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FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES (FIRM)

QUARTERLY REPORT:
OCTOBER 1 – DECEMBER 31, 2011

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FINANCIAL INCLUSTION FOR RURAL MICROENTERPRISES

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SECTION I

INTRODUCTION

The fourth quarterly report on USAID Kenya's Financial Inclusion for Rural Microenterprises (FIRM) activity, hereafter referred to as the "Program," summarizes achievements for the first period of the new fiscal year, including an ongoing discussion that will soon affect reporting as USAID Kenya transitions to Feed-the-Future. Other topics covered in this report are related to implementation processes, performance issues and budget expenditures.

During the reporting period from October through December 2011, FIRM made significant gains toward the realization of important program indicators. The Program:

- Supported and facilitated the Central Bank of Kenya in its efforts to draft a new set of regulations allowing Deposit-Taking MFIs (DTMs) to expand their rural outreach through agency relationships. These new regulations are called, "Guidelines on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions."
- Added further structure to the Kenyan Pension Fund Initiative by securing buy-in and participation from FMO, the Dutch development bank, as the initiative's lead manager and co-investor. FIRM also identified a potential US-based fund-of-funds private equity firm that can partner with FMO and raise additional private capital.
- Received enthusiastic support from the National Economic and Social Council (NESC) on the Program's Credit Guarantee Study for the Government of Kenya that offers a strategy and plan to underpin economic growth and development as articulated under Vision 2030.
- Formed a partnership with the Kenyan Credit Information Sharing Initiative (KCSISI) to expand beyond commercial banks and include DTMs, MFIs and SACCOs in the new Credit Reference Bureau.
- Commenced lending under the partnership design by FIRM between Earthoil/Body Shop UK, Milango Financial Services and Tea Tree small holder farmers in Central Kenya.
- Staffed the key position in the Value Chain Finance Center – the partnership with FSD Kenya – by transferring FIRM's deputy Chief of Party to lead the center.
- Formed a partnership with DFID's MAP (Market Access Program) in financing agriculture value chains in regions and commodities specific to Feed-the-Future. FIRM will provide financial services technical advice and assistance and MEP will focus on business development services, competiveness and market linkages.

In a key mission-wide performance monitoring and performance (PMP) evaluation, FIRM and other USAID Kenya programs began working with external consultants to reconfigure their PMPs to support new objectives under Feed-the-Future. FIRM's PMP will undergo significant alterations and, as such, the Program will not report on numeric indicators in this quarterly report as defined in an earlier approved PMP. FIRM anticipates that it will complete and submit a new PMP and draft workplan during the first quarter of calendar year 2012 for USAD Kenya review and approval.

Since FIRM's indicators and PMP are under review and will be changed, the Program will not report on previous PMP indicators in this quarterly report. In this report, FIRM will discuss major process achievements that will significantly and positively contribute to performance results. Potential changes will be highlighted with analysis as appropriate.

SECTION II

ACHIEVEMENTS

Guidelines on the Appointment and Operations of Third Party Agents by Deposit-Taking MFIs

The Finance Act, 2010 (No. 10 of 2010) amended the Microfinance Act, 2006 to allow third party agents to conduct specified deposit-taking microfinance business on behalf of deposit taking microfinance institutions (DTMs). Consequently in 2011, the Central Bank of Kenya's Bank Supervision Department (BSD), with support of the industry, facilitated with critical assistance provided by FIRM, prepared draft "Guidelines on the Appointment and Operations of Third Party Agents by Deposit-Taking Microfinance Institutions." Following the Governor's approval, the guidelines (regulations) were circulated to key players in the microfinance industry, including the licensed DTMs, the Association of Microfinance Institutions (AMFI), BSD and Legal Division for review and comments prior to their finalization and roll out.

Following the consolidation of the comments received, an industry workshop was paid for and facilitated by FIRM on December 6, 2011. The workshop was held at the Southern Sun Mayfair Hotel, Nairobi and attended by approximately forty participants. These important participants included representatives from the Ministry of Finance, the Association of Microfinance Institutions (AMFI), licensed DTMs (KWFT, Faulu, SMEP, Rafiki, Uwezo and Remu), Institutions issued with Letters of Intent to license (Century, Sumac and U&I; and development partners such as FSD Kenya and the Consultative Group to Assist the Poor (CGAP), and Central Bank Representatives (national payment systems, research, legal and BSD).

