-scale enterprises; and a strong disinclination of the banking system to provide loans to such enterprises.

Such a legacy assumes crushing proportions when, as during the past few years, the ample cash flow formerly provided by iron ore and rubber dwindles sharply in the face of world recession.

This experience underlines the need for a more broadly-based economy. Liberia can no longer rely on the enclave sector to provide cash surpluses adequate to sustain income and employment in the remainder of the economy. It must rely instead more on domestic resources and opportunities, prominent among them the development of small enterprises generating value added and employment. But the legacy described above makes the task extremely difficult. Thus the broad problem addressed by the proposed program may be very briefly stated: to help incomes and employment, Liberia needs a significant expansion of small, indigenous productive enterprises (and, more generally, a vigorous indigenous entrepreneurial class); but the people who might be hoped to set up or expand such enterprises suffer from a dearth of skills, appropriate business attitudes, and access to loan capital.

The Small Enterprises Financing Organization (SEFO) is a development bank set up to promote the small enterprise sector by providing it with loan capital. It is the only Liberian bank with

this specialized scope, and is also the only bank which is really active in the sector. SEFO is only two years old, and despite its activity, is experiencing the problems of infancy against a background of the weakness of the small enterprise sector and a severely depressed economy. It is having difficulty in building up a quality portfolio of a size commensurate with its target sector's problems and long-run potential, or with its own breakeven colume. Collections are low. Bad debt provisions are high. The present staffing limits and structure do not permit adequate field exposure or follow-up either generally or in particular loan cases. Further, SEFO is undercapitalised. Net of accumulated losses its equity is negative; but even more significantly, its paid-in equity gross of these losses is only about 6-7% of the loan portfolio needed to operate at a profit even with access to a low weighted average cost of capital - an access not presently enjoyed.

SEFO's problems are not fully coextensive with the broader problem of the Liberian small enterprise sector. However, solution or amelioration of SEFO's problems will be of major assistance to the sector, providing it with the prospect of an assured and expanding supply of credit from a financially sound institution targetted at the sector's needs. Moreover, SEFO and its clients are mutually dependent. SEFO needs good borrowers if it is to thrive; and given the current business weakness of the sector, SEFO will be greatly helped by technical assistance to its borrowers and immediate loan candidates.

The purpose of the proposed project is to assist SEFO in its role of providing an expanding supply of loans and other appropriate financial services to the Liberian small enterprise sector, and through that assistance to encourage the expansion of the sector and the broadening of the Liberian economy, not least in the building-up of a class of indigenous entrepreneurs. Assistance provided to a substantial proportion of developing business is and entrepreneurs will, in the long run, strengthen the business class and the economy at all levels.

Project Nature and Results

The proposed program will assist SEFO, over the period 1984 to 1989 as follows:

a) Through the provision of financial advice. This will be provided by a Senior Financial Adviser to be attached to SEFO, and will focus on analyses and procedures which will help SEFO improve the quality of its portfolio and expand it to break-even volume; on strategy for raising the necessary volume of capital, or appropriately soft on? terms, to sustain portfolio expansion; and on raising productivity and effectiveness in certain functions, notably accounting and all the services it might render to the other SEFO functions, partly through introduction of computer technology, in order to assure cost control and stability of the volume necessary for break-even.

b) Through the development, with supervision from a Supervisor/Trainer Adviser, of a field service (Business Advisory Service or BAS) which will help build the volume and quality of SEFO's portolio by rendering assistance to businesses which have become, or have immediate potential for becoming, SEFO loan recipients. The BAS' functions will include marketing and business development work aimed at attracting potential borrowers; work with them in identifying or more closely specifying projects and loan needs, including assistance with loan applications to SEFO; and follow-up work, advising and monitoring the progress of loan recipients' business. BAS will work closely with SEFO's existing staff, particularly with SEFO's Project Analysts on the progress of loan applications and follow-up work. It is envisaged that BAS will be incorporated into SEFO by the end of the program period.

c) Through the expansion of SEFO's equity capital base by means of an AID capital grant to SEFO. SEFO's main financial problem is matching the net cash outflow resulting from lags between collections and disbursements as it expands its portfolio. The proposed capital grant will directly help with this during 1984 and 1985, but more importantly will provide SEFO with a lever to secure during 1984 to 1986 commitments from other sources of larger amounts of soft loan capital for the succeeding years. AID/Liberia will become an ex-officio member of SEFO's Board of Directors as a result of this assistance.

The expected results from the project are assistance to the

small enterprise sector through expanded provision of SEFO loans (it is anticipated that several hundred businesses will be loan recipients during the project period); a build-up of SEFO operations past break-even point to profitability; further assuring the sustainability of the financial soundness thus achieved, by transferring to SEFO an effective field service for developing and following up on loans; and the firm establishment of SEFO in soft loan capital markets, recognizing that ongoing and stable access to these will underlie SEFO's financial viability.

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Project Background

SEFO was formally incorporated in August, 1981 after negotiations between Netherlands Finance Company for Developing Countries (FMO), and Liberian Institutions, most prominently, Liberian Bank for Development and Investment (LBDI) and Liberian Finance and Trust Corporation (LFTC) but also including Partnership for Productivity, Liberia (PFP/L), among its original founders. Set-up operations began in January, 1982 with the arrival of longterm advisers from FMO.

FMO has provided both technical and advisers and financial support since the inception of SEFO.

FMO approved two loan facilities for SEFO in 1981; the first loan is for DFL 2,750,000 or approximately US$1,375,000 as of 11.20.81 exchange rates and a conditional loan of $250,000. The second loan was intended for institution building and investment in risk capital but was amended in 1983 to allocate the amount of $150,000 to capital subscription and the balance as an ordinary loan but with the possibility of ultimate conversion to paid-in capital. FMO loan capital carries an interest rate of 2.5% per annum.

A technical assistance grant of DFL 500,000 was also approved in 1981 to finance the expenditures for two advisers for a period of 2 years starting December 15, 1981 and another amount of $205,000 to finance cost overrun, foreign exchange fluctuations and the extension of the services of the advisers for one year or until the end of 1984.

FMO also financed the cost of conducting the feasibility studies in the SEFO program.

Two advisers spent a total of 42 man-months for the period 1982-1983. During the initial year the two advisers were assigned to Monrovia to advise management on the building up of the institution, and during the second year, one of the advisers organized the Branch Office in Nimba County. He continued under an extension of his contract to provide full-time longterm advice to both the Nimba Branch Office and the Head Office in Monrovia.

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Under an agreement with the Government of Liberia represented by the National Bank of Liberia, the World Bank opened a technical assistance facility in 1981 totalling 3.38 million dollars for development of small and medium scale enterprises in Liberia. A number of "participating banks", including SEFO and LBDI can tap this facility. However, only SEFO has made use of this facility and the World Bank and National Bank of Liberia have committed $821,000 for small enterprise development. SEFO, in turn, has made use of only about $170,000. Given this limited use of the total 3.38 million dollars available, the World Bank is reluctant to keep this facility available. National Bank of Liberia has recently requested an extension of one year from the expiration date of June 30, 1984 on behalf of SEFO. Whether or not this extension is granted, the facility under its present terms (money is on-lent by NBL to participating banks including insurance companies at 10.5% and these banks in turn must on-lend to small enterprises at not more than 15.5% giving a spread of 5%) is not particularly relevant to SEFO's need: and as noted in the financial narrative on page 24 no further drawing on this is assumed.

