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Table of Contents

| | |
|--|----|
| EXECUTIVE SUMMARY | |
| Qualitative Impact | 1 |
| Quantitative Impact | 1 |
| Project Administration | 1 |
| Next Quarter's Workplan | 1 |
| KEY ACHIEVEMENTS | 2 |
| Agriculture | 5 |
| Agriculture Policy | 6 |
| Clean/Renewable Energy | 7 |
| Lessons Learned | 8 |
| PROGRAM PROGRESS | 8 |
| PERFORMANCE MONITORING | 16 |
| PROGRESS ON LINKS TO OTHER USAID PROGRAMS | 16 |
| PROGRESS ON LINKS WITH GOK AGENCIES | 16 |
| PROGRESS ON USAID FORWARD | 16 |
| SUSTAINABILITY AND EXIT STRATEGY | 17 |
| NEXT QUARTER'S WORKPLAN | 17 |
| FINANCIAL INFORMATION | 17 |
| PROJECT ADMINISTRATION | 18 |
| | |
| ANNEX: Quarterly Deliverables | |

Acronyms and Abbreviations

| | |
|---------|--|
| CMA | Capital Markets Authority |
| CBA | Commercial Bank of Africa |
| CBK | Central Bank of Kenya |
| DCA | Development Credit Authority |
| DTM | Deposit-Taking Microfinance |
| FIRM | Financial Inclusion for Rural Microenterprises |
| FMA | Fund Managers Association |
| FSD | Financial Sector Deepening |
| FTF | Feed the Future |
| GPS | Global Positioning System |
| IRA | Insurance Regulatory Authority |
| KCISI | Kenya Credit Information Sharing Initiative |
| KFIE | Kenya Feed the Future Innovation Engine |
| KHCP | Kenya Horticulture Competitiveness Program |
| KMT | Kenya Market Trust |
| KENDBIP | Kenya National Domestic Biogas Program |
| KOOFA | Kenya Organic Oil Farmer Association |
| KWFT | Kenya Women's Finance Trust |
| M&E | Monitoring and Evaluation |
| MCL | Moyln Credit Limited |
| MFI DTM | Microfinance Institution Deposit-Taking Microfinance |
| MFI NGO | Microfinance Institution Non-Government Organization |
| MFS | Milango Financial Services |
| MFT | Microfinance Trust |
| MRR | Microenterprise Results Reporting |
| NESC | National Economic and Social Council |
| PCGA | Private Capital Group for Africa |
| PAT | Poverty Assessment Tool |
| RBA | Retirement Benefits Authority |
| SCL | Safaricom Limited |
| SMEP | Small and Medium Enterprise Program |
| STTA | Short-Term Technical Assistance |
| USAID | United States Agency for International Development |

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

I. EXECUTIVE SUMMARY

Qualitative Impact

Qualitative impact continues to grow as we deepen the achievements from our current partnerships and as we expand our network, especially outside traditional financial institutions, such as banks, DTMs and MFIs.

We continue build upon the successes achieved to date and to add new partners. Currently, FIRM has over 125 partnerships in the following areas:

- Commercial Banks
- MFI DTMs
- NGO MFIs
- SACCOs (Credit Unions)/Specialized Providers
- Government of Kenya Agencies
- Donor Projects/Associations
- Business Service Providers
- Value Chain Businesses

FIRM works throughout the country its network of financial service providers and their nation-wide branch locations but the project is focused on USAID's designated FTF zones.

During the reporting period, FIRM produces a total of 36 deliverables. Those deliverables are discussed in the Key Achievement section the documents are itemized by month in the Annex.

Quantitative Impact

For this report, we have reported on our Feed-the-Future indicators. Indicators 4.5.2 – 12, 4.5.2 – 38 and 4.5.1 – 24 are reported on an annual basis and therefore are not included in this report.

We've exceeded a number of our indicators and we are on course to exceed a number of others. Regarding indicators where we're behind, we've been under-reporting based on miscommunication to our partners. We will make an adjustment during the upcoming quarter. We anticipate this adjustment will bring us close or over the annual targets.

Project Administration

During this quarter FIRM received approval for our budget realignment request. The total contract price remains the same. Our spending is tracking close to the approved budget.

No problems were encountered during the quarter.

Next Quarter's Work Plan

We are receiving multiple requests to assist the newly formed county governments with the development of their Integrated Development Plans, following our participation in the Governor's Agriculture Forum held in Mombasa during the month of June. This work is not part of our scope of work. We have notified USAID Kenya and they are aware of these pending requests.

II. KEY ACHIEVEMENTS (Qualitative Impact)

Agriculture

Musoni BV MFI: We designed a 5-year rural expansion strategy and created a branch locator tool (analytical model) for Musoni that will help it strategically expand into agricultural regions, allowing the MFI to increase its product offerings.

We later presented the basic branch locator to Musoni helping them identify the next two locations for their rural expansion. Our locator was 90% complete and able to scientifically pinpoint locations for Musoni's next branch offices. Our locator removes guesswork from expansion. The locations we generated for Musoni's expansion caught them by surprise since they expected our model to validate expansion into 2 completely different locations.

We will continue data mining in four counties – Siaya, Kisii, Homa Bay and Migori to determine the top two priority Counties for Musoni's branch expansion.

Yehu Microfinance Trust: We provided Yehu with technical support to develop an institutional strategic business plan and refine their array of products to improve performance and profitability. Afterwards, we developed an implementation plan to help them actualize (implement) the strategy. In addition, we helped Yehu develop a dairy finance product that was pilot-tested in their Taita-Taveta branch. This branch was set up based on our strategy recommendations.