Following the industry workshop, a two-day technical taskforce review retreat was sponsored and facilitated by FIRM at Simba Lodge in Naivasha on December 8 – 10, 2011. The retreat was attended by six CBK representatives from BSD and the legal division. The purpose of these two events was to discuss, consider and consolidate comments from the industry and finalize drafting of the guidelines for issuance by the end of December 2011. Following the workshop, the guidelines were subsequently issued by monthend and the following story appeared in the Standard newspaper shortly thereafter:

Deposit-Taking Microfinance Institutions can now use agents to provide financial services in an increased bid by the Government to promote financial inclusion to the unbanked and under-banked population.

This follows the commencement of new laws allowing the institutions to contract third parties to provide deposit taking microfinance business on their behalf.

The Guidelines issued by the Central Bank of Kenya (CBK) on the appointment and operations of third party agents by Deposit-Taking Microfinance Institutions (DTMs) became effective on Monday.

CBK Director of Bank Supervision, Frederick Pere, said the agency model would extend the footprint of DTMs by allowing them to enter into strategic alliances with contracted third parties to provide specified deposit-taking business on their behalf.

He said in a circular sent to all Chief Executive Officers of the institutions last month, the third parties to be contracted by DTMs would have to be approved by CBK and include both financial and non-financial entities.

Pere said the guidelines would among others ensure that the introduction of third parties in the DTM business would not compromise the safety, soundness and supervision of the DTM sector.

CBK first rolled out the agency model in the banking industry in 2010 as part of the initiatives to enhance access and penetration of cost effective financial services.

Since its launch, there has been remarkable growth in the use of this channel with CBK reporting it has up to date approved 8,937 agents to provide banking services on behalf of institutions licensed under the Banking Act.

According to CBK, through these agents, customers of banking institutions have undertaken 5.92 million transactions valued at Sh28.7 billion. He explained that CBK decided to extend the agency model to the microfinance sector following its notable success in the banking sector.

FIRM expects these guidelines will dramatically affect the access and availability for financial services in rural areas by allowing DTMs to further penetrate into areas not served by the formal sector (banks). The Program, working closely with the CBK, will track and report on the number of agency relationships formed and opened, their locations and the value of transactions undertaken.

The Kenyan Pension Fund Initiative

Working closely with USAID’s newly formed Private Capital Group for Africa (PCGA), FIRM helped broker FMO, the Dutch development bank, into the architecture of the fund-of-funds structure as a key manager and investor. FMO was created in 1970 by the Dutch government, commercial banks, employers associations, labor unions and private investors, to make investments in private sector projects in developing countries and emerging markets. In March 2008, FMO achieved bank status; the bank is officially under the supervision of the Dutch Central Bank (DNB). As of December 2009, FMO was present as a development finance partner in over eighty different developing countries and emerging markets.

Fifty-one percent of FMO’s shares are held by the Dutch government but it operates as a commercial company. Its mandate is to provide long-term capital for projects in countries that commercial investors do not yet feel comfortable investing in. Furthermore, FMO has a strict policy on maximizing development impact: a methodology designed to make sure that FMO's return on investment is not just financial, but also has positive environmental and social aspects. FMO invests risk capital in companies and financial institutions in developing countries.

As of December 2009, FMO's investment portfolio totaled EUR 4.6 billion (about US$6.3 billion). FMO is one of the largest bilateral private sector development banks worldwide. Due to its relationship with the Dutch government, FMO is able to take risks that commercial financiers are not (or not yet) prepared to take. FMO has an AAA rating from Standard and Poor's. FMO also manages funds for the Dutch government (Ministries of Foreign Affairs and Economic Affairs) to maximize the development impact of private sector investments. For instance, the Capacity Development Program provides funding with the aim to create access to management and technical know-how.

FMO collaborates with other International finance institutions. Currently, FMO has a risk-sharing agreement with the Asian Development Bank (ADB), to promote trade finance in Asia. FMO also collaborates with individual financial institutions in emerging markets and developing countries, including LOLC Micro Credit Limited in Sri Lanka.

FIRM expects that FMO will co-manage the fund-of-funds with another partner. Both will raise and contribute additional investment capital alongside Kenyan pension fund capital. Conservatively, investments into the structure could potentially total $300 - $400 million.

The Program also began preparing for an industry private equity training aimed at fund managers for next quarter. The fund managers control approximately $4 billion in pension fund assets.

Credit Guarantee Study for the Government of Kenya

The Government of Kenya, through the National Economic and Social Council (NESC), approached FIRM seeking assistance to improve the country's business environment and to encourage the greater provision of credit throughout the financial system. Vision 2030, the key policy framework designed to guide Kenyan economic growth over the next twenty years, identified the need to create a strong and competitive financial sector. Kenya's Medium Term plan (2008-2012) is the first in a series of successive plans designed to implement Vision 2030. FIRM began to support NESC during the quarter and started to evaluate the potential for a Kenyan managed guarantee scheme.