Despite the substantial FMO assistance, SEFO remained undercapitalized. The equity capital was supposed to be provided by Liberian institutions while FMO provided the loans. As noted above,

there was a marginal relaxation of this policy when FMO permitted capitalization of 150,000 dollars of its second loan in 1983. However, the bulk of equity capital had undoubtedly to be obtained from non-FMO sources. The financial capability of the Liberian institutions, including PFP/L, to increase their paid-in capital was and remains limited. It was in these circumstances that SEFO, early in 1983, welcomed an approach from CARE/Liberia which raised the prospect of cooperative assistance including in particular a proposed capital grant to be sought from USAID.

In the latter part of 1983, CARE/Liberia submitted a proposal to USAID for such assistance incorporating a proposed $250,000 capital grant. The proposal was not underpinned by any detailed financial analysis, but on that scale it was accepted by the AID mission. However, CARE/International then decided to phase-out CARE/Liberia. The project was left with USAID, the identified funding institution, to pursue. It was decided to look for another private voluntary organization to implement the proposal. PFP/International, because of its current involvement in the country, was identified to undertake the activities where CARE/Liberia left off.

The Managing Director of SEFO, through the invitation of PFP/International went to Washington late in 1983 to discuss the project proposal and identify similarities and differences of the SEFO/PFP Proposal as distinguished from SEFO/CARE Proposal.

A SEFO/PFP Proposal was submitted to USAID Washington and was reviewed by a committee before making its final decision. It was concluded by the committee that the SME's might play an important role in a national program. The proposal, however, contained design weaknesses. While in Liberia, Messrs. Munson and Hazel from USAID Washington visited SEFO's Management in February 1984 and discussed these design weaknesses and collected current information on SEFO's activities. As a result of these discussions, the proposal submitted by PFP/I was approved on March 8, 1984 as a PID-like document (preliminary proposal) subject to the prioritizing of proposed activities, quantifying of targeted goals, and the inclusion of financial analysis attesting to the viability of SEFO. PFP/I was requested to revise their proposal per these instructions in coordination with the USAID Mission in

Liberia and SEFO.

In mid-April 1984, Jerome Glenn of PFP/I Staff, Edwin Cooper, PFP/I Consultant and Randolph Lintz, USAID Consultant, arrived in Liberia to make changes in the proposal. Considerable progress was made in clarifying organizational issues, but USAID requested further work on financial issues and general drafting. In late May 1984, James Keddie, PFP/I Consultant, followed a week later by Andrew Oerke, PFP/I President, came to discuss these issues and finalize the proposal now submitted.

PFP/I Experience

PFP/I through its sister organization PFP/Liberia, which sits on SEFO's Board of Directors and was involved in SEFO's creation, has been aware of the problems of the Liberian Small Enterprise Sector and has informally given advice on them prior to this proposal. No one has yet systematically addressed the problem of poor business practice in the sector. However, PFP/I has 14 years experience in design, management and training, business development, financing, and extension advisory institutions in the Third World. As a result we recognize the contribution that private sector growth can make to Liberia's development process. PFP/I created PFP/Liberia and through close collaboration has been familiar with the complex development challenges within Liberia over the past ten years. PFP/I has trained program managers, trainers, evaluators, loan officers, and extension business advisors and has prepared training systems in accounting, business planning and feasibility study tools for literate and non-literate small business entrepreneurs.

The chart on the following page is an overview of PFP/I's philosophy of development:

[illegible] PROGRAMS & PROJECTS

[illegible]
Small Business
organization devpt

[illegible]
Integrated economic &
agricultural devpt [illegible]
competition with [illegible]
[illegible] & program
Appropriate technology

[illegible]
Small Business
organization devpt
plus integrated
economic devpt

[illegible] Volta
Small Business
organization devpt
Women's credit coop
Credit assistance

[illegible]
Integrated economic &
agricultural devpt.

[illegible]
Small Business
Organization devpt
Paralegal service
Credit assistance
[illegible] & program

[illegible]
Integrated economic
devpt

[illegible]
Extension training
Power & investment

Honduras
Extension training
Technical assistance
Economic analysis
System design
Management assistance

Jamaica
Business adviser
training
Ag. marketing strategy

Costa Rica
Economic analysis
Ag. marketing strategy

Caribbean Basin
Economic analysis
Identification of
investment opportunities
Seminar

[illegible]
Small Business assistance
Management training

[illegible] system
Program monitoring
[illegible] Data Base

Studies for Small Business
& Technical Assistance
Senegal
Morocco
Mali
Chad
Burkina Faso
Cameroon
Liberia
Guinea
Togo
Niger
Nigeria
Sierra Leone
Mauritania
Rwanda

PROGRAM ELEMENTS

Training
Info & communications
Credit
Management
Feasibility -
Economic analysis
Business start-up
Agriculture
Evaluation
Recruiting
Staff devpt.
Investments
NGOs
Administration
Institutionalization
Appro. technology
Women's program
Legal assistance
Devpt. foundation
Domestic devpt.
Attitudinal & cultural devpt.
Computer conference
Trade bartering

STRATEGIES (Multipliers)

Implementation
Methodology
Training
Collaboration
Networking
Policy impact
Documentation (info & commun)
Private sector investment
Regional studies & programs
Sustainability & surplus
Bureaucratic reorientation
Devpt. education
Domestic activities
Evaluation
Organization building
Intl.-Domestic Entrepreneurial devpt.

PRINCIPLES

Self-reliance vs. dependency
Participation & control vs. imposition
Holistic vs. sectoral
People-centered vs. institutional
Cooperative vs. competitive
Creative vs. descriptive
Learning process/ flexibility/ appropriateness vs. blueprint

FOCUS

Two-way conversation & Increased productivity & Value added integrated economic devpt.

OBJECTIVE

Release & Creation of human potential through Economic devpt.

GOAL

Development

Source - Combined vision of PVO staff, Board, clients, donors

Purpose - Celebrate vision of a better world & make it happen

Tool - Serving with SKILL for (illegible)

TRUE MECHANISM OF APPLICATION AND IMPLEMENTATION

Development Potential and SEFO Markets

The only fully-developed part of the Liberian economy is the enclave or concessionary sector dominated by large international companies and a limited range of primary export commodities - iron ore, rubber, timber. The monetized non-concessionary sector, both formal and informal [1/], and the non-monetized sector based on subsistence agriculture offer great scope for further development.

Within this scope, attention may be focused on particular subsectors offering potential to small/medium Liberian enterprises. The latest general exercise was conducted in 1982, when the German Agency for Technical Cooperation (GTZ) developed for the Ministry of Planning and Economic Affairs a nation-wide listing of industrial development investment opportunities and proposed locations for these activities to occur.

The GTZ selections were made on the basis of the following criteria: availability of production inputs at various locations; type of production methods required; accessibility to markets for products; and existence of backward and forward linkages. Based on these criteria, GTZ saw potential for small and medium scale enterprise in several productive sectors: animal husbandry, including poultry farming, tanning and leather production, and fisheries; food-processing of various types; building materials and pottery; wood-based products, including furniture, small wood items, paper conversion, and charcoal; simple metal working; textiles and clothing; and miscellaneous products such as soap, glue, and simple glass products.

Such analyses and selections are only rough indicators of potential areas of investment by SEFO loan recipients. Participation in any of them by new investors would require investigation on a loan by loan basis - one field where the Business Advisory Service (BAS) would be brought into play.

