

PROJECT DESCRIPTION**SHOCAS Capacity Building Project****Liberia****I. Introduction**

This Appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Sharpe Home Care Services ("SHOCAS") is a non-political and non-governmental organization established in Liberia to serve underprivileged, vulnerable, war-affected women. SHOCAS provides the women with trauma counseling and small loans. SHOCAS has, in recent years, secured two small loans used to help its members establish income generating activities to support themselves and their families. Many of SHOCAS' clients wish to receive microloans; however, fewer than 25 percent of its clients have benefitted to date from the micro lending program. SHOCAS would like to expand its lending program, but is constrained by an inadequately funded revolving loan fund, weak financial management policies and procedures and weak management capacity.

III. Funding**A. ADF Contribution**

The financial plan for ADF's contribution is set forth in Appendix A.1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. Client Contribution

SHOCAS will contribute time and labor of its Board of Directors, management team and employees. SHOCAS will also make available office space and a rented store.

IV. Project Goal

The goal of the Project is to empower and improve the lives of low-income, war-affected women and their families in the Monrovia area.

V. Project Purpose

The purpose of the Project is to increase SHOCAS' capacity to provide vulnerable, low-income, war-affected women in Monrovia and the surrounding area with access to credit. The total number of microfinance clients will increase from a baseline of 25 to at least 200 in Project Year 2 and also in Project Year 3.

VI. Outputs

- A. SHOCAS develops and institutionalizes a financial and management system that complies with ADF reporting requirements, regularly produces financial documents and reports and loan tracking information that is used by management in its decision making.
- B. SHOCAS' loan portfolio maintains a repayment rate of at least 98 percent throughout the Project period.
- C. SHOCAS' total interest income increases from a baseline of \$1,072 to:
 1. \$2,144 in Year 1;
 2. \$9,220 in Year 2; and
 3. \$10,400 in Year 3.

VII. Activities

- A. Governance Assessment, Reorganization, Training and Documentation

SHOCAS will contract with a consultant to assess the composition and capacity of the present Board of Directors, roles, and responsibilities, recommend appropriate changes to its current structure if warranted, develop training modules and materials for Board Member training and develop a governance manual which shall enable the Board to effectively and efficiently carry out its mandate of policy and strategy formulation, oversight and monitoring of the organization.

- B. Improve Systems, Policies and Procedures

SHOCAS will hire a consultant to work with them to review the existing financial, administrative, and management systems, policies and procedures and enhance them for

effective management of the organization and the loan scheme. An Operations Manual and Human Resources Manual will also be developed.

C. Improve Loan Portfolio Management Capacity

1. SHOCAS will hire a qualified financial manager to perform the following tasks:
 - a. ensure that all loan disbursements are made in line with loan policies;
 - b. maintain an up-to-date, accurate microfinance accounting system;
 - c. ensure complete, accurate and timely monthly, quarterly, annual and other financial reports;
 - d. ensure that microfinance activities are accurately recorded in accounting system;
 - e. prepare profit and loss statements;
 - f. prepare and monitor budget performance;
 - g. prepare and monitor cash flows and funding reports; and
 - h. maintain close communication and information sharing with staff.

2. SHOCAS will restructure its existing staff to support its lending operations. SHOCAS will hire a consultant to provide training in financial systems and processes, and on the operations and human resources manuals that will be developed. SHOCAS will maintain a loan portfolio tracking system capable of reporting the following microfinance performance information:
 1. On-time Repayment Rate
 2. Portfolio at Risk
 3. Operating Income
 4. Operating Expenses
 5. Operational Self Sufficiency
 6. Return on Assets
 7. Total number of Clients
 8. Total Client Savings

D. Lending Activities

1. ADF will provide SHOCAS with additional lending capital for its loan program once it meets ADF's financial certification requirements and systems are in place to adequately administer and monitor an expanded lending program. SHOCAS will establish a sustainable revolving loan fund by Year 3 of the Project. SHOCAS will provide cash loans to its clients at an interest rate that is sufficient to maintain the real value of its loan fund, and to finance the operating costs of its lending program. SHOCAS will assist recipients of its loans to establish and expand independent revenue generating activities. SHOCAS will develop and implement fair policies and transparent procedures used to select recipients and revenue generating activities.

2. SHOCAS will engage the services of a consultant to provide management, leadership, bookkeeping and numeracy training to its clients in order to boost their skills to better manage their businesses and loan proceeds. SHOCAS will also assist clients who establish independent, profitable business activities to access follow-on financing from other financial service providers.
3. SHOCAS will rent and equip additional office space in order to meet the administrative requirements of the Project, and will purchase a used vehicle for monitoring the lending program and administering services to war-affected women.

VIII. Roles and Responsibilities

SHOCAS's management is responsible for ensuring the proper management and implementation of the Investment. The ADF Partner in Liberia will provide SHOCAS with technical and management assistance during the implementation of the Investment.

IX. Monitoring and Evaluation

The ADF Partner will closely monitor the activities of the Project in order to ensure high quality assurance of the reporting as well as ensure the implementation plan is followed. Besides tracking general progress of the Project, it will also continuously assess the identified Project risks so that remedial actions can be taken on time in order to forestall significant adverse impact on the realization of the Project objectives. Monitoring by the ADF Partner in Liberia will be an important aspect of the ongoing coaching and advisory service. The ADF Partner in Liberia will review the entire Project quarterly reports prepared and submitted by SHOCAS and will submit comments and observations to the management of SHOCAS as part of an annual Project evaluation. The two organizations will jointly design the evaluation process, and SHOCAS will incorporate the findings of the evaluation into their annual report.