The study sought to identify the scope for a credit guarantee scheme to enhance the provision of financial services to several SME groups:

- Exporters
- Local contractors
- Vulnerable SMEs (agriculture)
- SMEs in ICT as well as Science and Technology

The study also sought to address the issue of inaccessibility of sovereign guarantees for state corporations. The government of Kenya has seen a strong increase in the demand for guarantees. Demand in this area stems from (1) a typical loan guarantee for which there is already a clear legal framework in place and (2) the need for political risk insurance for foreign investors. Credit guarantee schemes have been used in both developed and less developed economies to stimulate private sector lending to key sectors. The level of success has varied: in some countries like Japan, South Korea and the USA, credit guarantee schemes have been able to facilitate increased access to finance for thousands of enterprises across a wide range of sectors; in other countries, outreach has been less successful where schemes have not been structured well.

The key purpose of FIRM's study was to understand the existing situation in Kenya, including:
- The experience and utilization of existing credit guarantee schemes in the country.
- The current institutional, legal and regulatory framework.
- And, develop a comparison of Kenya's situation in light of international best practice.

It is important to note, that in addition to Credit Guarantee Schemes, other systems are equally important to ensure successful implementation such as an effective credit reference system, a functional and unbiased legal and regulatory environment, as well as increasing access to market and technical support to SMEs.

Working closely with NESC, FIRM recommended three approaches:
- Do nothing directly and maintain the current state of practice but encourage donors to establish Credit Guarantee Schemes for the benefit Kenyan SMEs.
- Provide targeted funding to specific government agencies that focus on particular sectors and encourage those agencies to establish Credit Guarantee Schemes with government of Kenya financing.
- Create or nominate a central Credit Guarantee Scheme office under the Ministry of Finance that manages all Kenyan guarantees financed by the treasury and partner with the commercial sector (banks, DTMs, others) to establish a centralized Credit Guarantee Schemes through a PPP arrangement.

The first approach reflects the current situation. Some donors are active in this area and they typically pair a guarantee with technical assistance as required by the sector or institution on a case-by-case basis. These guarantees have increased SME lending by the banks and created important demonstration for continued successful implementation by others. The second approach exists on a relatively small scale with Kenyan agencies (parastatals) such as the Women Enterprise Fund and the Youth Fund. Both target micro-sized women and/or operated owned businesses and youth-owned businesses respectively. The third approach, recommended by FIRM, calls for a single scheme covering the universe of financing required by SMEs outside normal channels, regardless of purpose and business type.

There is considerable scope for introducing a well-structured Credit Guarantee Scheme in Kenya targeting a wide segment of enterprises located in key sectors throughout the economy. The current schemes in Kenya, while helpful, are not of a sufficient scale scope to achieve needed impact necessary to foster and create economic growth and employment generation. The recommended approach seeks to draw heavily on lessons learned from existing schemes in Kenya and global best practices**.**

A key element of the proposed scheme utilizes the high-levels of liquidity within the banking system necessary to fund emerging small and medium enterprises. FIRM proposed the general structure below.
- **Guarantee Type**: Portfolio Guarantee[1]
- **Distribution Channel**: Commercial Banks, DTMs and other MFIs.

[1] Portfolio Guarantee provides financial institutions with partial coverage on a portfolio of loans that they provide to their customers.

- **Guarantee Coverage**: 40% pari passu for general SMEs. Potential for higher percentage share for risky sectors/regions and smaller loans.
- **Leverage**: At least four times over a twenty-four month period-serial leverage.
- **Interest Rate**: At market rate.
- **Publicity**: No publicity on the CGS.
- **Technical Assistance**: Provide technical assistance to banks necessary to build capacity within targeted SMEs.

The experience of management of Credit Guarantee Schemes in Kenya has been one of separation. Each scheme is managed individually with little coordination. Some attempts at coordination are visible within the Ministry of Finance where Kenya Incentive Based Risk Sharing Agricultural Lending (KIRSAL) and Program for Rural Outreach of Financial Innovations and Technologies (PROFIT) are managed by a section of the Economic Affairs Department. USAID's Development Credit Authority, the largest scheme in Kenya, is disconnected from government of Kenya planning and implementation as are a handful of other donor financed and managed facilities.