1/ Informal enterprises are those not licensed or registered with the Ministry of Commerce. Typically these are small, examples being sidewalk vendors, smiths and other village or urban artisans, and car repair shops.

Attractive as potentials identified by sectoral analyses may be, during SEFO's first few years, its loan portfolio will have to rely particularly heavily on the further development and expansion of businesses already in existence. Existing enterprises have after all (some) assets and markets already in place, and some record of management competence and reliability on which to base assessments of loan-absorptive capacity and creditworthiness.

In a word, the existing population of small enterprises comprises the bulk of SEFO's immediate development potential and target market. Since SEFO's purpose, together with that of the proposed program of assistance, is to help broaden the economic base, its target is Liberian owned small and medium-scale enterprises (defined as employing fewer than 20 individuals) characterized as follows:

1. Those engaged in economic activities which add value, preferably to indigenous resources and have the potential to generate employment.
2. Those engaged in construction activities.
3. Those providing repair and other services, and
4. Those in wholesale and retail trade who are to be considered on a case-by-case basis with regard to their specialization or the carrying capacity of a particular geographical location.

The following data describe the nature of enterprises in the targeted sectors:

a. Manufacturing*
(Greater Monrovia area only)

Category	Number of Firms 1982
Textiles	411
Furniture/Upholstery	167
Non-Metallic Minerals	105
Food (Mainly Bakeries)	45
Jewelries & Arts	40
Printing	31
Others	50
	849

of which 93.5%, that is 794 firms, employ less than 20 people.

* Source: Ministry of Planning and Economic Affairs, 1982 Economic Survey of Liberia

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b. Construction*
(nation wide)

Category	Number of Firms 1983
Total	51

of which 52.9%, that is 27 firms, employ less than 20 people.

2. Services**

Category (Montserrado County	Number of Establishments
Educational Services	43
Auto/Other Repair	32
Laundry/Dry Cleaning	9
Electrical Workshops	9
Insurance	7
Other	50
Total	150

of which 70.8%, that is 106 firms, employ less than 20 people.

The above data gives only the order of magnitude (794+27+106=927) of the existing target population of enterprises. Many small-scale firms are not registered with the national social insurance scheme and the Ministry of Commerce, and are thus underepresented in official estimates of firm populations and employment. It is, for example, rather doubtful that there should exist in Liberia, as a literal reading of the above data would indicate, only 27 small construction firms. Underrepresentation is impossible to estimate with any precision. However, given also that the two largest sub-populations (manufacturing and services) are for the Monrovia area only, underrepresentation is likely to be substantial, (e.g. as much as 50%), overall.

It will to some extent be offset by non-Liberian participation in the sector, estimated at ownership of one-third of small firms (employing) less than 10 people) in a 1979 survey.***

* Includes Financial Institutions, Medical and other services
Source: National Social Security and Welfare Corporation, 1982 Employers Directory

** Small-Scale Enterprises in Liberia: A Preliminary Assessment
Sawyer-Mayson and Bumfo, 1979

mbining the two factors yields a revised estimate of the target popula-
on at 927 x 2 = 1,856, of which 2/3 are Liberian owned, or a total of
236 firms. This notional estimate indicates a probable range of 1,000
1,500 for the existing population of target firms. Given this range,
seems reasonable to suppose that, including firms which may come into
ing during 1984 through 1989, SEFO's target population in the primary
arget sector of manufacturing, construction and services will amount
1,500 firms. With loans to these sectors projected to reach 380 (see
EFO Loan Activity Projections, page 26), the implied market penetration
s 380/1,500 or 25%. This is a relatively modest figure over a five-year
eriod to a sector currently little served by the banking system.

In the trading sector, loans are projected (again see page 26) to 335
irms. Since Liberians are most prominent in the small trading sector,
he target population of firms there is almost certainly greater than in
anufacturing, construction and services. Therefore, the implied market
enetration is lower (smaller number of loan recipients, larger popula-
ion of firms), which is in accord with SEFO's objective. Despite this,
rojected activity in the pure trading sector will be of significant
olume, since (a) many traders do offer a service of real value to a
ommunity; (b) trading in certain commodities, for example, produce may
e anticipated to lead on to activities with greater value added, such
s agro-processing; (c) profits gained in trading may provide entrepre-
neurs with the equity capital to match against subsequent term loans for
anufacturing, construction or service enterprises.

There thus seems to be adequate market potential for the development
f SEFO's loan portfolio. Furthermore, such development offers signifi-
ant employment benefits at relatively low costs. In SEFO's experience,
roughly $6,000 of total assets employed by its borrowers generates one
new job, and the typical debt-equity ratio is 1:1. Thus $3,000 of
EFO's loan capital will provide a new job. During 1984 to 1989, SEFO
s projected to make about $13.5 million in new loans, thus providing
about 4,500 new jobs. This figure may suffer some attrition due to
business failure of a fraction of SEFO's borrowers. It is nonetheless
substantial, particularly if dynamic factors are considered - multiplier
effects on income and employment, and the prospect of further growth of
many of the businesses assisted.

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Operating Outline

Introduction

As noted above in the section on Project Nature and Results, the erations of the project will consist of financial advice to SEFO from Senior Financial Adviser; and development of a Business Advisory rvice to SEFO clients to help build up the volume and quality of FO's loan portfolio.

The Senior Financial Adviser will be attached directly to SEFO t will work in close collaboration with the BAS sub-project. The S will be directly served and managed by the Project Manager and Field pervisor/Trainer; and the Project Manager will also cover general pro- ct administration and reporting. All these three senior project aff will be expatriates.

nior Financial Adviser

The Senior Financial Adviser, working closely with the Managing rector of SEFO, will concern himself/herself with the following items:

- capital structure, and ~~expansion of funding on~~ appropriate terms
- operating policies and guidelines, particularly relating to collection
- ~~improving~~ the effectiveness of the loan application and their review process
- standards for interest rates (and interest rate spread)
- development of the loan supervision and collection process
- portfolio monitoring and analysis
- cost analysis identifying break-even points for loan-related activities
- means for financially integrating BAS into SEFO

Other more specific activities of the adviser should include the llowing:

1. An important element of capital expansion will be a series of visits to other donors to request soft loans. The Senior Financial Adviser will be responsible for preparing the necessary documents in support of these requests, and may well participate in these visits.
2. Examining the staffing structure of SEFO and consider the factors involved in changing this structure to allow for:

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a. Management support and back-up

b. The re-alignment of some job descriptions to allow overlaps so that employees can fill in adequately for each other in the event of sickness, vacation, or resignation by anyone, particularly individuals whose responsibilities do not have the necessary back-up. For instance, at this time, the accounting function at SEFO does not appear to have adequate back-up to cover unforeseeable circumstances.

c. The changes which are envisaged which result from the deployment of the field staff and also from the expected in-house training program and PCV[1] training in co-ordination with events in the field.

3. Reviewing the existing operations manual. It appears that the plans outlined in the manual are only being followed 50% to 70% at the date of this proposal. The manual itself is only a "provisional" one and should certainly be updated at an early point, particularly where it is related to the Credit Department and to lending policies and procedures. The update should include adjustments made in accordance with present conditions, both in SEFO and in the marketplace.

4. Attempting to speed up the disbursement and collections process. Inter alia, the Adviser will investigate ways to cut back on the amount of time taken up by analysts in the office. At present, it takes an average of 6 weeks to execute the first disbursement:

- 3 weeks for project preparation
- 3 weeks for documentation, approval and then disbursement

A computer will be applied to the accounting function; one of its first tasks will be to produce interest payment demand notices.