Earthoil Kenya: Earthoil sought FIRM's assistance to help link its small-scale farmer groups located around the Mt. Kenya region with financial institutions to help farmers scale-up their farming activities. We then designed 3 financial products specific for tea tree farming. Next, we introduced a local MFI to Earthoil called Milango Financial Services (MFS). MFS expressed interest in financing tea tree seedlings using the products we designed. To finance the tea tree farmers, MFS located a new branch in Nanyuki to establish a presence in the region and to also serve the general wider Laikipia community. FIRM provided financial support to MFS, helping move them to Nanyuki more quickly than they would have been able to do on their own.

To risk share lending, we designed a guarantee fund from a USAID/Fintrac grant that would otherwise have been used to subsidize seedlings to farmers. The guarantee supports lending provided by MFS.

During the current reporting period, Body Shop UK, the buyer of the processed tea tree, requested that we conduct a price review of the price paid by Earthoil to the farmers. We built a pricing model and after entering data into our model, we were able to recommend a 40% price increase. Our recommendation was adopted.

Association of Microfinance Professionals of Kenya (AMPK): We developed AMPK a 4-year strategic plan for AMPK during the reporting period. AMPK had been operating without a strategy and the plan is expected to crystalize the association's main goals and key objectives. AMPK assists FIRM communicate important messages and themes to the financial sector.

Rafiki DTM: In 2011, we helped Rafiki develop its first-ever strategic business plan. Through this process, we helped Rafiki identify and develop a branch expansion plan. Rafiki DTM opened a branch in Wote, Makueni county after the strategy was approved by its board.

Next, FIRM we helped RAFIKI identify financing gaps for the sorghum value chain in both Makueni and Tharaka Nithi counties. FIRM, Rafiki and Kenya Promotions and Marketing Company developed a 6-month invoice-discounting product that will finance smallholders for approximately \$600 for 5 acres of land that will be piloted in September 2013. Farmers will be required to co-guarantee one

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

other; they have already formed groups to facilitate the co-guarantee. Each group member is required to save \$115 before loans are disbursed.

Youth Enterprise Development Fund (YEDF): YEDF requested FIRM provide technical assistance in financial and market linkages for its sorghum farmers in Western Kenya. The farmers had harvested high sorghum yields but lacked markets. This reality unfortunately hurt loan repayments leading to delinquency and funding cutbacks for YEDF. Subsequently, FIRM conducted a survey in Busia and Bungoma counties to identify challenges and opportunities for the small-scale sorghum farmers. Farmers complained of problems accessing finance and inability to locate markets for their sorghum.

To assist with the market identification problem, we located grain bulkers to purchase sorghum from the farmers, and we are currently in the process of developing a suitable financial model for the farmers and YEDF. FIRM has also linked the bulkers with Kenya Market Trust, who will strengthen the bulker's capacity to buy more produce.

The Federation of Women Entrepreneur Associations SACCO (FEWA): For FEWA, we developed a draft operational and financial framework. The draft documents have already been submitted to FEWA's executive committee for comments. The operational and financial frameworks will enable FEWA SACCO to launch safely and soundly launch their using prudent systems. These improved management frameworks will enable more women and women SMEs to access finance.

Vegpro Group, Kenya Rainwater Association and USAID's KHCP: FIRM, in partnership with the Vegpro Group and KHCP, linked a group of Vegpro's contracted smallholder farmers to suitable financing. As a result, FIRM assisted both Vegpro and KHCP design five-financial products that meet specific farmer needs specific to growing snow peas, snap peas and mage tout. The loans were designed for inputs, greenhouse tunnels, water ponds and irrigation kits.

The low cost greenhouse tunnel product will see a 98% reduction in produce lost. Produce is typically lost due to high rainfall that damages the crops. At the same time, farmer yields will increase by almost a similar margin as a result of farmers using the tunnels and appropriate fertilizers and pesticides.

Financial Product Forum: FIRM organized a financial product forum in April 2013, which brought together 30 financial institutions (including Banks, DTMs and MFIs) and 30 private enterprises with special interest in horticulture lending. FIRM used the forum to unveil financial products (horticulture) we designed and to receive feedback. A number of financial institutions expressed interest in providing financial services to the farmers and using the products we designed.

Since the forum, we have initiated discussions with three financial institutions: Rafiki DTM, Jamii Bora Bank and KWFT DTM. These 3 financial institutions want to adopt and implement the products and they are currently aligning the products to fit into their internal IT requirements. Piloting of the low cost greenhouse tunnels will start during the planting cycle in July 2013.

Honey Care Africa (HCA): At the beginning of 2012, HCA requested support to pilot a plan to rollout the sale of beehives in Kwale county. To better understand the request, we conducted a survey in the region on the potential for beekeeping and the development of loan products to finance sales and the possibility to form linkages with local MFIs. We determined that the potential was high for beekeeping and finance.

The product rollout was fully supported by FIRM and, from a baseline of zero, HCA sold 1,500 hives during the first year of implementation. The pilot was hampered by the high-cost of finance from MFIs and, as such, HCA further requested FIRM's assistance in the design and development of an

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

internal credit department. With funding from Kiva, HCA would directly finance beehives to small-scale farmers.

Kiva's involvement has seen an increase in uptake of beehives in Western Kenya and in the Kwale clusters on the coast from 250 to 700 beehives per month. HCA is offering these loans at a more affordable rate of 8%, which is much lower than the 20% plus offered by most banks and MFIs. The reduction in the price of loans puts more money in family budgets, which contributes to great economy resiliency.