To manage the scheme, FIRM recommended:

- *Establish a central guarantee office to coordinate CGS in Kenya:* This option can be implemented quickly since an office in Treasury currently oversees and manages two CGSs. The human capacity must be increased through additional hires, however.
- *Create an authority*: An authority similar to the US Small Business Administration (SBA) could be established to manage a state credit guarantee fund. A flexible structure would enable the authority to implement different related initiatives when need arises. The Korea Credit Guarantee Fund (KODIT) is similarly structured. The authority would be audited like any other state agency and supervised by the Ministry of Finance.
- *Launch an Association*: An association could be established with government support. Among functions, the association would design industry standards for CGSs and it play an advocacy role on behalf of its members. The Japanese National Federation of Credit Guarantee Corporations (NFCGC) is a useful example of this recommendation in practice.

For the short term, FIRM proposed a central guarantee office. The SME guarantee mechanism would be administered from this office, potentially housed at the Treasury, where staffing could be expanded to administer the range of facilities. The role of this office would include the following functions:

- *Oversee* lending activities by banks and other financial institutions that have portfolio authority to expand lending to SMEs.
- *Track* all guarantees issued by the government and donors. Develop expertise on how guarantees are used and constructed.
- *Track* usage, impact statistics and transparently report throughout government.
- *Advise* on the use of sovereign guarantees in public private partnerships, as well as for state owned enterprises borrowing abroad. In both cases, the agencies involved should not be expected to have expertise on their own since the need for a guarantee should be a one-off transaction.

The Program made additional and complimentary recommendations:

- *Export Development Fund:* The establishment of an export development fund is necessary to support the outreach and creation of market linkages to facilitate development of Kenya's export market.
- *Government Procurement Assignment Mechanism:* Payment delays from the government to SMEs greatly contributes to the lack of finance for SMEs since their cash flows are difficult, if not impossible to predict and therefore financial institutions are often unwilling to lend. It would be extremely beneficial to develop a government procurement assignment that would ensure agencies are bound to make payments following a standard structure and within predetermined periods so payments flow smoothly and reliably to SMEs doing business with the government. This procedure will create a new class of collateral for SMEs that banks can effectively lend against.
- *African Trade Insurance Agency (ATI):* The existence of ATI must be increased as a means to support state agencies implementing Vision 2030 flagship projects are well as for SMEs where political risk is a factor in making investors and potential customers shy away from doing business with a Kenyan company. ATI is relatively unknown in the marketplace.
- *Sovereign Guarantees:* State corporations must be educated on the terms under which the government will issue sovereign guarantees. This will help in preventing expectations by state agencies on the government and ensure they seek alternative avenues. The government must also put into place and practice required policies that enable state corporations to utilize Special Purpose Vehicles (SPVs) in seeking finance from the private sector and, in particular, foreign investors.

Throughout the reporting period, FIRM worked closely with NESC on researching and, then, crafting recommendations appropriate to the Kenyan setting. In November, FIRM presented its preliminary findings and preferred approaches at a NESC forum held at the Crowne Plaza before roughly one hundred participants. In December, FIRM presented its findings and recommendations to NESC's full council at the Southern Sun. The recommendations were endorsed by NESC membership and new direction was given to the Program. During the upcoming quarter, FIRM will continue supporting NESC and its efforts to create a functional and appropriate Credit Guarantee Scheme.

Kenyan Credit Information Sharing Initiative (KCSISI)

Credit markets play a critical role in the promotion of economic growth and development. Inefficiencies in some markets, such as information asymmetries, limit the level of credit's contribution to financial inclusion. In the absence of comprehensive borrower information, credit decisions are often less than optimal, leading to soaring Non-Performing Loans (NPLs), high interest rates and stringent collateral requirements, as lenders try to mitigate the resulting lack of transparency.

Credit Information Sharing (CIS) has gained recognition as a critical component of the financial infrastructure for the attainment of a more efficient and robust credit environment. The Kenya Credit Information Sharing Initiative (KCISI) was created as a joint collaboration of the Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA) with funding from Financial Sector Deepening Trust (FSD Kenya), to oversee the implementation of CIS between commercial banks.

KCISI has, for the last two years, championed the establishment of a credit reporting mechanism in Kenya's banking sector. With financial support from KBA, FSD Kenya, Financial & Legal Sector Technical Assistance Project (FLSTAP), and USAID's FIRM, it has achieved a number of milestones, including:

DATE	ACHIEVEMENT
Aug- Sept 2009	KCISI launched by Governor, CBK; CRB Project Teams formed in all banks
Nov 2009 - June 2010	Data Specifications Document and Data Standards Manual prepared; Data transmission test runs between banks and the licensed bureau conducted
Feb 2010	CRBAfrica Limited licensed by CBK as the first Credit Bureau
April 2010 - July 2011	Communication strategy implemented using print and electronic media, brochures, workshops, letters to bank staff and customers, etc
June 2010	5-year road-map for proposed Kenya Credit Providers Association (KCPA) prepared
August 2010	Banking industry CIS mechanism launched by CBK Governor and KBA Chairman
April 2011	Metropol EA CRB licensed as second CRB
July 2011	Regional Credit Reporting Conference hosted in Nairobi, Kenya. Stakeholders appoint an inclusive Credit Providers Task Force.
October 2011	3-year second phase of the project approved by FSD Kenya, KBA and CBK to run from Oct 2011 to Oct 2014.