5. Reviewing delinquency controls in cooperation with the Business Advisory Service. A planned program regarding bad debt recovery will have to be laid out. At the end of March

1984, some 17.5% of the dollar volume of the loan portfolio was more than 90 days overdue (by dollar volume, of the total overdue amount, 26% of this was in arrears by more than 90 days and 74% by more than 180 days). The present delinquency picture is distorted by the fact that SEFO is a new operation and has not reached the stage at which a true delinquency pattern has emerged. This position will have to be monitored on a continuous basis.

Examining the containment of certain costs. Items such as an $11,000 expenditure for accounting/audit/legal fees should be looked into in addition to the reasonableness of proposed figures which on the face of things appear to be on the high side: the latter includes proposed amounts budgeted for travel and transportation, rental expenses, advertising, etc. The Adviser will also consider reducing the size and expenses of the Nimba County Branch Office and review SEFO's salary structure. In-depth assessments will be performed and recommendations made regarding which changes (if any) should be made, after discussing the problems involved with SEFO Management.

siness Advisory Service (BAS)

ojcct Manager

The Business Advisory Service will be managed by the Project nager. He will supervise two people who will assist him in this task. e of these individuals will be the Office Manager, a Liberian, who the oject Manager will be training to take over from him at the time of the rmination of the Project Manager. The other individual will be the eld Supervisor/Trainer.

The duties of the Project Manager will include getting the ogram started. Thus at the beginning, he will be expected to hire the eld staff of five Field Officers. Through the Field Supervisor/Trainer will be responsible for overseeing the training and development of e Field Officers. As Project Manager, this individual will be responble for developing evaluation procedure for all staff members and eing that proper personnel records are kept. He will also be responsible r purchasing all office equipment and furniture as well as finding fice space.

The Project Manager will be responsible for establishing salary vels and for insuring that all staff have job descriptions. This sponsibility extends directly to the Peace Corps Volunteers as well. is particularly important that they be made an integral part of the ogram.

It will be the primary responsibility of the Project Manager to e that there is an adequate and appropriate level of cooperation tween BAS and SEFO. Although it is anticipated that links of cooperation and mmunication between members of both organizations will exist at many vels it will nevertheless be up to the Project Manager to manage this lationship setting the ground work for the eventual integration of the o organizations.

The Project Manager will be responsible for all liaison activity tween BAS and other organizations both in Liberia and outside the untry. Some of these organizations include NIC, LBDI, VITA, Peace rps Liberia, ITDG (London) and various training centers in Liberia, rope and the United States. It is anticipated that BAS will make use expert technical advice for clients from time to time. The Project

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Manager will be responsible for supervising this, making the final decision in collaboration with SEFO when to use such advice.

The Project Manager will also be responsible for producing policy manuals governing the relationship of field staff to clients, personnel policies, procedures for purchasing and financial control and policies governing the use of vehicles.

Progress reports will be made as appropriate by the Program Manager.

The Office Manager

The Office Manager, a Liberian, will be responsible for the daily supervision of the Field Staff. He will review work logs and make assignments. The Office Manager will also work with more sophisticated clients for which the ~~field~~ staff may not be trained or have sufficient experience.

Field Supervisor/Trainer

The Field Supervisor/Trainer, an expatriate, will be responsible for training all field officers. His duties of training will require that he conduct classes in the office as well as accompany Field Officers in the field. He may, as it seems appropriate, also hold classes for businessmen and women as well.

The Field Supervisor/Trainer will also work closely with SEFO Analysts and may from time to time either in formal sessions or informally conduct training sessions for them. This individual will work with the Office Manager to be sure that all policies regarding transportation and work assignments are adhered to.

Peace Corps Volunteers

The five Peace Corps Volunteers will spend about 70 to 80 percent of their time in the field. They will work on a one to one basis with Field Officers during most of this time. Due to the wide range of ability of the PCV's, consideration will also have to be given to how each individual can best be utilized by the organization.

At least one PCV may spend 20 to 30 percent of his time working to train the SEFO Analysts and also assisting the Senior Financial Adviser.

Business Advisory Service (Activity Description)

Five Field Officers are envisaged for the BAS, plus the transfer of one of SEFO's Managers as Field Officer and counterpart to the BAS Supervisor. The BAS will take on the work of developing clients and loan proposals, leaving the Project Analysts freer to concentrate on appraisals. The specialization, together with the increase in total manpower from 5 Project Analysts to 5 Project Analysts plus 6 Field Officers, should sharply increase the effective loan-generation capacity.

The problem with many small business assistance and information programs is that they skim off the surface a certain number of reasonably good businesses to assist. This makes everything look good at the beginning, but then you have a hard time creating new projects. This leads to helping retailers because they are most likely to have collateral, are a low risk, and the best educated. This often merely enriches them while doing little to the overall economy. Unless you are in a situation that needs a trader for an area not currently served, then you are not helping the whole economic chain.

We prefer to base our approach on development work with entrepreneurs, individually or in small groups, identifying what is needed to get their projects moving. In line with this approach, the Business Advisory Service (BAS) will provide the following:

- Business skills training
- Loan application preparation assistance and project analysis
- Post-loan business consultancy
- Technical assistance referrals and coordination
- Assistance with SEFO collections
- Coordination with SEFO Analysts

Business skills training has two forms: (a) 1½ hr. weekly orientation sessions, and (b) on-location one-to-one teaching.

Preloan Orientation: In order to improve both SEFO Project Analysts' (SEFO/PA) and PFP Field Officers' (PFP/FO) productivity, we initially propose orientation sessions on a weekly basis. These will be conducted by the Field Supervisor/Trainer. Each session would last ½ hours and take place at the same time and location. Prospective clients would be invited to attend upon first encounter with SEFO or PFP. The first week of each month would cover SEFO requirements, how

BAS works, and entrepreneurial spirit. The second week's session would teach introduction to cash book, cashflow analysis, and general bookkeeping. The third week's session would address the elements of marketing, and the fourth 1½ hour session would teach how to prepare a business plan and explain credit as a tool of business, and SEFO's credit policies. These sessions would be introductory in nature to act as a screening process to:

1) identify promising entrepreneurs;
2) save office and field time by explaining policies and teaching basic skills so that SEFO and PFP staff do not have to begin at the beginning with every potential client; and
3) receive some indication of client sincerity.

These session, however, will be conducted only when a sufficient number of clients exhibit the need for such group meetings. While group training can play its part, the ultimate goal of the BAS is not in terms of how many individuals have gone through such sessions, but how many new loan applicants (and successful ones) the BAS has brought to SEFO.

b) On-Location Training can begin during or after the orientation session. The Field Officer's first responsibility is to gain the trust and respect of the potential client. Since the client has most likely attended at least one orientation session, the client will understand that the Field Officer's visits are part of the loan process. On the initial visit, the BAS Field Officer will reinforce the orientation session's explanation of SEFO requirements (insurance, proforma invoice, tax clearance, credit references, project investigation fee, collateral, etc.) and assess what business skills need improvement, begin the process of preparing the necessary information for the SEFO Project Analysts, and reach a general agreement about how the client and Field Officer will work together. Since the client's degree of readiness will vary, there is no set number of visits required prior to referring the client to the Project Analyst. However, when the Field Officer judges that there is a good change that the client will qualify for a loan, then the Field Officer meets with the SEFO Project Analyst to:

1) begin the credit check, which takes one month;
2) identify what additional information will be necessary;
3) identify if there are any special considerations for that kind of business; and

3) How that business may relate to or link with other SEFO clients.

