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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

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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 49 deliverables. Those deliverables are discussed in the Key Achievement section the documents are itemized by month in the Annex.

Quantitative Impact

For this mid-fiscal year 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. Of the 8 indicators reported on, FIRM is well on track to exceed 5 of the 8 indicators. On the other 3 indicators, we are slightly below target at mid-year but we anticipate meeting those targets by fiscal yearend. Where we are slightly behind at mid-year, those indicators are client level and not representative of the support provided to our partners – i.e. FIRM generally works at the institutional level, not with end users of financial services.

Project Administration

The configuration of FIRM's budget constrains the project from building upon and accelerating successes achieved to date. In order to support increasing numbers of partnership requests, FIRM plans to submit a budget realignment, moving funding from certain line items where spending is underutilized to areas necessary to hire additional technical personnel on the project. FIRM will then utilize less international STTA and hire more local technical personnel. Doing so will allow FIRM to assist increasing calls for support from new partners and expand innovation.

The realignment was discussed with USAID Kenya and it was tentatively approved, pending a formal submission and official review.

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. We anticipate approval of our request during the upcoming quarter.

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II. KEY ACHIEVEMENTS (Qualitative Impact)

Agriculture

Kenya Agency for the Development of Enterprise and Technology (KADET): FIRM assisted KADET develop an agricultural finance strategy, complete with mapping and analyzing financing opportunities across the dairy, livestock, and horticulture value chains. 4 concepts for financial products were developed for the dairy value chain, 3 for the livestock value chain, and 2 for the horticulture value chain.

Micro Africa Limited: To complement earlier support to develop a horticulture strategy that included development of several horticulture products, Micro Africa rolled out those products in January and February 2013 in the Rift Valley and Eastern provinces. They plan to build a model agriculture product outlet/branch in Meru, a horticulture rich region, with FIRM's assistance.

YEHU Microfinance Trust: FIRM worked with Yehu MFI to develop a strategy and to review and refine products, rationalizing 18 to 4 products, effectively seeing Yehu reduce its operating costs. Yehu was able to attract a loan of \$250,000 from the Grameen Foundation on the basis of strategic business plan developed by FIRM in December 2012.

Small and Medium Enterprise Program (SMEP): In December 2012, FIRM assisted SMEP to develop a product roll-out plan for 5 agriculture products which had been developed under the agribusiness strategy. In January 2013, FIRM assisted SMEP to roll-out the products in Western, Rift Valley and Eastern provinces. The products support smallholder farmers in dairy, livestock, horticulture, cereals and beekeeping. By 2016, SMEP plans to have an agriculture loan portfolio of approximately \$75,000,000.

Musoni BV MFI: Musoni is the first MFI in Kenya to go 100% mobile enabling clients to repay their loans using existing mobile money transfer platforms, such as M-PESA, Zap and Orange Mobile Money. This presents great advantage to Musoni and its client base, especially in rural areas where other MFIs and banks are struggling to expand their reach.

FIRM supported Musoni BV MFI to design and develop a 5-year rural expansion strategy and a methodical branch locator model that will see the MFI strategically expand into rural agricultural regions, based on science not guesswork, to grow its unique product mix.

Opportunity Kenya Limited (OKL): FIRM offered technical assistance to Opportunity International Kenya to develop a five-year agribusiness strategy that provides guidelines necessary to operationalize critical success factors and to take advantage of financing opportunities in the agriculture sector. Opportunity Kenya has incurred losses for the past 5 years and FIRM's technical assistance concentrated on turning-around the their profitability by focusing on key strategic areas that offer quick-win opportunities.

Vegpro Horticulture Out-grower Groups: In support of USAID's KHCP, FIRM helped Vegpro to design and develop 5 financial products for smallholder horticulture farmers to facilitate access to affordable and convenient credit from financial institutions. The 5 credit products include: a greenhouse tunnel loan, an input loan, drip irrigation kit loans, water harvesting pond loan, and a combined drip kit/input loan. These loans will link horticulture smallholder farmer groups to finance the purchase of inputs such as chemicals/fertilizers, greenhouse tunnels, grading shades, water harvesting ponds, etc. A financial product's forum will be held in the second quarter with FIRM's partner financial institutions, introducing them to the new financing opportunities.

Earthoil Extracts Ltd: Earthoil has been working with USAID FIRM to assist essential oils' farmers to access financial services. FIRM assisted Earthoil to develop and establish a purely commercial model

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through which smallholder tea tree farmers could appropriately tailored loans for the tea tree crop. In addition, FIRM was appointed as an arbiter by the Bodyshop (UK), the main buyer of tea tree crop from Earthoil, to conduct fair trade price reviews for the commodity, leading to a 40% rise in the prices paid to tea tree farmers. We created a model that analyzes pricing – the fair trade price model.

In the second quarter, FIRM and Earthoil will review the fair trade price model to develop and document a pricing manual that meets international pricing standards for the tea tree commodity that will determine a fair price for the tea tree crop in Kenya.

Milango Financial Services (MFS). The partnership between FIRM, Earthoil Kenya and MFS has created previously unavailable access to tailored agriculture financing for tea tree farmers. During the pilot phase, Earthoil had given smallholder farmers tea tree seedlings at subsidized prices. Results of the partnership between Earthoil and its tea tree farmers were encouraging, and as part of the ongoing process to promote sustainability for farmers and to improve their economic resiliency and livelihoods, Earthoil sought our assistance to link their farmers with a commercial financial institution, a process that led to a partnership with MFS and the subsequent development of 3 tea tree loan products. Farmers began to receive financing in October 2011 with subsequent repeat cycles every 6 months, with the ultimate goal of commercializing the process and eliminating the need for ongoing subsidies.

The output of this tripartite agreement resulted in disbursement of over \$37,500 to tea tree smallholder farmers for the purchase of seedlings through the MFI's branch in Nanyuki. An additional \$50,000 has been disbursed to non-tea tree farmers through MFS's other financial products (non-tea tree).

Honey Care Africa (HCA): 'Business in a Beehive' is a simple, standard micro-enterprise concept developed by HCA, designed to make honey production practical and successful for smallholder households while mitigating risks for lenders. Through its Cluster Model, Honey Care Africa offers modern beehives, professional hive management services, and a guaranteed market to ensure commercial-level yields for rural microenterprises. Each initial household investment of \$63 in a beehive generates at least \$40 in additional income each year for 8 years, in total, more than \$400. FIRM's technical and financial support for the pilot ensured establishment of a symbiotic partnership between HCA and Milango Financial Services through which HCA leverages on MFS's existing clientele portfolio at Kenya's Coast region, Milango Financial Services provides loans for the purchase of hives to smallholder rural farmer groups. The output of this assistance has seen over 1,000 hives purchased and loans worth \$62,500. A further 800 hives have been restored by HCA from previous failed honey programs at the coast.

FIRM assisted HCA to create an Internal Credit Department within its current operations to oversee deployment of HCA's hive leasing program. As part of the pilot for the credit program, HCA has successfully deployed over 100 hives to rural smallholder farmer groups at its western apiary cluster. HCA targets 60 to 80 loans disbursements each month, translating into 250 to 300 hives each month.

Plans are underway to have HCA access less expensive lines of credit from Kiva with the aim of advancing more affordable hive loans to rural smallholder farmers in Kenya's Western region.

Credit Factory for DTMs: The next phase of making finance more affordable is the Credit Factory. We have partnered with the Kenya Market Trust. Together, we are working on a Farmer Credit Bureau as a first step.

Jamii Bora Bank/Sirgon Capital Ltd: FIRM initiated and facilitated a partnership between Jamii Bora Bank and Sirgon Capital, a local MFI based in Bomet County. Jamii Bora has aggressive plans to grow its agriculture portfolio and it partnered with Sirgon Capital either by directly lending to the MFI on

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a wholesale basis or acquiring the MFI as a distribution channel. The MFI serves over 2,000 clients, mostly rural smallholder farmers involved in dairy, horticulture and livestock farming. We moderated meetings between the two institutions and helped them develop a mutually beneficial plan describing how they will work together.

GreenDreams Tech (iCow): We assisted iCow, owned by GreenDreams Tech Ltd. to expand its business. Since our partnership, iCow has registered farmers across 27 counties throughout Kenya and 4 new information modules have been added based on farmer demand. To support iCow, FIRM worked with a consultant with experience in strategy, business planning and capital formation. iCow has secured various partnership through our support, 2 of the most critical being Safaricom and Elea Foundation.

FIRM facilitated the signing of a MoU with Elea Foundation, unlocking access to consulting and technology support from the Switzerland office as well as from Accenture. The Accenture team has been working with iCow's ICT consultant to review the iCow platform and its readiness to migrate to Safaricom. The migration has recently been billed as one of the most innovative agricultural mergers in the country. The level of marketing anticipated for the iCow platform by Safaricom is expected to see an increase in rural dairy farmers joining the platform and accessing information and thereby improving their yields. The merger is expected to create the conditions for over 1 million farmers to join iCow.

Mobipay's Agrilife platform /Jamii Bora bank. Mobipay's *Agrilife* platform enables agricultural financiers and service providers to offer innovative and appropriate financial products and services that have much lower administration costs and deeper reach by utilizing modern technologies to deliver, assess, monitor and control the facilities. Mobipay's agrilife platform presents a partner (client) with an appropriate entry into the agricultural sector.

FIRM facilitated a linkage between Jamii Bora and Mobipay leading to a signed agreement between the two to work together.

Soko Shambani – Potato Value Chain Financing. FIRM worked with Equity Bank, Europlant, Yara fertilizers and Risper Investment to develop a financial model and a market contract for potato farmers within the Narok area. The partners will conduct a pilot-test of the model in the second quarter of 2013 with a sample of 35 farmers. The pilot is expected to run from end of May to August 2013.

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Development Credit Authority.

Current Facilities/Enhancements

	Partner Financial Institution	Start	End	Sector	Value (\$)	Util. %	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	7,635,591	61%	578,511	12	0
5.	KCB	9/10	9/17	SME	5,750,00	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	26,130	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	62,402,475		578,511	27,113	2,183,950

The Value Chain Finance Center. The Value Chain Finance Center is a partnership between FIRM and Financial Sector Deepening (FSD) Kenya. It was established to apply research and analysis in order to strengthen agricultural value chains by enabling development of research-led agriculture financing products. FSD is working to configure the center within its operational parameters. When they resolve these issues, we will move research agenda forward.

The VCFC team held a series of meetings to guide operations on proposed activities that include:

- Action research with a financial institution leading to a documented research and product development plan to execute a TOT program and develop a manual that VCFC can use to support financial institutions in research and product development. This has been initiated with SMEP for dairy lending.
- Supporting the SME environment by designing an information prototype based on financier needs that will assist SMEs to attract financing from interested.
- Intensive agriculture value chain research aimed at developing financial product concepts for pilot testing

The VCFC conducted a study on the cotton value chain to identify product development opportunities. Data was collected from farmers, input suppliers, cotton buying agents, ginneries, cloth mills and spinners, textile manufactures and garment construction companies, in addition to other stakeholders such as financiers, insurers and regulators. The study focused on the Nyanza region although some stakeholders were also contacted in Eldoret, Webuye, Nairobi and Thika.

Intensive secondary research was also conducted. The study determined there was insufficient financing for the cotton value chain and that some of the products required working capital, asset financing and long term loans for cotton ginneries and other post-ginnery value chain actors as well as input suppliers. Some additional requirements that would underpin successful product development for cotton producers and cotton buying agents include: developing appropriate MIS systems and cotton marketing structures such as contract production that would provide reliable data on activities of all value chain actors.

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Agriculture Policy

Kenya Credit Information Sharing Initiative. To ensure maximum impact from credit information sharing, FIRM organized a series of forums for all credit providers. The aim of these forums was to sensitize credit providers on the need and benefit of credit information sharing and address challenges and concerns players other than financial institution may have. One of the main achievements from the forum was the registration process of an Association of Credit Providers of Kenya (ACPK). The registration documents were submitted to the Registrar and the certificate of incorporation will be awarded soon.

The association will serve as the umbrella body for all credit providers in Kenya including banks, DTMs, credit-only MFIs, SACCOs, DFIs, utility companies, telcos, AFC, the Higher Education Loan Board, etc. Having an umbrella body will lead development of rules and regulations to govern credit information sharing at credit provider level and not industry level as is currently the practice. Moreover, the ACPK will allow for credit information sharing across industries, a move that will positively impact the financial landscape for both lenders and borrowers.

Kenya credit Information Sharing Initiative. Based on the finding of TNS RMS, a research company hired by FSD to conduct a baseline survey on the perception of CIS from the public, there was need to assist KCISI develop and implement an effective communication strategy. The findings indicated more than 80% of individuals did not know that they could benefit from credit information sharing, most considered it a blacklist. There was also need to educate the public on aspects such as dispute resolution, personal data security and general lack of awareness about existence of CIS. Consequently, FIRM assisted KCISI to develop a strategy to ensure communication was more structured, designed to address different audiences and not too technical, laden with jargon. The aim is to build capacity and awareness of the general public on credit information sharing.

As a follow-up to an earlier assignment in which FIRM assisted KCISI to conduct a pilot for 13 MFIs on credit information sharing, the need for internal credit scoring was noted. A credit scoring and risk management seminar was organized. It was attended by CEOs, Heads of Risk and Heads of Credit from 6 DTMS. The seminar was meant to create awareness on the use of credit scoring tools and the benefit financial institutions receive from scoring mechanisms. This work produced strong interest from DTMs with 5 DTMs signing up to have their systems and capacity reviewed, a step that would determine whether scoring tools can be developed for their institutions. FIRM seeks to have DTMs use scores from the CRBs to determine and lower the cost of credit as a reward to good borrowers.

National Economic and Social Council. In the fourth quarter of 2012, NESC's executive committee recommended to the cabinet that a guarantee framework and a bill must be developed so that the initiative can move forward. FIRM also agreed to work closely with NESC to draft the framework and the bill.

In the first quarter of 2013, FIRM developed and released a RFP to assist NESC develop a credit guarantee policy and bill for the government of Kenya. A consultant was selected through competitive bidding to undertake the assignment. The credit guarantee policy and bill preparation is expected to start in April 2013.

Clean/Renewable Energy

Kenya Women Finance Trust Deposit Taking Microfinance. Following the completion of study commissioned in late 2011 by FIRM for KWFT DTM that expanded their product offering in clean/renewable energy, FIRM further assisted KWFT to develop clean and renewable energy products. These products were pilot tested with a sample of clients from lower Eastern. The pilot

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produced enormous potential and subsequently, KWFT plans to scale up the pilot test for a further 12 months, covering four units in each of the four regions they operate in nationally.

KWFT expects to disburse over \$10 million in loans to its clientele to finance the purchase of these assorted clean and renewable energy products.