The workplan for Phase II envisages a range of activities leading to comprehensive full-file credit reporting. With respect to the microfinance industry, these activities include working with:

- All Deposit-Taking MFIs (DTMs) to ensure that they are ready to pilot data sharing by March 2012
- All major credit-only MFIs to ensure that they are ready to pilot data sharing by May 2012.

FIRM, FSD and KBA met on numerous occasions following the approval of KCISI in October. It was agreed that FIRM, given its mandate under Feed the Future to expand financial services in rural areas through agriculture, would take the lead in preparing the microfinance industry for inclusion into the Credit Reporting System. With FIRM now positioned to assist the industry, the Association of Microfinance Institutions (AMFI) has demonstrated clear enthusiasm to commence CIS among its members. In June 2011, the AMFI AGM appointed an AMFI CIS Taskforce to consider the best approach to bring this to reality. This Taskforce has held several meetings over the last few months, with KCISI project team in attendance, and has prepared a draft action plan to roll out CIS in twelve months. This draft action plan will be considered by the AMFI Members Forum in November 2011 for possible adoption.

Although Phase I achieved a number of significant milestones, the process of implementation was constrained by numerous capacity shortcomings, as reflected in the:

- Inadequate appreciation of the business case for CIS by some lenders, which contributed to general apathy towards full-file data sharing.
- Slow pace in data clean-up efforts and low priority given towards complete and accurate data transmission in some banks.
- Low usage of credit reports for credit risk analysis.
- Inadequate IT capacity among some lenders.

It is anticipated that the challenge of capacity gaps will be greater in Phase II. This is because non-bank credit providers are typically smaller and have limited capital allocation for development of IT and human capital. Many of them are unregulated and therefore have little or no appreciation of adherence to standards. There is also a diversity of systems and procedures for data management, which may require careful study to harmonize sufficiently for CIS to work.

Phase II calls for greater involvement across interventions that will enhance capacity of various players to participate effectively in CIS. There is need to clearly identify, through a diagnostic review, all the critical capacity gaps that exist, and recommend capacity building programs to bridge the gaps. This review will cover the expanded space of credit providers (banks, and non-banks), credit bureaus, regulatory authorities and project management team.

During December, FIRM began assisting KCISI to prepare for an upcoming diagnostic review in early 2013 by focusing on microfinance institutions. The need for this specific focus is informed by the following needs:

- The urgency of incorporating DTMs into the CIS mechanism used by banks, occasioned by the anticipated legal requirement mandating the sharing of credit information by DTMs.
- The need to harness the momentum and obvious demand for formal CIS demonstrated by credit-only MFIs.

In the conduct of this study, KCISI will partner with the FIRM. The objective of this consultancy is to assess the capacity of the major MFIs (all DTMs and credit-only MFIs) operating in Kenya to participate in the national credit reporting mechanism. This review will assess all MFIs using a set of transparent criteria to evaluate their readiness to participate in the credit reporting mechanism in terms of human resources, credit risk management and information technology. MFIs will be ranked in order of readiness and they will develop a time-bound action plan that enables all MFIs to participate in meaningful sharing of credit information throughout Kenya.

FIRM Partnership with Earthoil/Body Shop UK, Milango Financial Services and Tea Tree Smallholder Farmers in Central Kenya

FIRM helped negotiate the expansion of Milango Financial Services into central province, building on Milango's base of operations in the coastal region. Milango began lending to smallholder farmers for the purchase of Tea Tree seedlings, irrigation kits and water tanks. Farmers have the option of financing seedlings to match specific acreage owned or managed with irrigation and water packages as required. Planting takes place in six month intervals, generally in October and April. Every six months, new farmers gain access to seedlings that generate a steady and predictable income steam for twenty years or more. The oil produced from the trees is sold to the Body Shop UK on a forward contract managed by Earthoil Kenya.

Value Chain Finance Center Staffing

During the reporting period, a Director for the Value Chain Finance Center was found. FIRM's deputy chief of party transitioned to FSD to head the center. With the director now in place, other positions will be filled, including the director of research. Research is targeted to begin during the first and second quarter of next year.