When the Project Analyst has received management's preliminary -ahead to approve the project, the Field Officer tells the client to pay .e 1.5% loan fee. No further on-location consultancy will occur until .. fee is received.

Loan Application Preparation Assistance and Project Analysis - In .e past, SEFO has rejected many applications due to their lack of ade- :ate information and poor preparation. Therefore, a high priority of :e BAS will be to assist in the preparation of loan applications as dis- :ssed above.

The World Bank has evaluated the project appraisals and found :em to be of the highest quality. However, SEFO assumptions of the day- -day business reality are hindered by a lack of field information. Over % of the Project Analyst's time is spent in the SEFO office due to the :creasing volume of loan applications and cost containments; it is un- .kely that the percentage will change much. The Field Officers will :form a valuable service by providing preliminary project analysis :ring the field consultancy giving greater reliability while increasing :an volume.

Clients and Project Identification - BAS will attempt to discover :trepreneurs that could become SEFO clients. PFP/I will seek to identify :e gaps in economic development that could be filled by new businesses. :e National Investment Commission has the primary responsibility to :entify investment possibilities and refer prospects to SEFO for credit. P/I will work with NIC to identify potential businesses. We will also :cure information as to the supplies, machinery, skills training, and :st estimates necessary to begin the business. A large number of :tential businesses have been listed previously in this proposal. This :uld be extended by the potential for small cottage industries that :n be "transplanted" to Liberia. PFP/I will work with NIC to supply :e necessary background for the start-up of such cottage industries. :roughout the project PFP/I will work with NIC to assist its staff in up- :ading its ability to provide project identification and will provide :nds for both national and international technical assistance.

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Post-Loan Business Consultancy - It is characteristic of the ll enterprise sector in developing countries that if you give the money run, the client will take the money and run. The current and expected k load of SEFO Project Analysts is such that it is not possible to quately follow up clients in the field. Secondly, the Project Analyst s not give business consultancy as such. Although business skills ining is part of the pre-loan process in this proposal, general busi- s consultancy after the loan will be valuable to help ensure that business grows sufficiently to pay back the loan. The Field Officer ld not only up-grade the original business management skills but vely seek interlinkage possibilities among SEFO clients and the rest the economy. The Field Officer would visit each client at least once month.

Technical Assistance Referrals and Coordination - Before or after oan is made, a client may need technical assistance beyond the field cer's capability. The Field Officer will first seek local techni- assistance. If it cannot be found by the Field Officer, the Field rvisor in conjunction with the Field Officer will attempt to find necessary information with the help of PFP/I.

Assist In ormation Collection and Analysis - Past and potential FO client information will be systematically stored to help identify ential linkages and opportunities for economic growth. Computeriza- on of the SEFO accounting and information system will take place prior embarking on data collection and analysis. Over time, the BAS will velop a data base of resources available to clients.

Assistance with SEFO Collections - In the normal course of field nsultancies, the Field Officer will be able to anticipate loan re- yment problems and take measures to help the business manage to make rrective measures. Currently, SEFO is experiencing a serious collec- on problem which can only worsen without such BAS assistance. Field icers will be able to check whether clients received and understood FO's monthly payment notice.

Coordination with SEFO Project Analysts - Essentially, a SEFO ject Analyst is an office worker who approves projects and may only it a client once in the field to check on collateral and business bility. The BAS Field Officer is a field worker who concentrates the entrepreneur's business practice, and may only spend 10% of his

time in the offices of the BAS or SEFO. Hence, Field Officers and Project Analysts will spend about 20% of their time together coordinating activities described above.

At the mid term, evaluation recommendations will be made as to which elements of the BAS program will be folded into relevant agencies such as SEFO and NIC.

Field Officers will range from high school to college graduates, be highly intelligent and motivated, care about the development of Liberia, have some business and/or teaching experience (helpful), be able to gain the confidence and respect of a cross-section of people, and be willing to spend 90% of his or her time in the field. This personnel pattern and the use of a mix of BAS vehicles and public transportation, will keep operating costs down, so that SEFO can take over the BAS loan development functions at the end of the project. Preparation for this would commence with payments into an escrow account in 1987, 1988 and 1989. The invested proceeds from the account would then partially meet the costs of BAS to SEFO over the succeeding 3 years. Thus SEFO would have a six-year transition to meeting the full BAS costs from current operating budget.

While SEFO will benefit from the efforts of the BAS the financial viability of incorporating the BAS into SEFO will be continually assessed during the life of the project. This will give the Managing Director of SEFO the flexibility to accept (or not accept the BAS) and in what form.

TIME FRAME FOR PROJECT:

ACTIVITY/TASK

		Year 1				Year 2				Year 3				Year 4				Year 5			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1.	Arrival of PFP/I Advisers	X																			
2.	Open BAS Office in Monrovia	X																			
3.	Hire Staff	X																			
4.	SEFO Relocation (Anticipated)			X	X																
5.	Train BAS Staff	X		X			X														
6.	Purchase of Vehicles and Equipment	X																			
7.	SEFO Capital Grant Subsidy/LBDI Debt Retirement	X					X														
8.	Develop and execute SEFO Loan-funding plan	X	—	—	—	—	—	—	—	—	X										
9.	Technical Assistance to Clients		X	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10.	SEFO Staff Structural Analysis		X	X																	
11.	Quarterly Reports to USAID, SEFO and PFP/I		X	X	X		X	X	X	X		X	X	X	X	X	X	X	X	X	X
12.	Portfolio Monitoring System		X	X																	
13.	Bad Debt Recovery Plan			X																	
14.	Review SEFO Operations Manual			X									X								
15.	Internal Evaluation								X											X	
16.	Computer Training			X																	
17.	Independent Evaluation												X								X
18.	Overseas SEFO Education																				
19.	BAS Escrow Account Established																				

:NT OF QUALIFICATION: EXPATRIATE STAFF

PFP will hire a Senior Financial Adviser, (SEFO), a Project (BAS) and a Field Supervisor/Trainer (BAS), with the following :cation:

Senior Financial Adviser - Ph.D. or equivalent, 10 years ex- :e in financial analysis, at least two years experience working a: :ser in the developing world with proven effectiveness in that :evelopment banking expertise, and experience with board relation:

Project Manager - Masters degree or equivalent, five years :trative and/or coordination experience, at least two years of :s development work, highly motivated, proven personnel managemen: mance, strategic economic analysis (helpful) and Liberian ex- :e.

Field Supervisor/Trainer - a Masters degree or equivalent, at :en years work experience, two of which were in a similar develop :apacity in developing countries, highly motivated, has created :sses in Third World; and has appropriate technology background :ul).

nancial Projections For SEFO

rrative

Pages 26 - 34 present conservatively-estimated financial projections. ese are hopefully largely self-explanatory in respect of specific tech- al assumptions, and the purpose of this narrative is to provide an erall perspective.

The projections are based on independent examination of the finan- al evidence and the assumptions derived therefrom have been checked ainst the opinions of senior figures in the Liberian financial sector, o regard them as realistically conservative.

The following points are salient:

1. SEFO is in a business which inevitably involves high risk d. because of the small average size of its loans, relatively high ocessing costs per dollar disbursed and collected. That is why the er banks in Liberia have avoided serving its target sector, which is wer of great developmental importance.