Jamii Bora Bank: FIRM was approached by Jamii Bora Bank (JBB) to assist in the development of the bank's agribusiness SME strategy. JBB wanted to identify viable financing opportunities in certain commodities – dairy, cereals (sorghum), and horticulture. The strategy sought to map and analyze cash flows, interactions and inter-connections between agricultural value chain actors in order to pinpoint financing opportunities. A draft strategy was prepared and presented to JBB's executive committee for review and comment. Their initial reaction was positive.

Jamii Bora Bank and Mobipay: FIRM brokered a partnership between Mobipay and JBB to enhance access to affordable finance for small-scale dairy and horticulture farmers. The partnership will see over 300,000 dairy and horticulture farmers register with Mobipay's agrilife platform. The platform connects small-scale farmers to financial institutions allowing them to access competitive agriculture loan products from financial institutions. FIRM facilitated a long awaited signing of an MOU between the bank and Mobipay. The net result is the expansion of financial inclusion to previously unbanked rural populations and competitive loan products that are tailored for the agriculture sector.

Jamii Bora Bank and Sirgon Capital (MFI): FIRM facilitated a partnership between JBB and Sirgon Capital, an MFI based in Bomet county. Sirgon needed additional capital to on-lend and it sought our assistance to develop linkages with wholesale lending institutions. JBB and Sirgon are discussing a small, revolving facility.

Jamii Bora Agribank Center Models: Jamii Bora Bank sought FIRM's assistance to develop agribusiness centers within JBB's mainstream branches. The concept seeks house agribusiness stakeholders under one roof and it is hoped that the concept will provide the bank with avenues to develop new agriculture market segments to provide complete agriculture solutions for farmers across the country. Currently, we are surveying Githunguri and Kiambu to assess the viability for dairy farming (and where the models might be located). The output of the survey will inform Jamii Bora's Agribank pilot branch.

Barclays Bank – Banking on Change: Barclays Bank's 'banking on change' initiative is a global Corporate Social Responsibility (CSR) activity that targets village savings groups to build capacity using best practice principles and to encourage a culture of savings within the groups. Barclays Bank sought FIRM's assistance to develop appropriate IT linkages and enable Village Savings and Loan Groups (VSLGs) to access mobile banking services from their rural locations. Over time, the number groups has increased and the number of transactions, creating the need for an IT platform with the capacity and complexity to handle group registration and financial transactions.

We identified several appropriate IT platforms and Barclays is currently evaluating our suggestions. We expect that a new platform will bolster security and improve the quality of transactions (members will have access to historical financial records allowing them to access loans using their stored financial data).

Interventions in the Essential Oils Value Chain and the Horticulture Sector: FIRM and Hortinews magazine, the premier horticultural news journal in Kenya, carried out a field trip to Laikipia county to assess several interventions that we've undertaken to assist small-scale farmers in tea tree and snow peas. Hortinews published a 4-page article profiling our work in the region.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

Earthoil's Price Model: Earthoil Kenya's price review of the model we produced and populated with information has been on going with Earthoil's UK office. Both offices are deliberating on the new proposed price for \$.15 per kg. of tealeaf. Their review will be complete next quarter.

Elgeyo Marakwet Youth: We helped the youth group access markets for their agriculture produce and to find sources of capacity building. Later, we introduced the youth group to USAID Kenya KHCP program and East African Growers (EAG). Each offered to provide capacity building in horticulture and markets linkages. EAG indicated that they had been seeking new smallholder farmers to grow snow peas as part of the their expert program. An update from the Youth Enterprise Development Fund, the financiers, indicates that 8 groups with approximately 8 acres in total have qualified for contracted farming with EAG. If successful it will be rolled out to other youth groups in the area.

Kenya Markets Trust (KMT): FIRM and KMT are working together to gather information and develop solutions for various value chains including cotton, sorghum, dairy and water. Joint activities have been undertaken within the sorghum value chain aimed at increasing understanding and developing responsive products.

Small Medium Enterprise Program (SMEP) DTM: We developed SMEP's agribusiness strategy and 5 agriculture loan products. Leveraging our work, SMEP entered into a partnership with CordAid to rollout the poultry and horticultural products we developed in Kakamega and Taita Taveta counties.

Kenya Livestock Finance Trust (K-LIFT): K-LIFT offers credit services to small enterprises in the livestock sector. K-LIFT requested us to help them develop a 3-year strategic business plan and to review their financial products. We developed a work plan for them and conducted a diagnostic. Next quarter, we will complete the remainder of the work.

RAFODE MFI: RAFODE approached FIRM in June 2013 for technical assistance to review their product offering to help develop customized market-led products. We administered an institutional diagnosis, including 4 Focused Group Discussions with their clients. We gave RAFODE the diagnosis report for comment and the final report is expected to underpin a concrete platform for product refinement. In addition, in the report, we recommend further areas for partnership, such as development of a strategic marketing plan.

BIMAS Kenya: BIMAS is a rural based MFI with its headquarters in Embu and operations in Eastern, Central and Rift regions. We're helping BIMAS develop a new 5-year strategic business plan. We expect to complete work for BIMAS next quarter.

Mumias Sugar Company: Mumias Sugar Company seeks to diversify income-generating activities for cane farmers. The company plans to introduce and support dairy farming through a Farmer Entrepreneurship Program (FEP). We brokered partnership between Mumias Sugar and two financial institutions – Kenya Commercial Bank and Moly Credit Limited – through the signing of a MOU. Both financial institutions will provide credit to farmers for the purchase of dairy cows.

Nyala Vision SACCO: Nyala Vision SACCO was a financial service association under the EADD program. It is an offshoot of Nyala Dairy Cooperative. In 2012, FIRM assisted the SACCO to build the capacity of its board and management. The SACCO serves the financial needs of dairy farmers in Nyandarua and Laikipia Counties. Nyala's current 'off the shelf' products have not sufficiently served the market. The SACCO has requested FIRM for assistance to review and develop suitable financial products.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

In June, we conducted a comprehensive review of Nyala's business and marketing processes to identify areas requiring support. We will assist them to refine their products and services offered to smallholder dairy farmers.