Partnership with DFID's MAP (Market Access Program)

FIRM held a series of exploratory meetings with MAP in order to determine whether both programs could work together by marrying FIRM's financial services and MAP's market access approach. Opportunities will take shape during the first quarter of the calendar year; however, FIRM and MAP agree to pursue mutually beneficial activities in water and agriculture across commodities and throughout geographic zones identified as essential to the success of Feed the Future.

SECTION III

UPCOMING QUARTERLY PLAN AND PROPOSED DEVIATIONS

In a key mission-wide performance monitoring and performance (PMP) evaluation, FIRM and other USAID Kenya programs began working with external consultants to reconfigure their PMPs to support new objectives under Feed-the-Future. In December, the Program received an updated PMP reporting framework from USAID Kenya that completely reconfigures FIRM's reporting indicators.

During the first quarter of the calendar year, the Program will review the recommended changes and incorporate modifications into a new PMP and workplan for fiscal 2012 and the remainder of the life-of-project years.

The proposed PMP changes are listed in the annex to this Quarterly Report.

GENDER ISSUES AND OTHER DYNAMICS

FIRM works to ensure that entrepreneurs, businesses and individuals have access and choices, not only to credit but also to savings, secure transfer services, etc. To this end, the Program is focused on strengthening the overall financial system at multiple levels so that it becomes more inclusive. FIRM's focus is not strictly on credit and that it alone will transform entrepreneurs, businesses and individuals. Without a developed financial sector, growth and opportunities are seriously constrained since a financial sector will always undershoot its potential if it is unable to commercially serve a majority of the population. Therefore, as part of FIRM's approach, it works to improve the overall system that facilitates products tailored to the low income market segment that includes, but is not exclusive to, women and the youth. FIRM's approach and partnership with financial/non-financial institutions and the government of Kenya helps some poor people and not others but it offers choices for everyone. Overtime, it will draw unbanked cash into the financial where it hopefully be intermediated and bring down borrowing costs across the board.

ENVIRONMENTAL ISSUES AND ACTIONS

No environmental issues were encountered during the reporting period and therefore no corrective or other actions were taken.

PROBLEMS ENCOUNTERED AND CORRECTIVE ACTIONS

No technical problems were encountered during the reporting period. FIRM will make adjustments to its PMP and workplan as noted in the section, “Upcoming Quarterly Plan and Proposed Deviations.”

EVALUATIONS AND ASSESSMENTS

FIRM and other USAID Kenya programs underwent a Feed the Future PMP realignment as indicated in previous sections.

[redacted]

Annex: Report Index

Documentation Produced by FIRM (Cumulative)

USAID Contractual

- FIRM Year One and Life of Project Workplan
- FIRM Year One and Life of Project PMP
- Quarterly Report: January 1 – March 31, 2011
- Quarterly Report: April 1 – June 30, 2011
- Quarterly Report: July 1 – September 31, 2011
- Annual Report: December 1 – September 31, 2011
- Quarterly Report: October 1 – December 31, 2011

Institutional

- Milango Financial Services: Rapid Institutional Assessment
- Milango Financial Services: Strategic Business Plan
- Milango Financial Services: Detailed Implementation Plan and Budget

Agriculture

- Value Chain Finance Center Business Plan
- KCB: Agriculture Strategy Paper
- KCB: Agriculture Strategy – Financial Model & Projections
- KCB: Agriculture Strategy – Implementation Plan
- KCB: Corporate Documentation: Board Paper
- KCB: Corporate Documentation: Executive Committee Presentation
- KCB: Terms of Reference Pilot and Memo of Understanding with FIRM
- KCB: Detailed Dairy Rollout and Implementation Plan
- KCB: Dairy Loan Product Training Manual and Presentation
- KCB, Embedded Technical Assistance Phase I: Detailed Implementation Plan
- KCB, Embedded Technical Assistance Phase I: Monthly Progress Report #1
- KCB, Embedded Technical Assistance Phase I: Monthly Progress Report #2
- KCB, Embedded Technical Assistance Phase I: Monthly Progress Report #3
- KCB, Embedded Technical Assistance Phase I: Monthly Progress Report #4
- Earthoil Kenya LTD: Product and Pricing Model (Product Prototypes)
- Earthoil Kenya LTD: Price Review Model
- Milango Financial Services, Central Region Support Activity (Earthoil Kenya LTD, Tea Tree Financing): Branch Progress Reports 1, 2 & 3
- Technoserve Kenya: Baseline Survey for Dairy Financial Service Associations (FSAs)
- Imperial Bank: Mango Value Chain Analysis – Inception Report
- iCow/Green: Business Model