2. It is expected in the Liberian financial sector that most ans will not be repaid on schedule. SEFO's emphasis is largely and creasingly on term loans which inherently lag collections behind sbursements very considerably; and collections themselves are reduced high bad debt ratios to be anticipated as SEFO and its clients evelop experience. Thus there will be substantial gaps between collec- ons and disbursements as the portfolio develops which will require nfusions of long-term funds.

3. SEFO needs a large interest-rate spread on its operations. he business of providing the initial loan capital to assist small usinessmen start and grow to the point where they enter the risk/cost ange of large banks, is and will remain a high risk one. Eventhough rite-down ratios will progressively fall, provisions for bad debts ill remain a major expense item in the income statements. Therefore, he flow of funds projections assume that most of SEFO's financing eeds would be met in the form of 2.5% interest-rate soft loans. No urther use of World Bank funds is assumed - under present terms their pread is only 15.5 - 10.5 = 5% - unless and until these terms can be enegotiated.

4. However, given soft loan capital, SEFO is projected to reach effective break-even by 1988 - even after provision for bad debts - and thereafter should move progressivelu and substantially into the black; this, despite the conservative write-down assumptions used.

5. Thus SEFO would appear to have a chartable path towards financial soundness and substainability. However this will require, to to break-even by 1988, supplemented by $5.15 million in soft loans assuming $0.75 million grant capital subsidy ($0.50 million committed without further conditions, and the remaining $0.25 million being conditional upon SEFO securing funds from other sources remand of $0.25 million) being available ($0.25 million of this being used immediately to retire the expensive (15.5% LBDI loan). At present, SEFO's undrawn access to soft loan capital is limited to the remainder of the FMO loan, approximately 600,000 dollars. Providing a grant infusion to bolster SEFO's equity base would create a strong lever to raise the larger needed amounts of soft loans. This is particularly so, since it will be seen from the funds flow statement that SEFO would start to have a surplus on operating account by 1986. The use meanwhile of the projected grant infusion of $0.75 million plus the $0.6 million remaining FMO soft loan facility, would enable SEFO to build up its portfolio toward this stronger bargaining position for additional soft loans.

LOAN ACTIVITY PROJECTIONS

Year	1984	1985	1986	1987	1988	1989
New Term Loans	25	35	55	80	90	95
New Short Term Loans	75	75	80	75	80	80
Total New Loans 1/	100	110	135	155	170	175
Repeat Short Term Loans		25	55	60	55	50
Re-Repeat Short Term Loans				15	25	30
Total Repeat Loans		25	55	75	80	80
Total, All Loans	100	135	190	230	250	225
Average Loan Size						
'000s						
Term Loans	18	18	25	25	30	30
Short Term Loans	6	6	7.5	9	9	9

Cumulative new loans made, 1984-'89:

Term Loans 380
Short Term Loans 465
Between 100 and 150 (say 130) new short term loans are assumed to be made to firms which have previously received term loans. (This form of loan repetition is distinct from repetition of short-term loans themselves, which is set out in the annual schedules above).

Thus total firms served are;

380 receiving term loans, in the manufacturing, construction, and services "productive" sectors, of which 130 also subsequently receive short term loans; 335 firms receiving short term loans only, in the 'pure trading' sector.

DISBURSEMENTS

Note: Term loans are disbursed 50% in year loan made, 50% year after for loans made in years 1984 and 1985. 70% in year loan made, 30% in year after, for loans made in 1986 and 1987; and 75% in year loan made, 25% in year after, for loans made in 1988 and 1989.

Short term loans are disbursed 100% in year loan made, all years.

000's $	1984	1985	1986	1987	1988	1989
Term Loans	424 1/	540	1278	1812	2625	2813
Short Term Loans	471 2/	600	1013	1350	1440	1440
	895	1140	2291	3162	4065	4253

1/ Includes 199,000 undisbursed balance from 1983.
2/ Includes 19,000 undisbursed balance from 1983.

COLLECTIONS OF LOAN PRINCIPAL

Term Loans

	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7
Official Schedule	12.5%	25%	25%	25%	12.5%	-	-
Projected Schedule before write down:							
a. (Loans Made 1983-84)	5%	18%	18%	18%	18%	18%	5%
b. (Loans Made 1985-89)	8%	20%	20%	20%	20%	12%	-
% Projected write downs of collections							
Term Loans Made in	1983	1984	1985	1986	1987	1988	1989
	25	20	20	17.5	15	15	12.5

Short Term Loans	Yr. 1	Yr. 2	Yr. 3
Official Schedule	50%	50%	-
Projected schedule before write down:			
Loans repeated 1984 - 1985	33%	67%	
Loans not repeated 1984 - 1989	33%	33%	34%
% Projected write downs of collections			

Short Term Loans Made in	1983	1984	1985	1986	1987	1988	1989
	10	10	10	7.5	7.5	7.5	7.5

PROJECTED COLLECTIONS 000'

	1984	1985	1986	1987	1988	1989
Term Loans	66	149	301	573	961	1406
Short Term Loans	268	471	662	956	1207	1076
Total	334	630	963	1529	2168	2482

INCOME FROM LOANS 000' $

	1984	1985	1986	1987	1988	1989
Project Investigation Fees (1.5% of Loans made)	14	18	36	50	61	64
Commitment Fees 2% of undisbursed balance	4	5	7	10	13	14
Penalty Interest (5% of accrued interest) 1/	10	18	30	49	71	92
Interest						
1) Term Loans						
Average of year end outstanding portfolios before write down	323	698	1382	2491	3941	5438
write down %	27½	27½	25	25	25	23
After writing down	234	506	1037	1867	2956	4187
x 18% Interest Plus 2% Service Charges	47	101	207	373	591	837
2) Short Term Loans						
Average of year end outstanding portfolios before write down	329	494	734	1106	1420	1668
Write down %	10	10	10	10	10	10 2/
After write down	296	445	660	995	1278	1509
x 22% interest	65	97	145	219	281	330
Total Income from Loans [a + b + c + d.1 + d.2]	140	239	425	701	1017	1337

Arrears computed at 15% of loans made each year written down by write down factors for collection. Penalty interest assumed paid on this arrears base over the entire period of collection of a loan.

Write downs for interest base are higher than those for collections, since bad and doubtful debts weigh more heavily in outstanding portfolios as good debts are paid off.

FIELD SERVICE (BAS) COSTS 1/

	Year 1 $	Year 2 $	Year 3 $	Year 4 $	Year 5 $
TAFF					
Field Officers					
3 x $4,000/year 2 x $5,000/year	22,000	23,100	24,255	25,467	26,740
Office Manager	8,400	8,820	9,261	9,724	10,211
Drivers					
3 x $2,000/year	6,000	6,300	6,614	6,946	7,293
Office Boy/Janitor	1,800	1,890	1,985	2,084	2,188
Watchman	1,800	1,890	1,985	2,084	2,188
[illegible]	40,000	42,000	44,100	46,305	48,620
[illegible] Benefits	2,800	2,940	3,087	3,241	3,403
TAFF TOTAL	42,800	44,940	47,187	49,546	52,023
RANSPORTATION					
[illegible]					
(including 1 Heavy Duty) 2.5 gallons x 52 weeks x $3.25	6,338	6,655	6,988	7,337	7,704
aintenance x $800	2,400	2,520	2,646	2,778	2,917
nsurance x $850	2,550	2,678	2,811	2,952	3,100
UB-TOTAL	11,288	11,853	12,445	13,067	13,721
ublic Transportation 20 x $6/day	4,320	4,536	4,763	5,001	5,251
ransportation Total	15,608	16,389	17,208	18,068	18,972
OTAL COST	58,408	61,329	64,395	67,614	70,995

1/ All costs assumed to increase by 5% per year.

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BAS ESCROW ACCOUNT

PAYMENT INTO ESCROW ACCOUNT:

MID-YEAR 3	MID-YEAR 4	MID-YEAR 5
17,387 (27% of cost total) 2/	22,313 (33% of cost total)	29,818 (42% of cost total)

PAYMENT FROM ESCROW FUND:

	MID-YEAR 6	MID-YEAR 7	MID-YEAR 8
	40,726	30,015	18,064
BAS COST TOTAL 3/	74,545	78,272	82,186
BAS COST MET FROM CURRENT OPERATIONS	33,819 (45% of cost total)	48,257 (62% of cost total)	64,122 (78% of cost total)

FUND BALANCES 1/

FUND BY MID-YEAR 6

$17,387 \times (1.10)^3$

+

$22,313 \times (1.10)^2$

+

$29,818 \times 1.10$

=

23,142 + 26,999

+

32,800

=

82,941

FUND BY MID-YEAR 7

(82,841 - 40,726)

x 1.10 = 46,437

FUND BY MID-YEAR 8

(46,437 - 30,015)

x 1.10 = 18,064

Cleared out as Year 8 Payment

1/ All fund balances assumed to be invested at 10% interest p.a.

2/ Cost total for full project year.

3/ BAS cost totals projected to continue to inflate by 5% p.a.

FLOW OF FUNDS (000's $)

	1984	1985	1986	1987	1988	1989
Income from Loans	140	239	425	701	1017	1337
Operating Outflows 1/	-345	-362	-380	-399	-419	-440
Payments to BAS Escrow				- 17	- 23	- 30
Net Flows from Operations	-205	-133	45	285	575	867
Collections	334	630	963	1529	2168	2482
Disbursements	-895	-1140	-2291	-3162	-4065	-4253
Interest on pre-existing debts	-67	-78	-86	-121	-157	-176
Aid Grant Subsidy	500	250				
LBDI Debt Requirement	-250					
Sub-total above Flows	-583	-471	-1369	-1469	-1479	-1100
Opening Cash Balance	353	80	57	74	41	97
Additional Soft Loan Borrowings at 2.5% Interest	300	450	1400	1450	1550	1100
Interest on Additional Soft Loans 2/	-4	-6	-18	-18	-19	-14
Ending Cash Balance before Deposit Interest	66	53	70	37	93	83
Deposit Interest 3/	14	4	4	4	4	6
Final Cash Balance	80	57	74	41	97	89

1/ Based on 1983 audited figures plus internal management projections and to date 1984 reports and in subsequent years plus 5% annual inflation increment.

2/ Additional soft loans assumed borrowed at mid year.

3/ Ten percent on 2/3 of average cash balances.

4/D

BREAK-EVEN: INCOME STATEMENTS

(in 000' $)

	1988	1989
Operating Income 1/	555	847
Finance Charges 2/	-172	-204
Provision for Bad Debt 3/	-393	-283
	- 10	360

1/ Funds from operations less depreciation

2/ Interest on debt (including additional debt for year) minus deposit interest

3/ Cumulative write-downs on outstanding year-end portfolio are as follows:

1987	1988	1989	(000' $)
-734	-1127	-1410	

Thus annual provisions are (1988): 1127 - 734 = 393

(1989): 1410 - 1127 = 283

. Evaluation

USAID will employ independent evaluators to conduct evaluations at mid-term and end of project. It is estimated that these evaluations will involve two individuals for a period of four weeks. PFP/I will conduct their own evaluations at these same points. Provision has been made in the project's budget for all costs of the evaluations.

In addition to the two AID evaluations, USAID/Liberia will conduct an internal review of the project at the end of the first year.

Performance benchmarks and issues which should be raised at the end of year 1, mid-term and end of project are listed below. The subscription of tranches of AID capital grant subsidy will proceed with reference to these benchmarks of progress. The USAID/Liberia internal review and the two evaluations will also take them into consideration.

Performance Benchmarks

END OF FIRST FULL YEAR (July 1985)

1. 100 loans during this period.
2. Average size of loan above $8,000.
3. How many loan applications has BAS generated for SEFO?
4. 20 loan approvals for BAS clients.
5. LBDI loan retired.
6. Substantial progress toward commitments for soft loans from other donors.
7. Improvement of IDA credit terms (lowering of cost of IDA capital, or raising ceiling lending rate to clients).
8. Financial projections to be compared with current actuals.
9. Computer is used to issue payment demand notices.
10. Existence and use of loan recovery plan.
11. Has SEFO Operating Manual been revised?
12. What is the distribution of loans among various sectors (manufacturing, etc.)? Have sectoral emphases been established?
13. SEFO office moved.
14. Vehicles and equipment in place and fully functioning.

MID-TERM (January 1987)

1. 135 loans approved in 1986.
2. Average size of these loans above $13,000.
3. Bad debts reduced below 17.5% of these loans.
4. How many loan applications has BAS generated for SEFO?

5. 40 loan approvals in 1986 for BAS clients.
6. Commitments from other donors obtained.
7. Continued improvement of IDA credit terms.
8. Financial projections to be compared with current actuals.
9. Three members of SEFO staff received overseas advanced development banking education.
10. Discernible improvement in efficiency of SEFO as regards staff role: flexibility, delinquency control systems, accounting and cost containment.
11. Have sectoral emphases in the loan portfolio been identified and acted upon?
12. Has BAS escrow account been established?
13. Can it be anticipated that BAS will be viably incorporated into SEFO?
14. Satisfactory condition of vehicles and equipment.
15. Viability of incorporating the BAS into SEFO.

END OF PROJECT (July 1985)

Cover all topics included at years 1 and 2½, plus analysis of SEFO's capacity to generate positive net income based on access to soft loan capital.

Budget Narrative

BAS Personnel:

Project fund will be used over a five-year period to develop an organization to provide technical assistance to small businesses. At the end of five years the organization established may be absorbed by SEFO.

Initially there will be three expatriates. One assigned for a three-year period to SEFO as a Senior Financial Adviser, one Program Manager hired for a two-year period to start the program and establish operating policies, and one Field Supervisor/Trainer who will work for three years to train and supervise staff.

In addition to this there will be five Liberian Field Officers and one Office Manager.

BAS Equipment/Purchases:

Project funds will be sued to purchase office equipment and supplies to set up the program. In addition 6 vehicles will be purchased to provide transportation for field work and expatriate staff.

Office Space:

Project funds will be used to rent office space for BAS personnel.

Training:

An important part of the design of this program is to provide adequate training and exposure to Liberian staff. Project funds have been allocated for this purpose.

It is also anticipated that small businesses will require a certain amount of expert advice, e.g. in carpentry, ceramics or other light manufacturing/processing techniques. Project funds have been allocated for this purpose.