Renewable and Clean Energy Forum. FIRM participated in the IFC (Lighting Africa Project) workshop conducted by the Kenya Renewable Energy Association (KEREAA), an independent non-profit association dedicated to facilitating the growth and development of renewable energy businesses in Kenya. The workshop was a series of 4 discussions within 4 renewable energy sub-sectors: Solar Energy, Wind Energy, Biofuels and Hydro. The forum discussed impediments for the increased uptake of clean and renewable energy products which included lack of finance; lack of enforced product standards, inadequate awareness and other capacities necessary for increased uptake, as well as, insufficient policy and regulations. The workshop provided recommendations that KEREAA can pursue in seeking to respond to industry challenges discussed at the four sessions. FIRM met with key contacts at KEREAA to pursue increased partnerships to scale up renewable energy uptake by rural microenterprises.

Lessons Learned

- Financial Access and Inclusion. Financial access and inclusion for people above the very poor and poor thresholds has greatly improved over the years as evidenced by numerous reports and studies. Banks, DTM MFIs, NGO MFIs, SACCOs and other institutions, provide wide-ranging access to financial products and services through extensive geographic branch networks and agency relationships across Kenya. Pricing offered on these products and services, however, is very expensive and the lack of affordability restricts access for low-income individuals and households to both loans and savings.

MFIs are the most expensive; they generally price loans using flat interest rates, often over 20% with other fees. Savings accounts are mandatory and held in escrow accounts controlled by the lender, creating an involuntary opportunity cost for the buyer that restricts their ability to self-manage their own resources necessary to invest in and grow their livelihoods by locking in capital controlled by MFI. Effective annual rates often exceed 60% per annum.

Banks offer loans on declining interest rates, unlike MFIs, but banks rates are currently over 20% per year and they require similar fees, increasing the total cost of borrowing and savings. SACCOs (credit unions) are the least expensive and interest paid on savings is higher than MFIs and banks. SACCOs, however, have ceilings on the value of credit individuals can receive and it's linked to the value of savings the individual has on deposit with the SACCO. This restriction curtails investment and growth opportunities for loan recipients since the value of credit required for their business cannot be sourced through the SACCO.

M-Pesa provides a convenient opportunity for anyone to deposit, transfer funds, withdrawal and save up to prescribed limits. This service has its limitations – since as a percentage of income, wealth, assets or other similar measures – the system can be considered regressive. Likewise, the new partnership between Commercial Bank of Africa and Safaricom called M-Shwari increases access and inclusion to financial services through convenience. Individuals with a M-Shwari account can receive loans through CBA based on their history with M-Pesa. Later, after receiving loans from CBA, the bank will be able to score clients based on their repayment and saving history with the bank, delinking from Safaricom's M-Pesa. This service also has its limitations as well – i.e. loans must be repaid after 30 days at a monthly interest rate of 7.5%. Annualized, if the outstanding balance was continuously rolled over, clients would pay a yearly interest rate of over 200%.

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These rates offered by all financial service providers, including M-Pesa and M-Shwari, are perceived as extremely expensive and greatly limit access for not only all strata of poor individuals and households but also smallholder and subsistence farmers whose livelihoods are dependent upon rain-fed agriculture.

- Alternative Finance. In FIRM's opinion, interest rates in Kenya are exorbitant. Banks report record earnings quarter after quarter, year after year. With inflation low, at roughly the same rate as the US in 2012, and with non-performing loans within industry standards, net interest margins earned on the spread between interest rates on loans less the cost of funds is approximately 3 – 4 times greater than those in the United States. FIRM believes high interest rates in Kenya exclude many low income populations from obtaining finance. This also restricts the growth of Kenya's Gross Domestic Product.

To expand access for smallholder farmers, FIRM partnered with Honey Care Africa to create a pilot alternative finance program. Prior to this pilot, FIRM provided support to HCA so that it could locate a new sales cluster in Kwale, Kenya. The partnership was designed to increase the sales of hives on horticulture farms. A recent report by FrigoKen indicated that the introduction of beehives on passion fruit farms increased production by 50%, thus increasing incomes for smallholder farmers. To finance the beehives, FIRM linked a local MFI with HCA. A new loan product was created; however, the interest rate set by the MFI, in addition to the fees, greatly restricted access to the MFI's financing. The interest rate was greater than 20% flat. This rate was based on zero cost financing from Kiva.

FIRM began working with HCA to create an internal lending department, supported by a 0% Kiva loan for on-lending. FIRM expects that HCA lending will be priced at breakeven, including a risk premium. Initial modeling prices loans around 7% declining, with no other fees loaded onto the cost. It is anticipated that hive finance will drive increased sales that benefit both the farmer and HCA.

- USAID Forward. FIRM generally hires local Kenyan consultants and companies to undertake assignments that support the project's development objective. Most, if not all, of these companies are small and led by a single individual. In most cases, the quality of work done by the consulting company is dependent on the owner's ability to manage multiple assignments, projects, etc. As the volume of work increases, quality generally decreases. These companies must outsource work to external consultants to keep pace with the growing volume of work sourced by FIRM or other donor projects or commercial enterprises. These external consultants must be actively managed to ensure high quality standards. In an increasing number of instances, local businesses are not able to grow their companies beyond what the owner/manager can provide technically. The burden on the individual is also compounded because increased technical work necessitates managerial and business systems upgrades to keep pace with revenue growth.

In addition, some Kenyan consulting companies complain about USAID requirements implemented by FIRM, such as DA 1 withholding of Kenyan taxes. This is a compliance issue for USAID contractors and grantees that FIRM fully implements. The primary complaint concerns lengthy processing time and the impact on a cash flow and taxation (if the forms are not approved within a certain timeframe). As a result, a small number of companies have refused to work with FIRM. Another small set of companies have expressed concern over FIRM's withholding of local taxes, which again, is a compliance issue. The project complies not only with USAID rules and regulations but also with Kenyan taxation and withholding. FIRM does not assist its local subcontractors to evade legal requirements mandated by Kenyan law. This has also forced a small number of local contractors to cease doing business with FIRM.

As a result of these issues – (1) capacity issues of consulting companies dependent on a single owner/manager, (2) DA 1 compliance and (3) taxation – FIRM has begun to offer consulting services on a limited basis with some financial institutions. FIRM's technical team has more

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experience in finance and banking than the companies it sources to complete work. All team members have over ten years of experience and are either seasoned bankers or agriculture value chain experts. FIRM will gradually begin doing more work internally for its partner financial and non-financial institutions to ensure higher quality.

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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		86,946	104,700	189,400	279,900
M			28,006	39,995		39,995	52,350	85,230	111,960
W			8,517	46,951		46,951	52,350	104,170	167,940
NEW/CONTINUING	N/A	10,000	36,523	86,946		86,946	104,700	189,400	279,900
New Clients				86,946		86,946	70,000	90,000	100,000
Continuing Clients				-		-	34,700	99,400	179,000

FIRM is on course to exceed the fiscal year target for 2013. At mid-year, we are at 83% of goal.

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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		Q1 – Q4		10/01/2012 – 03/31/2013	04/01/2013 – 06/30/2013	YTD	Annual Target	Annual Target	Annual Target
-New / Continuing clients		Target	Actual	Actual	Actual	Actual			
TYPE OF ORG.	N/A	N/A	313	356		356	400	450	450
Private Enterprises			36	38		38	50	60	60
Producer Orgs			12	12		12	20	25	25
Water Users Assoc.			21	35		35	40	45	45
Women s Groups			241	262		262	270	285	285
Trade & Business Assoc.			3	9		9	10	20	20
Community-Based Orgs			-	-		-	10	15	15
NEW/CONTINUING	N/A	N/A	313	356		356	400	450	450
New			313	43		43	-	-	-
Continuing			-	313		313	-	-	-

Likewise, for Indicator 4.5.2 – 11, we are on target to exceed the fiscal year target for 2013. At mid-year, we are at 89% of goal.

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	
<i>-Gendered H/H Type</i> <i>-New/Continuing Clients</i>		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		125,965	300,000	380,000	450,000
WNM				77,004		77,004	150,000	209,000	270,000
MNW				48,961		48,961	150,000	171,000	180,000
M&W				-		-	-	-	-
CNA				-		-	-	-	-
NEW/CONTINUING	N/A	245,000	212,000	125,965		125,965	300,000	380,000	450,000
New				125,965		125,965	-	-	-
Continuing				-		-	-	-	-

FIRM is slightly below its mid-year target for this indicator. 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		124,707	75,000	85,000	90,000
Savings	-	-	46,750	123,484		123,484	37,500	42,500	45,000
Insurance	-	-	3,022	1,223		1,223	37,500	42,500	45,000
GENDER OF OWNER	N/A	N/A	49,772	124,707		124,707	75,000	85,000	90,000
M	-	-	27,378	39,131		39,131	37,500	38,250	39,400
W	-	-	22,394	85,576		85,576	37,500	46,750	50,400

At mid-year, 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		Q1 – Q4		10/01/2012 – 03/31/2013	04/01/2013 – 06/30/2013	YTD	Annual Target	Annual Target	Annual Target
-Gender		Target	Actual	Actual	Actual	Actual			
TYPE OF ORG.	N/A	N/A	113,228	80,950*		80,950	200,000	250,000	300,000
Producer Orgs.			30,728	50,950		50,950	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		80,950	200,000	250,000	300,000
M				-		-	100,000	112,500	120,000
W				-		-	100,000	137,500	180,000

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

FIRM is slightly below its mid-year 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*		216,588,444	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**		216,588,444	250M	375M	500M
M		146.25M	51.68M	71,474,186		71,474,186	150M	187.5M	200M
W		78.75M	51.32M	145,114,258		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 are at 86% of target and 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		80,563	200,000	250,000	300,000
Micro			158,175	80,563		80,563	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		80,563	200,000	250,000	300,000
M			79,847	21,545		21,545	100,000	112,500	120,000
W			78,328	59,018		59,018	100,000	137,500	180,000
Joint A/C			-	-		-	-	-	-
N/A			-	-		-	-	-	-

FIRM is slightly below its mid-year 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 4.5.2-37 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		42	50	65	65
Micro			3	3		3	25	45	50
Small			22	25		25	15	15	10
Medium			13	14		14	10	5	5
TYPE OF MSME	N/A	N/A	38	42		42	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		30	10	5	-
GENDER OF OWNER	N/A		38	42		42	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		40	20	15	-

At mid-year, we are at 82% of target and we foresee achieving the year-end goal.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

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

The configuration of FIRM's budget constrains the project from building the success achieved to date originally planned. In order to support increasing numbers of partnership requests, FIRM plans to request a budget realignment, moving funding from certain line items where spending is underutilized to areas necessary to hire additional technical personnel on the project. Doing so will allow FIRM to assist increasing calls for support from new partners and expand innovation.

The realignment was discussed with USAID Kenya and it was tentatively approved, pending a formal submission and official review.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

Personnel

CVs were received for new positions per our realignment request. Interviews were held and finalists for 3 of the positions were selected – SACCO partnership specialist, M&E statistician; and communication specialist. We expect to fill the energy position during the next quarter.

Changes in the Project

Our realignment request reflects the expanding nature of FIRM. The 4 new positions include different skill sets and specialties. The new staff positions include: a SACCO specialist, an energy specialist, a communication's specialist and a M&E statistician. USAID Kenya requested that we further expand our work into the SACCO sector and larger scale clean/renewable energy. We're adding a communication's specialist and a statistician to improve our information management and analysis.

Contract Modifications and Amendments

During the quarter, USAID Kenya responded to our modification request and we made changes and resubmitted. We now expect that the realignment will be approved during the upcoming quarter.