- iCow/Green: Project Summary
- iCow/Green: Project Pitch
- iCow/Green: Project Proposal/Business Plan

Clean/Renewable Energy

- USAID FIRM Clean Energy Assessment and Recommendations
- Trip/Field Reports to Assess Opportunities in the Clean/Renewable Energy Sector in Rift Valley, Mt. Kenya, Nyanza and Eastern Province
- Kenya Women's Finance Trust: Consolidated FGDs on Opportunities in the Clean/Renewable Energy Sector
- Kenya Women's Finance Trust: Assessment of Opportunities in the Clean/Renewable Energy Sector

Kenya Credit Information Sharing Initiative

- Regional Credit Information Sharing Report (unabridged)
- Regional Credit Information Sharing Report (abridged)

Central Bank of Kenya

- Central Bank of Kenya: School of Applied Microfinance Training Report
- Guideline on the Appointment and Operations of Third Party Agents by DTMs

National Economic and Social Council

- Presentation on the Study to Establish a Well-Structured Guarantee Scheme in Kenya
- Credit Guarantee Schemes in Kenya: A Study to Establish a Well-Structured Guarantee Scheme in Kenya (Draft)

Kenya Pension Fund Initiative

- Making the Case for Private Equity in Sub-Saharan Africa
- Pan-African Fund of Funds: "Building a Diversified Portfolio of Sustainable Private Equity Investments in Africa"

Environment

- Environmental Mitigation & Monitoring Plan (EMMP)

Annex:
Revised PMP Indicators Aligned to Feed the Future

FIRM's Original Goal, IR and Indicators Proposed in Workplan			Revised to Align with Kenya FtF MYS	
Intermediate Results	**Key Process Activities**	**PMP Indicators/Results**	**Relationship to Kenya FtF Results Framework**	**FtF Indicators**
Goal: Increase the productivity and growth of on and off-farm agriculture value chains by increasing financial services to underserved groups throughout Kenya, particularly in rural areas	*See below*	Total number of rural households benefiting from USG interventions Total number of microenterprises receiving finance from firms participating in a USG assisted value chain Total value of credit (financing, loans) disbursed to target beneficiaries from USG assistance ($) Total amount of private financing mobilized with a DCA guarantee ($) Total number of product/service innovations created and implemented	IR 3: Improved Productivity of Selected Value Chains	4.5.2-13 Number of rural households benefiting directly from USG interventions 4.5.2-27 Number of members of producer organizations and community based organizations receiving USG assistance 4.5.2-29 Value of Agricultural and Rural Loans 4.5.2-30 Number of MSMEs receiving USG assistance to access bank loans

IR 1: Increase access to financial services for rural and agriculture enterprises	*Establish and launch the value chain finance center with FSD Partner with FSD and combine financial resources to deliver agriculture value chain finance throughout Kenya with an emphasis on Feed the Future priorities and institutionalize the methodologies providing by FIRM inside Center and throughout the Kenyan consulting industry.* *Build the capacity and long- term viability (financial and managerial) to function as a permanent fixture in the Kenyan financial services marketplace necessary to outlive FIRM's project life* Create financing opportunities for financial and non financial value chain actors and respond to new and emerging opportunities	Value of financing (loans) disbursed for agriculture ($) Number of loans disbursed for agriculture Number of deposit accounts linked to agriculture New product/service innovations created for agriculture Number of firms and consultants trained in agriculture value chain finance Number of firms and consultants providing services in agriculture Number of institutions offering financial services for agriculture (financial and non-financial operating in value chains)	Sub-IR 3.3: Increased Access to Rural Finance	4.5.2-11 Number of food security private enterprises (for profit), producers organizations, water users associations, women's groups, trade and business associations, and community-based organizations (CBOs) receiving USG assistance 4.5.2-29 Value of Agricultural and Rural Loans 4.5.2-30 Number of MSMEs receiving USG assistance to access bank loans 4.5.2-39 Number of firms (excluding farms) or Civil Society Organizations (CSOs) engaged in agricultural and food security-related manufacturing and services now operating more profitably (at or above cost) because of USG assistance 4.5.2-25 Number of people with a savings account or insurance policy as a result of USG assistance (Disaggregate all by youth, women and most vulnerable groups)