BUDGET BY FISCAL YEARS

	1984	1985	1986	1987	1988	1989	TOTAL
PERSONNEL							
A) INTERNATIONAL	60000	126000	114400	55900	15500	8000	379800
B) BENEFITS, HOUSING SETTLING IN, HOME LEAVE, INSURANCE	91800	86665	83898	27768	5167	2666	297744
C) NATIONAL	20000	41000	43050	45203	47462	24310	221025
D) BENEFITS	1400	2870	3013	3164	3322	1702	15471
	173200	256315	244361	132035	71451	36678	914040
VEHICLES & OFFICE							
A) 5 SEDANS & 1 HEAVY DUTY	55000	-	-	-	-	-	55000
B) MAINTENANCE, INSURANCE GAS	10000	31020	28949	23861	18520	9480	121830
C) OFFICE EQUIPMENT	50000	20000	-	-	-	-	70000
D) EQUIPMENT MAINTENANCE	1750	5235	4990	5240	5502	2818	25535
E) OFFICE RENT, SUPPLIES, UTILITIES, COMMUNICATION	17000	19000	19700	20685	21720	5778	103883
	133750	75255	53639	49786	45742	18076	376248
TRAVEL							
A) AIR FARE	22300	27040	37822	22524	11484	5835	127005
B) PER DIEM	33180	18232	16546	18728	19115	10050	115851
	55480	45272	54368	41252	30599	15885	242856
TRAINING							
A) TECHNICAL CONSULTING	-	9150	6458	6780	7120	3646	33154
B) OVERSEAS MANAGEMENT EDUCATION	-	20000	10000	-	-	-	30000
	-	29150	16458	6780	7120	3646	63154
SEFU DIRECT PROGRAM SUPPORT FROM U.S.A.							
A) SENIOR STAFF, 10 WEEKS YR. 1, 5 WEEKS YRS. 2-5	-	9711	4139	4346	4563	2337	25096
B) ASSOCIATE STAFF, 4 WEEKS YR. 1, 3 WEEKS	-	3002	1739	1825	1917	981	9464
C) BENEFITS @ 25%	-	3179	1470	1543	1620	829	8641
D) EVALUATION	-	-	6250	-	-	6891	13141
	-	15892	13598	7714	8100	11038	56342
SUBTOTAL	362430	421884	382424	237567	163012	85323	1652640
CONTINGENCY	12570	26646	19121	11878	8150	4266	82631
	375000	448530	401545	249445	171162	89589	1735271
OVERHEAD	-	199544	97294	60440	41473	21709	420460
	375000	648074	498839	309885	212635	111298	2155731
SEFU CAPITAL	125000	375000	250000	-	-	-	750000
TOTAL	500000	1023074	748839	309885	212635	111298	2905731

NOTE: Budgetary requirements per fiscal year have been computed assuming:

a) Project starts July 19, 1984

b) Expenses are covered up to the end of the calendar year, e.g. Fiscal '84 covers 6 months expenditures July 1, to December 31, 1984.

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TRAVEL AND PER DIEM

tes:

All costs (fares and per diem) assumed to inflate 5% p.a.

All travel Washington-Monrovia round trip (year 1 round-trip fare $1,600) unless otherwise stated as follows:

a. Senior Financial Adviser and dependents budgetted for travel Glasgow-Monrovia-Glasgow (year 1 round-trip fare $2,000)

b. Senior Financial Adviser, orientation in Washington, Glasgow-Washington-Glasgow ($1,300 round-trip)

c. SEFO representatives' fund-raising trips budgetted for Monrovia-the Hague-Washington-the Hague-Monrovia (year 1 round-trip fare $2,000)

d. Expatriate staff and dependents budgetted for one-way ticket to Monrovia, year 1, one-way return tickets, year 2 or 4, in line with their proposed durations. One-way tickets assumed 50% of round-trip fare (e.g. Washington-Monrovia $800).

JECT YEAR	1	2	3	4	5	6
ientation, Settling-in, Initial ogram Support (including computer aining and initial BAS training)						
avel	1x 1200 3x1000 6x800 3x1600					
er Diem	7x111 3x30x215 70x111					
ntinued						
ogram Support from PFP ashington						
avel	1x 1637	1x1764				
r Diem	10x115	10x121				
P Year Consultation in ashington						
avel	3x 1637					
r Diem	21x115					
erseas Management Education						
avel	2x 1638	1x1764	3 x 1853			
EC/VITA Volunteer Consultants						
avel	1x1680	4x1701	4x1786	4x1852	3x 1858	1x1858
r Diem	15x115	60x117	78x123	60x127	45x134	20x135

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SOURCES OF FUNDS

PROJECT	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
FMO Soft Loan (Committed)	300,000	300,000	-	-	-	600,000
Additional Soft Loans (To be raised)	-	850,000	1,425,000	1,500,000	1,325,000	5,100,000
FMO Technical Assistance	65,000	35,000	-	-	-	100,000
PFP Liberia (in-kind)	16,000	16,800	17,640	18,542	19,448	88,430
Peace Corps Volunteers	210,000	221,000	232,050	243,653	255,838	1,162,538
IESC and VITA Volunteers	-	9,000	9,450	7,442	7,814	33,706
USAID Request	1,241,394	777,873	477,374	222,593	237,407	2,990,810
			TOTAL, ALL SOURCES			10,075,484

IN ADDITION, SEFO client equity amounts to:

PROJECTED YEAR	Year 1	Year 2	Year 3	Year 4	Year 5	Total
SEFO Client Equity (1:1 with SEFO new loans)	990,000	1,527,500	2,325,000	3,047,500	3,495,000	11,385,000

	1	2	3	4	5	6
Evaluations						
avel		2 x1764				
r Diem		30x121				
ntinuing PFP Technical Assistance						
avel				2x1852	2x1852	1x1852
r Diem				50x127	80x127	36x130
it Loan Fund Raising by SEFO						
avel		6x2195	6x2570	5x2282	1x2278	1x2125
r Diem		29x130	30x136	20x143	10x150	10x150
		24x110	24x116	16x121	13x127	8x130
me Leave						
avel						
patriate						
rmination						
avel			3x840			
			3x1158			
			4x926			
tals						
avel	22,300	27,040	37,822	22,524	11,484	5,835
r Diem	33,180	18,232	16,546	18,728	19,415	10,050

WAIVER REQUEST FOR INTRA-MISSION USE
MISSION ACTION MEMORANDUM

TO: Director Richards

FROM: Frank Manley

SUBJ: Request for approval of a (Procurement Source) Waiver from Geographic Code 000 (U.S. only) to Geographic Code 935 (Selected Free World)

Problem: Your approval is required for the authorization of a (source/origin) waiver to Code 935 for the procurement of the (describe commodities ie., vehicles, repair parts,etc.) required for the effective implementation of this grant.

a. Cooperating Country: Liberia

b. Nature of Funding Cooperative Agreement - Grant

c. Name of Project: Small & Medium Enterprises Development Support Project

d. Description of goods: Vehicles (5 sedans)
(only those items for which waiver is requested.) Vehicles (1 four-wheel drive)

e. Approximate value: (total $ cost) $55,000.00

f. Probable Source: Japan

Discussion: In order to provide the field officers of this project with transportation in the greater Monrovia area 5 sedans and one heavy duty vehicle will be needed. Three of these sedans will be used by the expatriate advisors in the initial phases of the project and the remainder will be used to provide transporation to location where taxis can not be relied on.

Justification: This source/origin waiver request is being submitted for the following reasons:

a. The ease with which parts can be attained ;

b. The local servisability of these vehicles;

c. It is important to the fast starting of the project that these vehicles be obtained as quickly as possible. Vehicles of the type being requested can be obtained "off the shelf" in Monrovia in two weeks or less;

M/