Sky SACCO: Sky SACCO society is a spin-off of the One Hen Campaign project. The SACCO assists its members in poultry farming; it also trains veterinarians and the SACCO is working to establish a feed factory its members. We helped the SACCO launch in June 2013 and we will train their personnel, help them with product development and create appropriate operational manuals.

Development Credit Authority:

Current Facilities/Enhancements

| | Partner Financial Institution | Start | End | Sector | Value (\$) | Utilization % | Claims (\$) | Total Loans (\$) | Subsidy (\$) |
|-----|--------------------------------------|--------------|------------|---------------|-------------------|----------------------|--------------------|-------------------------|---------------------|
| 1. | BOA/Faulu Kenya DTM | 9/08 | 9/16 | Health | 5,000,000 | 100% | 0 | 1 | 250,000 |
| 2. | Equity Bank | 9/08 | 9/15 | Micro | 1,012,270 | 100% | 0 | 4 | 0 |
| 3. | K-Rep Bank | 9/08 | 9/16 | Water | 4,004,614 | 71% | 0 | 29 | 365,500 |
| 4. | Oikocredit | 9/08 | 9/18 | Micro | 8,987,730 | 61% | 578,511 | 12 | 0 |
| 5. | KCB | 9/10 | 9/17 | SME | 5,750,000 | 100% | 0 | 845 | 0 |
| 6. | Fina Bank | 9/11 | 9/16 | Ag | 4,500,000 | 0% | 0 | 0 | 302,400 |
| 7. | Acumen Fund | 3/12 | 9/17 | Energy | 1,000,000 | 100% | 0 | 0 | 90,200 |
| 8. | KCB | 9/12 | 9/18 | Ag | 15,000,000 | 0.92% | 0 | 36 | 370,500 |
| 9. | KCB | 9/12 | 9/22 | Water | 5,500,000 | 0% | 0 | 0 | 493,350 |
| 10. | KWFT DTM | 9/12 | 9/19 | Ag/Energy | 5,000,000 | 75% | 0 | 26130 | 120,000 |
| 12. | Micro Africa | 9/12 | 9/19 | Ag/Energy | 2,000,000 | 1.86% | 0 | 58 | 48,000 |
| 13. | SMEP DTM | 9/12 | 9/19 | Ag/Energy | 4,000,000 | 2% | 0 | 0 | 96,000 |
| 11. | Multi-Party Reserve | 9/12 | 9/19 | Ag/Energy | 2,000,000 | 0% | 0 | 0 | 48,000 |
| | | | | Totals | 63,754,614 | | 578,511 | 27,113 | 2,183,950 |

Agriculture Policy

National Economic Social Council (NESC): FIRM provided technical assistance to NESC in developing a draft Kenyan Credit Guarantee Scheme policy and bill. The policy and bill are designed to encourage SME lending leveraging Kenyan capital. The draft policy and bill were validated at a two-day expert's workshop held and stakeholder's workshop. The policy and bill were adjusted based on feedback received from during the workshops. NESC will make a presentation to the inter-ministerial committee and then to the Kenyan Treasury for approval. It was noted that prompt payment challenges need to be addressed in order for the bill to have more impact. We suggested that a bill be developed for prompt payment specifically for government and government agencies. We also recommended that a regulatory framework for invoice discounting should be put in place since most financial institutions offer invoice discounting to SMEs to overcome cash flow challenges.

Private Equity: FIRM introduced JM Mantle to NESC. JM Mantle is a consulting company working to unlock institutional pension fund capital to support enterprise. Pension funds face investment restrictions due to current government regulations – i.e. the asset class weighting as contained in the Retirement Benefit Authority (RBA) regulations. NESC will support our work to adjust the weighting with RBA.

Net Metering: FIRM introduced Viability Africa to NESC. Viability Africa (VA) discussed the development of clean/renewable energy projects within the country. We agreed that net metering was important to unlock the development of energy projects. NESC noted that this may need a

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

policy level intervention and indicated that this agenda would be picked up once the Principal Secretaries were appointed and requested that VA create a concept note. NESC indicated that they would also provide networking opportunities for Viability Africa. NESC introduced VA to LAP Trust for possible collaboration on energy deals.

Kenya Forum Meeting & Credit Information Sharing Bill: The Fifth Forum Meeting was held and its main agenda was to present the draft Credit Information Sharing regulations and bill to forum members. Both the draft bill and regulations were drafted and presented at the meeting and they are expected to establish, consolidate and strengthen a credit information-sharing framework.

The draft regulations addressed the establishment, licensing, operations and governance of bureaus and the powers of the cabinet secretary. The draft bill addressed nature of institutions to share credit information, information to be shared, prohibited information and credit reference bureaus.

Forum members mainly deliberated on the bill. The areas of concern included:

- Who should be in the association?
- Who should share information?
- What information should they share?
- Should association members be mandated to share data?

It was agreed that the drafter would guide KCISI and the main stakeholders on the implication of wordings in the bill. Once the bill is adjusted, we will link KCISI to NESC to ensure coordination and buy-in from government stakeholders.

Registration of Association of Kenya Credit Providers: During fourth forum meeting it was announced that the registration process of an Association of Credit Providers of Kenya (AKCP) was underway. At the fifth forum, KCISI informed the members that AKCP was duly registered and they unveiled the registration certificate. KCISI informed the forum members that the establishment of AKCP was a result of assistance from FIRM.

Credit Scoring and Risk Management for DTMs: FIRM held a credit scoring and risk management seminar that attended by CEOs, Heads of Risk and Heads of Credit from 6 DTMS. The seminar was designed to create awareness on the use of credit scoring tools and the benefit financial institutions discovers from scoring mechanisms. The seminar generated significant interest from DTMs, which resulted in 5 DTMs signing up to have their systems and capacity reviewed. However based on system, portfolio and resource availability, most of the DTMs did not qualify. The assignment is currently being conducted for Rafiki DTM. It was agreed that the score card will be based on a judgmental scoring approach since Rafiki DTM does not have data dating back 3 years.

Clean/Renewable Energy

Small and Medium Enterprise Program (SMEP): DTM FIRM will develop a comprehensive clean and renewable energy strategy for SMEP that will include loan products for pilot testing. A work plan for this project was approved and data collection instruments designed and are ready for testing. The locations identified for pilot testing are Meru, Machakos, Kitui, Kisii and Kajiado counties.

Kenya Women Finance Trust (KWFT): On the basis of the KWFT Renewable Energy (RE) lending strategy developed with the support of FIRM, KWFT has secured financing from ILO to pilot the distribution strategy that had been proposed to ensure RE technologies are more accessible. Selected KWFT customers will be trained on entrepreneurship so that they can recruit other customers to KWFT. KWFT has booked over 26,000 microloans towards renewable energy and agriculture into the USAID DCA guarantee.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

Kenya Renewable Energy Association (KEREAA): FIRM has initiated discussions with Kenya Renewable Energy Association on strengthening the association’s capacity to increase the skills of renewable energy practitioners within the Kenyan market. Thus far, FIRM has received a concept note that will serve as the basis for partnership.

Viability Africa: Viability Africa was contracted for a 12-month period to increase renewable energy supply by developing pre-feasibility and feasibility studies for RE projects and to do ready the deals for financial close. Viability Africa is also expected to provide guidance and support on RE models such as net metering. The first deliverable, a work plan, was submitted to FIRM.

Takamoto Biogas: Takamoto Biogas is pilot testing metered biogas in Githunguri and the company approached FIRM for linkages with MFIs. FIRM identified and connected Takamoto to 4 MFIs and DTMs, some of which have DCA loan guarantees.

Lessons Learned

No significant lessons were learned during the period.

III. PROGRAM PROGRESS (Quantitative Impact)

The indicator data tables below provide basic information to assess FIRM's progress toward achievement of our Development Objectives. The format is designed to collect data in a consistent manner for each reporting period. The indicators in the tables below require data collection on a quarterly basis and contain unaudited results. Indicators 4.5.2 – 12, 4.5.2 – 38 and 4.5.1 – 24 are reported on an annual basis and therefore are not included here.

Note that 2011 doesn’t have targets listed in the tables, since in 2012, FIRM was given new Feed-the-Future goals and the 2011 targets are no longer tracked. Also, in some tables, no targets were provided for 2012 since FIRM was retrofitted at the fiscal yearend into FTF.

Dates on the tables are US government fiscal year.

| Indicator 4.5.2 – 5: Number of farmers and others who have applied new technologies or management practices as a result of USG assistance | | | | | | | | | |
|---|------|---------|--------|----------------------------|----------------------------|---------|------------------|------------------|------------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| -Gender(M/W) -New/Continuing Clients | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| GENDER | N/A | 10,000 | 36,523 | 86,946 | 79,897 | 166,843 | 104,700 | 189,400 | 279,900 |
| M | | | 28,006 | 39,995 | 67,336 | 107,331 | 52,350 | 85,230 | 111,960 |
| W | | | 8,517 | 46,951 | 12,561 | 59,512 | 52,350 | 104,170 | 167,940 |
| NEW/CONTINUING | N/A | 10,000 | 36,523 | 86,946 | 79,897 | 166,843 | 104,700 | 189,400 | 279,900 |
| New Clients | | | | 86,946 | 79,897 | 166,843 | 70,000 | 90,000 | 100,000 |
| Continuing Clients | | | | - | | - | 34,700 | 99,400 | 179,000 |

We have exceeded the fiscal year target for the year.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 11: Number of food security private enterprises (for profit), producer organizations, water users associations, women’s groups, trade and business associations, and community-based organizations receiving USG assistance | | | | | | | | | |
|---|------------|------------|------------|-------------------------|-------------------------|------------|---------------|---------------|---------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| - Type of Organization -New / Continuing clients | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| TYPE OF ORG. | N/A | N/A | 313 | 356 | 13 | 369 | 400 | 450 | 450 |
| Private Enterprises | | | 36 | 38 | 8 | 46 | 50 | 60 | 60 |
| Producer Orgs | | | 12 | 12 | - | 12 | 20 | 25 | 25 |
| Water Users Assoc. | | | 21 | 35 | 1 | 36 | 40 | 45 | 45 |
| Women s Groups | | | 241 | 262 | 2 | 262 | 270 | 285 | 285 |
| Trade & Business Assoc. | | | 3 | 9 | 1 | 10 | 10 | 20 | 20 |
| Community-Based Orgs | | | - | - | 1 | 1 | 10 | 15 | 15 |
| NEW/CONTINUING | N/A | N/A | 313 | 356 | 13 | 369 | 400 | 450 | 450 |
| New | | | 313 | 43 | 13 | 56 | - | - | - |
| Continuing | | | - | 313 | - | 313 | - | - | - |

Likewise, for Indicator 4.5.2 – 11, we are on target to meet the fiscal year target for 2013.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 13: Number of rural households benefiting directly from USG interventions | | | | | | | | | |
|---|------|---------|---------|----------------------------|----------------------------|---------|------------------|------------------|------------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| -Gendered H/H Type -New/Continuing Clients | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| HOUSEHOLD TYPE | N/A | 245,000 | 212,000 | 125,965 | 154,051 | 280,016 | 300,000 | 380,000 | 450,000 |
| WNM | | | | 77,004 | 56,761 | 133,765 | 150,000 | 209,000 | 270,000 |
| MNW | | | | 48,961 | 95,256 | 144,217 | 150,000 | 171,000 | 180,000 |
| M&W | | | | - | 2,034 | 2,034 | - | - | - |
| CNA | | | | - | - | - | - | - | - |
| NEW/CONTINUING | N/A | 245,000 | 212,000 | 125,965 | 154,051 | 280,016 | 300,000 | 380,000 | 450,000 |
| New | | | | 125,965 | 154,051 | 280,016 | - | - | - |
| Continuing | | | | - | - | - | - | - | - |

We anticipate achieving the year-end goal of 300,000.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 25: Number of people with a savings account or insurance policy as a result of USG Assistance | | | | | | | | | |
|---|------|---------|--------|-------------------------|-------------------------|---------|---------------|---------------|---------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| -Type of A/C-Policy -Gender of A/C-Policy Holder | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| TYPE OF A/C POLICY | N/A | N/A | 49,772 | 124,707 | 53,577 | 178,284 | 75,000 | 85,000 | 90,000 |
| Savings | - | - | 46,750 | 123,484 | 50,246 | 173,730 | 37,500 | 42,500 | 45,000 |
| Insurance | - | - | 3,022 | 1,223 | 3,331 | 4,554 | 37,500 | 42,500 | 45,000 |
| GENDER OF OWNER | N/A | N/A | 49,772 | 124,707 | 53,577 | 178,284 | 75,000 | 85,000 | 90,000 |
| M | - | - | 27,378 | 39,131 | 30,908 | 39,131 | 37,500 | 38,250 | 39,400 |
| W | - | - | 22,394 | 85,576 | 22,669 | 108,245 | 37,500 | 46,750 | 50,400 |

We have exceeded the year-end target. Insurance, bundled into agriculture finance, is becoming more widespread as a result of our work within the industry.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 27: Number of members of producer organizations and community-based organizations receiving USG assistance | | | | | | | | | |
|--|------------|------------|----------------|-------------------------|-------------------------|----------------|----------------|----------------|----------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| -Type of Organization -Gender | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| TYPE OF ORG. | N/A | N/A | 113,228 | 80,950* | 80,043 | 160,993 | 200,000 | 250,000 | 300,000 |
| Producer Orgs. | | | 30,728 | 50,950 | 80,043 | 130,993 | 80,000 | 125,000 | 180,000 |
| CBOs | | | 82,500 | 30,000 | - | 30,000 | 120,000 | 125,000 | 120,000 |
| GENDER OF MEMBER | N/A | N/A | 113,228 | 80,950 | 80,043 | 160,993 | 200,000 | 250,000 | 300,000 |
| M | | | 88,845 | 45,305 | 59,815 | 105,120 | 100,000 | 112,500 | 120,000 |
| W | | | 24,383 | 35,645 | 20,228 | 55,873 | 100,000 | 137,500 | 180,000 |

*Disaggregates not yet available; they will be reflected in the September 2013 report.

FIRM is slightly below our target for this indicator. We anticipate achieving the year-end goal of 200,000. However, FIRM's assistance is targeted at the institutional level in most cases and not at the end user of financial services. This indicator does capture the focus of FIRM's support per se.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 29: Value of Agricultural and Rural Loans | | | | | | | | | |
|---|------------|-------------|-------------|-------------------------|-------------------------|--------------------|---------------|---------------|---------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| -Type of Loan Recipient -Gender of recipient | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| TYPE OF LOAN RECIPIENT | N/A | 225M | 103M | 216,588,444* | 17,125,880 | 233,714,324 | 250M | 375M | 500M |
| Producers | | | | | | | 150M | 243,750K | 350M |
| Local Traders/Assemblers | | | | | | | 50M | 75,000K | 125M |
| Wholesalers | | | | | | | 25M | 37,500K | 25M |
| Processors | | | | | | | | | |
| Others | | | | | | | 25M | 18,750K | - |
| GENDER OF RECIPIENT | N/A | 225M | 103M | 216,588,444** | 17,125,880 | 216,588,444 | 250M | 375M | 500M |
| M | | 146.25M | 51.68M | 71,474,186 | 2,311,994 | 71,474,186 | 150M | 187.5M | 200M |
| W | | 78.75M | 51.32M | 145,114,258 | 14,813,886 | 145,114,258 | 100M | 187.5M | 300M |
| Joint A/C | | | - | - | - | - | - | - | - |
| N/A | | | - | - | - | - | - | - | - |

*Disaggregate by type not available. It will be reflected in the annual report.

**This number includes Additionality (SME loans). Data on gender for KCB SME was not provided.

At mid-year, we anticipate exceeding the year-end goal.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 30: Number of MSMEs, including farmers, receiving USG assistance to access bank loans | | | | | | | | | |
|---|------|---------|---------|----------------------------|----------------------------|--------|------------------|------------------|------------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | FY 2012 | | FY 2013 | | | FY 2014 | FY 2015 | |
| -Size of MSME -Gender of Owner | | Q1 – Q4 | | 10/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| | | Target | Actual | Actual | Actual | Actual | | | |
| SIZE OF MSME | N/A | N/A | 158,175 | 80,563 | 13,907 | 94,470 | 200,000 | 250,000 | 300,000 |
| Micro | | | 158,175 | 80,563 | 13,907 | 94,470 | 100,000 | 150,000 | 200,000 |
| Small | | | - | - | | - | 50,000 | 62,500 | 80,000 |
| Medium | | | - | - | | - | 50,000 | 37,500 | 20,000 |
| GENDER OF OWNER | N/A | N/A | 158,175 | 80,563 | 13,907 | 94,470 | 200,000 | 250,000 | 300,000 |
| M | | | 79,847 | 21,545 | 3,548 | 25,093 | 100,000 | 112,500 | 120,000 |
| W | | | 78,328 | 59,018 | 10,359 | 69,377 | 100,000 | 137,500 | 180,000 |
| Joint A/C | | | - | - | | - | - | - | - |
| N/A | | | - | - | | - | - | - | - |

FIRM is slightly below its mid-year target for this indicator. We have, however, been under-reporting our results in this indicator due to a communication issue with our partners. During the next period, we will make an adjustment.

Therefore, we anticipate achieving the year-end goal of 200,000.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2-37 Number of MSMEs, including farmers, receiving business development services from USG assisted sources | | | | | | | | | |
|--|------|---------|--------|-------------------------|-------------------------|--------|---------------|---------------|---------------|
| Baseline 0: FTF indicator | | | | | | | | | |
| DISAGGREGATE | 2011 | 2012 | | 2013 | | | 2014 | 2015 | |
| -Size of MSME | | Q1 – Q4 | | 07/01/2012 – 03/31/2013 | 04/01/2013 – 06/30/2013 | YTD | Annual Target | Annual Target | Annual Target |
| -MSME Type | | Target | Actual | Actual | Actual | Actual | | | |
| -Gender of Owner | | | | | | | | | |
| SIZE OF MSME | N/A | N/A | 38 | 42 | 11 | 53 | 50 | 65 | 65 |
| Micro | | | 3 | 3 | 1 | 4 | 25 | 45 | 50 |
| Small | | | 22 | 25 | 6 | 31 | 15 | 15 | 10 |
| Medium | | | 13 | 14 | 4 | 18 | 10 | 5 | 5 |
| TYPE OF MSME | N/A | N/A | 38 | 42 | 11 | 53 | 50 | 65 | 65 |
| Ag. Producers | | | 12 | 12 | - | 12 | 20 | 30 | 35 |
| Input Suppliers | | | - | - | - | - | 10 | 15 | 15 |
| Traders | | | - | - | - | - | 5 | 10 | 10 |
| Output Processors | | | - | - | - | - | 5 | 5 | 5 |
| Non-Agricultural | | | - | - | - | - | - | - | - |
| Other | | | 26 | 30 | 11 | 30 | 10 | 5 | - |
| GENDER OF OWNER | N/A | | 38 | 42 | 11 | 53 | 50 | 65 | 65 |
| M | | | 1 | 1 | - | 1 | 5 | 10 | 20 |
| W | | | 1 | 1 | - | 1 | 15 | 25 | 30 |
| Joint | | | - | - | - | - | 10 | 15 | 15 |
| N/A | | | 36 | 40 | 11 | 51 | 20 | 15 | - |

We slightly exceeded our yearend goal.

IV. PERFORMANCE MONITORING

FIRM's monitoring and evaluation team devoted the early part of the quarter to carrying out the Poverty Assessment Tool (PAT) survey in three FTF focus regions: Western, Nyanza and Rift Valley provinces. Planning is ongoing for the GIS mapping exercise scheduled for Quarter 3. Candidates were interviewed for the new statistician position; negotiations with the potential candidate are underway. The monitoring and evaluation manager worked closely with the COR and ABEO Monitoring and Evaluation Specialists to make changes to the project Performance Management Plan (PMP) and Performance Indicator Reference Sheets (PIRS).

The remainder of the quarter was spent collecting and analyzing data from all partner financial institutions to inform the "Quantitative Impact" section of this report.

V. PROGRESS ON LINKS TO OTHER USAID PROGRAMS

The linkages with other USAID programs remain unchanged from the previous period.

VI. PROGRESS ON LINKS WITH GOK AGENCIES

Linkages with GOK agencies remain unchanged from the previous period.

VII. PROGRESS ON USAID FORWARD

During the quarter, FIRM continued to incrementally sustain progress on USAID Forward objectives.

In its partnership with financial institutions, FIRM supports an array of agriculture activities under Feed the Future and in clean/renewable energy and water. Financial institutions appetite for consulting services will remain strong and consistent overtime. FIRM's role in this area is two-pronged.

First, the project seeks to increase each institution's profitability while demonstrating the value provided by the local consulting industry (i.e. the financial institution grows while increasing profits). After FIRM concludes, these financial institutions are expected to source Kenyan consultants and companies to support ongoing business needs – all forms of technical assistance and capacity building but across increasing levels of sophistication.

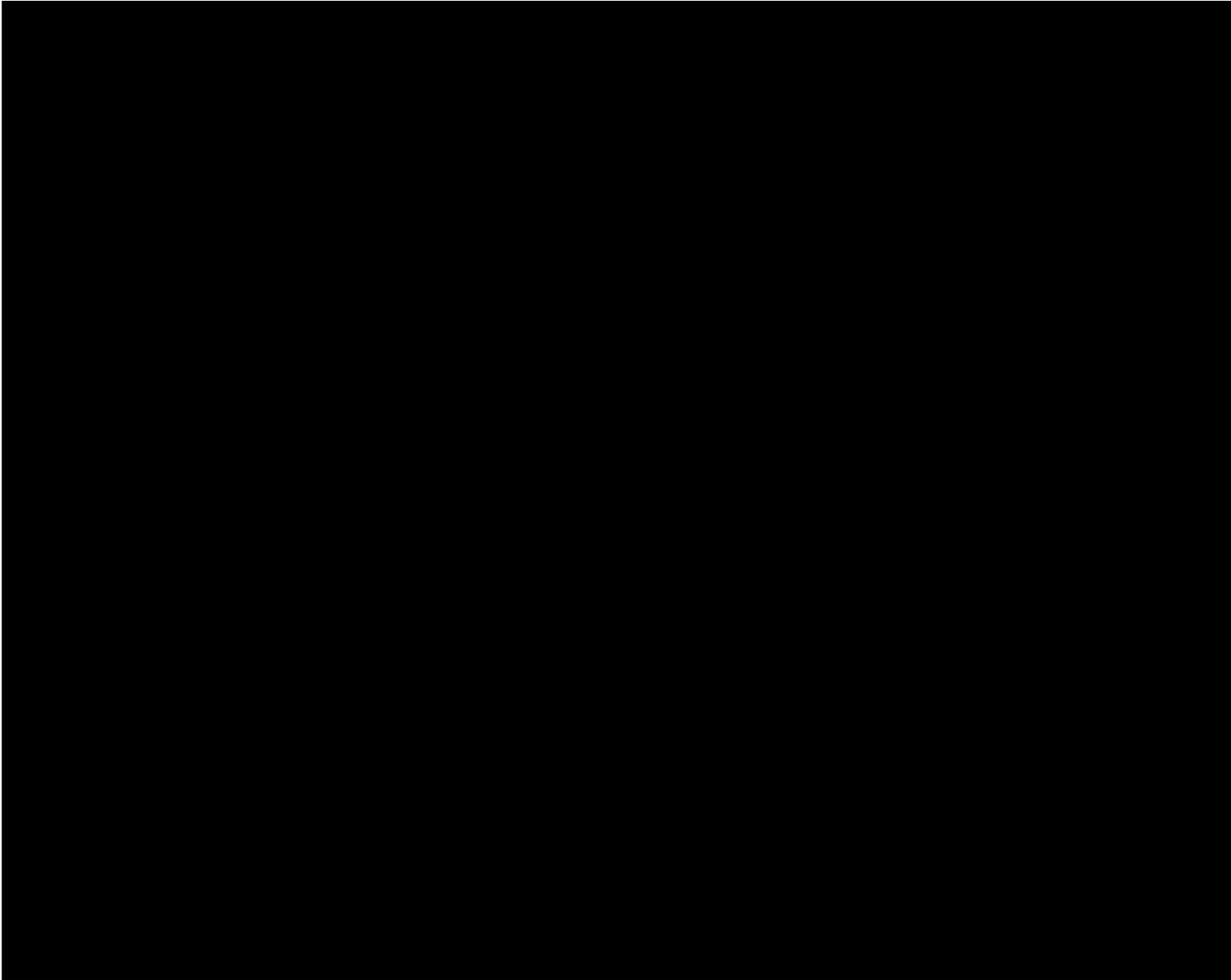
Second, FIRM sources Kenyan consultants on behalf of financial institutions to demonstrate the value offered by the local industry. In cases gaps exist in the market for services, FIRM works with local consultants or companies to build the missing capacities and capabilities. In the Kenyan marketplace, the greatest challenge is the over reliance placed on an owner/operator to complete multiple, ongoing, high-quality assignments. In most, if not all cases, these companies are small and entirely dependent on the technical skills and managerial abilities of the owner/operator. If the company has too many assignments at the same time, it does not have the personnel able to fill in for the owner/operator. The key challenge calls for assisting these high-quality individuals build their companies in order to handle multiple assignments while meeting acceptable standards.

VIII. SUSTAINABILITY AND EXIT STRATEGY

FIRM's sustainability and exit strategy is grounded on USAID Forward objectives. While seeking to achieve contractual objectives under the Task Order, the project works to enable financial and non-financial service providers to enter new markets and increase profitability. In time, these businesses will source services from the Kenyan consulting industry. Likewise, the local consulting industry will reach of level of technical and managerial capacity necessary to meet the increasing sophistication of Kenya's businesses.

IX. NEXT QUARTER'S WORK PLAN

FIRM does not anticipate any deviations or setbacks to the project workplan. In fact, the growth of new opportunities outpaces original planning forecasts. These developments have been discussed with the COR; and, as a result, a budget realignment has been drafted and shared with USAID Kenya to better position FIRM to cost effectively advantage these opportunities.



XI. PROJECT ADMINISTRATION

Constraints and Critical Issues

USAID Kenya requested that we break down and report upon our spending in 3 categories: agriculture policy, agriculture capacity and energy. To comply with the request, DAI Bethesda must introduce changes to its accounting software so that we can enter information into the categories sought by USAID Kenya. Those modifications are being made and should be done during the upcoming quarter.

We are receiving multiple requests to assist the newly formed county governments with the development of their Integrated Development Plans, following our participation in the Governor's Agriculture Forum held in Mombasa during the month of June. This work is not part of our scope of work. We have notified USAID Kenya and they are aware of these pending requests.

Personnel

During the quarter we hired a new partnership and the communication specialists. We are still seeking to hire an energy specialist. An aggressive search is underway.

Changes in the Project

FIRM received a revision to the VAT exemption process from USAID Kenya. We will now pay vendors VAT and on receipt of the exemption certificate and vendor reimburse us. FIRM will then submit the VAT to USAID Kenya.

During the reporting period, we received 7 DA One forms for VAT exemption. 92 DA One forms have been submitted to USAID Kenya for processing of VAT exemption.

This new process has improved our relationship with local, Kenya, business service providers; although, it puts the USG at risk of paying VAT to the Kenyan government through FIRM.

Contract Modifications and Amendments

During this quarter FIRM received approval to the budget realignment request. The total contract price remains the same.