IR 2: Expand access to and the use of clean/renewable energy	*Establish Partnerships with Clean and Renewable Energy Firms and Providers of Specialized Business Development Services to Promote the Uptake of Innovation.* *Develop system to evaluate clean and renewable energy transactions, especially those deals with linkages to agriculture and energy.* *Partner with appropriate business service providers to deliver results* *Undertake a diagnostic of legal, policy & regulatory barriers that stand in the way of developing the sector .*	Value of financing (loans) extended for small-scale clean/renewable energy ($) Number of financial institutions or other types of institutions making loans to clean /renewable energy sector Number of product/service innovations created and implemented Number of Kenyans with increased access to modern energy services	Sub-IR 3.1: Sustainably Managed Natural Resource Base	: 4.5.2-5 Number of farmers and others who have applied new technologies or management practices as a result of USG assistance 4.5.2-12 Number of public-private partnerships formed as a result of FTF assistance 4.5.2–37 Number of MSMEs receiving business development services from USG assisted sources

IR 3: Incorporate innovative ICT solutions to enhance inclusion	*Establish linkages between ICT solutions providers and other components (agriculture, energy, gender, youth and policy reform), including financial and non financial sector partners* *Develop system to evaluate ICT transactions and development interventions, especially deals with linkages to agriculture and energy* *Partner with appropriate business service providers to deliver results*	Number of partners providing solutions to Kenyans Number of product/service innovations created and implemented. Number of Kenyans using services	Sub-IR 3.2: Enhanced Technology Development Dissemination Management and Innovation.	: 4.5.2-5 Number of farmers and others who have applied new technologies or management practices as a result of USG assistance. 4.5.2-28 Number of private enterprises, producers organizations, water users associations, women's groups, trade and business associations and community-based organizations (CBOs) that applied new technologies or management practices as a result of USG assistance 4.5.2–37 Number of MSMEs receiving business development services from USG assisted sources

IR 4: Promote new financial models for youth, women and very poor groups	*Establish partnerships with specialized providers of services for vulnerable groups to increase financial inclusion and access* *Develop system to evaluate youth, women and very poor groups and related interventions, especially those deals with linkages to agriculture and energy* *Partner with appropriate business service providers to deliver results*	Value of financing (loans) extended for youth, women and very poor groups ($) Number of borrowers and depositors Number of youth accessing financial services (50% as a percentage of total) Number of women accessing financial services (50% as a percentage of total) Number of product/service innovations created and implemented Number of loans under $429	Sub-IR 3.3: Increased Access to Rural Finance	4.5.2-14 Number of vulnerable households benefiting directly from USG assistance 4.5.2-27 Number of members of producer organizations and community based organizations receiving USG assistance (disaggregated by youth, women and vulnerable groups) 4.5.2-29 Value of Agricultural and Rural Loans (disaggregated by youth, women, vulnerable groups)
IR 5: Maximize the use of DCA loan guarantee facilities	*Manage existing portfolio of guarantees for performance…* *Generate and respond to emerging opportunities:* *Feed the Future – agriculture (2011: Fina Bank, Imperial Bank)* *Clean and renewable energy (2011: Kopa Solar)* *Water, health insurance (2011: K-rep)*	Value of financing (loans) disbursed using a DCA guarantee ($) Number of loans disbursed using a DCA guarantee Value of additional financing (loans) disbursed and attributable to DCA guarantee ($) Number of additional loans disbursed and attributable to DCA Number of product innovations created using DCA	IR 2: Expanded Markets and Trade. Sub-IR 2.2: Increased Private Sector Investment	4.5.2-25 Number of people with a savings account or insurance policy as a result of USG assistance 4.5.2-30 Number of MSMEs receiving USG assistance to access bank loans (disaggregate by DCA loan guarantee) 4.5.2-38 Value of new private sector investment in the agriculture sector or food chain leveraged by FTF implementation

IR 6: Enhance financial sector reforms	*Partner with public and private sector institutions to affect necessary policy change and build capacity to improve stability, efficiency and Inclusion: Branchless/agency banking; Credit reference bureaus; Risk-based microfinance supervision; Crisis management/stability enhancement; Anti-money laundering; Consumer protection; Agriculture commodity surveillance and response mechanisms; Collateral registry system; Etc. (emerging opportunities)*	Number of legal/regulatory policies/procedures enacted and/or implemented	IR 1: Improved Agricultural Enabling Environment; Sub-IR 1.1: Improved Ag Policy Environment/ Sub-IR 1.2: Enhanced Capacity Development for Ag Sector	4.5.1 Average percent change in score on key areas of organization capacity amongst USAID direct and indirect local implementing partners. 4.5.1-9 Numbers of Policies/ Regulations/Administrative Procedures in each of the following stages of development as a result of USG assistance in each case: