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USAID Kenya Financial Inclusion for Rural Microenterprises Quarterly Progress Report

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Acronyms and Abbreviations

ASCU	Agricultural Sector Coordinating Unit
BCB	Biometric Credit Bureau
CMA	Capital Markets Authority
CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
DCA	Development Credit Authority
DTM	Deposit-Taking Microfinance
EADD	East African Dairy Development
ERC	Electricity Regulatory Commission
FIRM	Financial Inclusion for Rural Microenterprises
FMA	Fund Managers Association
FSA	Financial Services Associations
FSD	Financial Sector Deepening
FTF	Feed the Future
GPS	Global Positioning System
IFAD	International Fund for Agricultural Development
IRA	Insurance Regulatory Authority
JOYWO	Joyful Women's Organization
KCISI	Kenya Credit Information Sharing Initiative
KCB	Kenya Commercial Bank
KENDBIP	Kenya National Domestic Biogas Program
KFIE	Kenya Feed the Future Innovation Engine
KHCP	Kenya Horticulture Competitiveness Program
K-LIFT	Kenya Livestock Finance Trust
KMT	Kenya Market Trust
KRA	Kenya Rainwater 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
MKG	Mt Kenya Gardens
NESC	National Economic and Social Council
SHoMaP	Small Holder Horticulture Marketing Program
SISDO	Smallholder Irrigation Development Organization
SMEP	Small and Medium Enterprise Program
STTA	Short-Term Technical Assistance
TTS	Taka Taka Solutions
USAID	United States Agency for International Development
YEDF	Youth Enterprise Development Fund

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I. EXECUTIVE SUMMARY

Qualitative Impact

Qualitative impact continues to grow as FIRMs deepen the achievements from current partnerships and the network of relationships is expanded, especially outside traditional financial institutions, such as banks, DTMs and MFIs.

The cumulative effects of leveraging and compounding are beginning to significantly contribute to the impact FIRM has on the financial sector.

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 with the addition of new clean and renewable energy enterprises.
- 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 75 deliverables and released 4 RFPs for new areas of support. Those deliverables are discussed in the Key Achievement section the documents are itemized by month in the Annex.

Quantitative Impact

FIRM continued to produce significant results. The rationale supporting project achievements are described in the Lessons Learned section on page 7.

Project Administration

No problems were encountered during the quarter.

Next Quarter's Work Plan

FIRM continues to receive requests to assist the newly formed county governments. At the request of USAID, FIRM will prepare a proposal to support counties to seek investment and plan for service delivery in the financial services area and within the project's current scope-of-work.

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II. KEY ACHIEVEMENTS (Qualitative Impact)

Agriculture

Kenya Rural Saccos and Savings Union (KERUSSU): USAID FIRM and KERUSSU held three meetings to discuss areas of partnership to help strengthen the SACCO subsector in Kenya. As a way forward from the meetings, KERUSSU submitted a concept to FIRM requesting technical assistance in organizational development and strengthening its affiliate organizations including Accumulated Savings and Credit Associations (ASCAS). KERUSSU is a membership organization and has over 70 SACCOs registered under it.

Areas for technical assistance identified include:

- A review of KERUSSU's strategic plan, identification of institutional strengths to enhance and leverage, prioritization of gaps to be filled.
- Build the capacity of ASCAS based in Nyanza region to fully fledged SACCOs
- Design and implement a leadership and management capacity building program/training for SACCOs.
- Assist KERUSSU develop a SACCO inter-lending facility to be housed at KERUSSU, to harness funds (surpluses in some SACCOs) for lending to those in need - alternative finance pillar.

FIRM will release an RFP on the first two priority areas to BSPs in January 2014. Work on the two assignments is expected to start in February 2014.

Honey Care Africa: Honey Care Africa's alternative finance concept resulted from the necessity for affordable alternatives for financing bee hives to rural smallholder groups. FIRM supported HCA to develop the alternative finance model which enables HCA to directly lend for hives at cheaper rate than the mainstream credit entities (e.g. SACCOS, MFI) Kiva, an NGO, funds HCAs alternative finance concept while FIRM assists HCA with the technical assistance to establishing the necessary infrastructure for credit.

During this quarter, FIRM and HCA met to address bottlenecks encountered during this process and the possible solutions to these problems. FIRM will use lessons learnt from HCA alternative finance model - in administration, collections and HCAs application processes in its Credit Factory (CF) set-up. The CFs model will largely utilize technology in disbursements and collections as well.

Through FIRM's support, HCA is in the process of establishing a working capital product that will improve on its honey collection especially in clusters where HCA has no active beehive clients such as the North rift. The WC loan product will be for purposes of purchasing bee suits, smokers, and cash flows for HCAs brokers in these regions. HCA indicated that the Kwale pilot conducted with support from FIRM had met the set targets and was on the process of restructuring some of the hive loans whose hives had not yet been colonized to ensure that farmers are cushioned against non-payment of loans. HCA plan to replicate and expand its operations to western, Nyanza and North rift as a result of the lessons learnt in the Kwale pilot and FIRM will explore the potential to support HCAs next clusters in the regions mentioned.

Credit Factory: FIRM plans to establish an independent fund entity that will assist smallholder farmer groups with cheap and affordable agricultural credit with the aim of enhancing productivity and hence food security in Kenya. The Credit factory is a concept that was born out of the need to have affordable and convenient credit lines agriculture as opposed to the mainstream finance which is costly and out of reach of the many smallholder groups in Kenya. Allocations for agricultural credit in Kenya has been low at only 3% of the entire banking loan portfolios due to the risky nature of the sector and the punitive costs of credit for agriculture. The CF aims at unlocking affordable credit to rural smallholder farmer groups in Kenya, and bringing convenience in administration of these loans.

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To build on the CF initiative, FIRM met with several stakeholders to plan on the modalities of developing and administering the CF. FIRM contracted an expert to assist in laying down the infrastructure for the credit factory. More work on the credit factory is expected in the next quarter.

Kenya Organic Oils farmers Association (KOOFA): FIRM was approached by Earthoil Kenya and the Body Shop to assist KOOFA in developing a credible price model for farmers. FIRM then contracted a business service provider to develop the model, whose contents FIRM met to discuss with the KOOFA Chair during this quarter. During the discussions, FIRM shared the new price model with KOOFA as presented by the price specialists. FIRM will support KOOFA to procure legal services in the interpretation of the Fair for Life Agreement

REMU DTM: FIRM held a workshop for REMU DTM as part of an on-going market survey on potential products by FIRM. The aim of the survey was to identify gaps within REMU's products offering and to help them refine the products. The workshop was therefore convened to discuss the research findings and to obtain the managements feedback on the findings. During the workshop, FIRM collected feedback from the senior management and board on the market survey and made necessary adjustments in readiness for product development workshops set to for the next quarter. A final report on the market survey was finalized in November 2013 and an implementation plan prepared to guide the product development process.

REMU convened a meeting on REMU DTM request to discuss capitalization plans. Fusion capital, which is an Equity investing entity, has acquired a stake in REMU DTM through an injection of Equity funding. Fusion capital sought to meet FIRM to better understand how FIRM works and the nature of FIRM's relationship with the DTM. At the same time, FIRM will release an RFP in a bid to assist the DTM develop a 5 year strategic business plan. It is hoped that the plan will inform the DTMs positioning into the Kenyan market and adopt a much more aggressive face.

SISDO MFI: SISDO, a specialized micro finance institution registered as a Non-Governmental Organization (NGO), met with FIRM in which they submitted a concept to FIRM for technical assistance to develop a strategic business plan that includes smallholder crop and livestock farmers, agricultural value chain players and other micro entrepreneurs as targets for their growth. Also during this quarter, an MOU was signed between FIRM and SISDO, and an RFP developed and released to business service providers to submit their proposals. Work on this assignment is expected to start in January 2014.

KADET MFI: FIRM offered technical assistance to KADET to develop an agriculture finance strategy which is currently adopted by the top management of the KADET MFI. Two meeting were held during this quarter to discuss timelines and budget for implementation of the strategy, development of products that meet specific requirements brought out in the strategy business development, capacity building for staff and management on the best way to implement the strategy.

Adok Timo: Adok Timo approached FIRM for technical assistance to review their strategic business plan and review of product development and processes and procedure manual reviews. Several meetings were held in this quarter which has culminated in the signing of a MOU. Key areas for technical assistance include linking Adok Timo with wholesale financiers; assisting them to develop a strategic business plan; and helping them to refine their products and their processes and procedure manuals

Musoni BV MFI: FIRM has supported Musoni MFI with technical assistance to developing its Rural expansion strategy which informed the decision to develop the Branch Locator tool, a scientific way to determining an entity's branch expansion strategy. During this quarter, FIRM assisted Musoni to conduct a market analysis to support viable establishment of Musoni's new branch in Kisii County. The survey also established the potential for Musoni to set other branches in Siaya, Bomet, Homabay Counties. FIRM also introduced a risk specialist to Musoni to develop a risk register for

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Musoni to be used in checking Musoni's preparedness in opening the Kisii and other potential branches. FIRM will also support the MFI in preparing an 'adaptation process' (an assimilation process) that will help the MFI adopt to business realities in Kisii by conducting relevant surveys that will identify profitable value chains.

Universal Traders SACCO (UTS): FIRM will be assisting UTS to develop their five-year strategic business plan. The three BSPs made their presentations and Business Renewal Consult (BRC) was selected through competitive bidding to undertake the assignment. The BRC team presented a proper approach had in-depth SACCO experience. BRC is expected to start work early January 2014.

Nyala Dairy SACCO: FIRM will be assisting Nyala Vision SACCO to develop a strategic marketing plan and refine their products. Ideal Business Link was selected to undertake the assignment as they demonstrated the best technical approach to the work scope and a well-experienced team. Their approach was deemed able to realize the SACCO objectives. The assignment is expected to pick up early 2014.

Rafiki DTM: After the launch of Rafiki Wote branch located in Makueni county, which FIRM supported, Rafiki requested for FIRM's assistance developing an asset finance product for the youth in the area. The asset is motor bikes, commonly referred to as the Bodaboda, and is used in the area as mode of transport for people and goods. FIRM developed an asset finance product based on the cash flows and business prospects on the ground. The product is currently being rolled-out in Makueni County by Rafiki DTM.

Association of Microfinance Professionals (AMPK): AMPK is an association designed to offer networking, mentoring, certification and awareness programs amongst microfinance professionals. FIRM held strategy development session to assist the AMPK board articulate the Association's strategic objectives, define the implementation plans and budgets that would lead to sustainability of the association. The session also discussed the main pillars of the strategy and way forward post the strategy. FIRM will hold a final session to discuss the final strategy in the next quarter, and areas that FIRM can support during the implementation.

K-LIFT: FIRM is supporting K-LIFT is developing a three-year strategic business plan. Following an initial workshop with the board, management and a desk review and market survey by the FIRM, a workshop held in this quarter to a draft strategy that FIRM has developed for them. The workshop discussed internal and external realities facing K-LIFT, competitive focus and winning proposition, the strategic business drivers, strategy statement, key strategic pillars and an implementation of key activities. FIRM also discussed with K-LIFT's management on the projections and pro-forma financials. FIRM will present the final comprehensive strategy to the board and senior management in the next quarter.

RAFODE MFI: RAFODE is an MFI operating in Kisumu County involved in business and agriculture lending. FIRM met with RAFODE to explore areas of support to increase their lending in agriculture lending, and renewable energy. FIRM will support RAFODE to develop an organizational strategy that takes into consideration agriculture and renewable energy as key strategy pillars; an RFP for this support will be released next quarter.

Farm Concern International (FCI): USAID FIRM conducted a field visit to the Nyanza region as part of a needs assessment tour to meet with the number of women groups in the region. The women groups are engaged in various agricultural enterprises and have received BDS and capacity building interventions from the USAID KHCP and Farm Concern in areas of agricultural improvement. The aim of this trip was to assess the various financing needs that the groups encountered in their enterprises, and to develop appropriate financial linkages and products that would suit the groups. FIRM will establish appropriate linkages between the group and financial service providers to finance the groups' members' needs through affordable loans.

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Branch Locator: As mentioned above, FIRM supported Musoni BV in developing a rural expansion strategy and has developed a Branch Locator database whose sole objective was to assist the MFI to quantitatively identify potential ideal locations for expansion. Beyond this support to Musoni, this tool has gained the attention of other partners. FIRM introduced the branch locator tool to Rafiki DTM and other partners. We are working with a BSP to support Rafiki with the initial data collection, and will move to evaluate whether this tool is appropriate for Rafiki's strategy.

Century DTM: Century DTM seeks to strengthen and improve its presence in Kenya through an aggressive expansion to new geographical regions and by increasing its product offering. In addition, it plans to grow its current client base from 3,000 to 30,000 in the next five years and to increase its outstanding loan portfolio from \$352,941 to \$3.5 M. FIRM assisted Century to develop their five-year strategic business plan to guide its growth in profitability and sustainability as it incrementally professionalizes operations. FIRM also assisted the DTM to align its human resource structures and refine its agriculture products.

Mobipay: During this quarter, FIRM supported through technical assistance in revamping Mobipay's Agrilife platform with the aim of providing efficient services to smallholders and financial institutions.

Association of Microfinance Professionals of Kenya (AMPAK): FIRM has assisted AMPAK on several initiatives including hosting of their forum meetings, think tank meeting and has been able to leverage on this partnership to discuss matters that affect the microfinance space especially credit information sharing. FIRM is assisting AMPAK to develop its overall strategic plan that will spell out the strategic goal and objectives for association over the next three years. During this quarter, FIRM guided AMPAK directors to develop strategic objectives and outline the activities and budgets under each. Subsequently, this was presented to their members and adopted. FIRM will assist AMPAK to develop an implementation strategy in the coming quarter.

Transnational Bank of Kenya (TNB): FIRM met with Transnational Bank of Kenya to explore partnership opportunities; TNB is a financial institution involved in both corporate and retail banking focusing on agribusiness, SME banking, and savings and investment. The bank has recently rebranded itself and is looking to diversify and more aggressively build its agribusiness portfolio. Presently, TNB finances the tea and wheat value chains and is seeking to enter the livestock value chain in 2014. FIRM met with TNB to discuss our approach and focus on enhancing financial inclusion; the bank's management expressed interest in receiving technical support to advance its agribusiness agenda and achieve its various business development goals. TNB will put together a concept note describing potential areas for partnership/assistance required and submit it to FIRM to pave way for further discussions and the drawing up of an MOU.

Credit Scoring: FIRM assisted Century DTM to develop a prototype loan application form incorporating key parameters useful in gauging client worthiness. Century is expected to discuss the application with their management and board and conduct a pilot test with their clients before rolling it out.

Kenya Market Trust (KMT): FIRM met with KMT to review support to date and discuss areas of further cooperation to improve agricultural value chains through improved markets and access to financing. On the cotton value chain, KMT will create linkages with FIRM's existing partners to enhance access to financing for cotton value chain actors. On water financing, FIRM will introduce KMT to Millennium Water Alliance, who run a USAID program and are seeking capital for water projects that are being commercialized. In the coming quarters, KMT and FIRM will continue to seek leverage opportunities in various value chains so as to have the twin benefit of improving market efficiencies and access to finance

Oiko Credit: FIRM supports Oiko Credit to develop a strategic marketing plan, refine agribusiness products, develop a communications strategy for agribusiness lending as well as increase staff

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capacity. During this quarter, FIRM helped Oiko to develop a draft marketing strategy, and refined four agribusiness loan products. The draft strategy and products will be presented to the Oiko board in the coming quarter along with staff capacity building

Neema HEEP: Neema HEEP is an NGO providing financial services to rural households in Embu, Meru and Tharaka Nithi counties and plans are underway to expand its services to Machakos, Kitui, Kirinyaga and Muranga counties. Its current loan portfolio stands at Ksh 24 million with 3,000 customers, 14 staff and 11 undifferentiated products. The MFI is currently working on a mobile money transfer platform to expand their rural reach more efficiently. During the quarter, FIRM and HEEP had two meetings in which to review a concept for technical assistance forwarded to FIRM by Neema HEEP. Areas prioritized for technical assistance include conducting a process mapping for the institution, capacity building for staff and board members and reviewing operations manuals. A memorandum of understanding was signed and the assignment will begin in the coming quarter

East African Dairy Development (EADD) Project: The Heifer International's EADD project supports the establishment and development of Financial Services Associations under locally managed Dairy Farmers Business Associations. FIRM earlier supported the strengthening of the FSAs through training of the Boards and Staff of selected FSAs and development of business system manuals in line with the objective of increasing financial access for dairy farmers.

During this quarter, EADD and FIRM held discussions during which development of strategic Business plans for 11 FSAs and product development/refinement was identified as the number one priority for growth. Development of strategic business plans will strengthen the FSAs to deliver services and products more efficiently. An RFP was issued to develop strategies for FSAs and to refine/develop products.

Development Credit Authority:

This is the updated DCA table as December 31, 2013. The guarantee ceiling value for K-Rep bank was revised downwards from \$5,000,000 to \$4,004,614 and guarantee expiry date extended from September 2013 to September 2016. Our partners report on utilization bi-annually; therefore, we expect an increase in values in the "Utilization%" and "Total number of loans" columns for the mid-year report.

Current Facilities/Enhancements

	Partner Financial Institution	Start	End	Sector	Value (\$)	Utilization %	Claims (\$)	Total no. of 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	5,750,00	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	26130	120,000
11.	Micro Africa	9/12	9/19	Ag/Energy	2,000,000	1.86%	0	58	48,000
12.	SMEP DTM	9/12	9/19	Ag/Energy	4,000,000	2%	0	0	96,000
13.	Multi-Party Reserve	9/12	9/19	Ag/Energy	2,000,000	0%	0	0	48,000
14.	Rafiki DTM	9/13	9/18	Ag	2,500,000	0%	0	0	135,500
15.	Housing Finance	9/13	9/25	Water	6,000,000	0%	0	0	420,000

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16.	AGF/Jamii Bora	9/13	9/18	SME	12,000,000	0	0	0	-
17.	KCB/General Electric	9/13	9/23	Health	10,000,000				660,000
				Totals	88,504,614		578,511	27,113	3,399,450

Agriculture Policy

National Economic Social Council (NESC): In the previous quarter, FIRM modified NESC's contract to include development of a report that will address the options for dealing with existing credit guarantee schemes (CGS) funds. This report supported the draft Kenya Credit Guarantee Scheme bill and policy developed in the previous quarter. In this quarter, NESC presented the draft National Credit Guarantee Bill and Policy to the cabinet secretary of National Treasury. Once approved by treasury, it will go to parliament for debate. NESC will be looking at lobbying for the bill to see it debated and hopefully passed into law

Association of Kenya Credit Providers (AKCP): The association held its first annual general meeting in this quarter. AKCP is now legally moved from an initiative to an association with a nominated board of governors. This transformation has been made possible through FIRM's support for their forums.

Clean/Renewable Energy

SMEP DTM: FIRM made a presentation of clean and renewable energy market research findings to SMEP's senior management. The report identified SMEP's client perceptions on varied clean/renewable energy products and respective product demands. The SMEP team validated the market research report and applauded FIRM for sound sampling of the clients and a good mix of regions covered during the research which brought about invaluable information for product development. Consequently, SMEP DTM has requested FIRM further help them with product development and roll-out of the same. SMEP operation manager will forward a concept to FIRM seeking technical assistance on this in January 2014.

Stima SACCO: FIRM and Stima SACCO to discuss areas for potential technical assistance this quarter; the 40-year old SACCO primarily serves employees in the wider energy sector and has opened up its common bond to admit SMEs and microenterprises. It has branches in Nairobi, Kisumu and Nakuru and is opening in Eldoret, Nairobi CBD and OIKaria. The SACCO is interested in getting into agriculture financing and solar energy production. Consequently, Stima plans to strengthen operational systems for its microfinance program, a process which will include developing standardized operations manuals to guide its operations such as Accounting, Human resource, Credit and Management Information Systems (MIS). The SACCO also seeks to develop customized training manuals and execute capacity building for its board and the staff that are critical to ensure operations. A concept note has been forwarded by the SACCO for technical assistance in the aforementioned areas, and FIRM plan to release a RFP to business service providers in the coming quarter.

Kenya Renewable Energy Association (KERE): KERE, an association of renewable energy practitioners is seeking partnership opportunities with USAID FIRM. FIRM proposes to assist KERE in training of youth for solar PV installations. KERE has initiated this process with the 10 Government Technical Training Institutes. This support may include advertisements for students to register for the course. FIRM also seeks to support adaptation/development of an interactive SMS platform for renewable energy enquiries similar that which Lighting Africa operated. KERE also indicated further need for curriculum development for solar water heating

Paradigm Project: The Paradigm Project produces energy-saving cook stoves and sells them to rural populations through financing from Financial Services Association (FSAs) and SACCOs. Selling through FSAs and SACCOs has however been hampered effective product penetration due to high

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cost of credit. The meeting between Paradigm and FIRM discussed how FIRM can assist Paradigm to set-up an internal lending facility and refinement of its products. Paradigm will send a revised concept note to FIRM seeking technical assistance to develop an internal lending facility and refinement of its energy and agricultural inputs products.

Viability Africa: Viability Africa provides monthly deliverables to FIRM on activities towards increasing supply of renewable energy. The deliverables for the quarter included two prefeasibility studies, environmental impact assessments for three proposed projects and an Expression of Interest for one of the proposed projects, Tindinyo Hydropower Project. Deliverables for the coming quarter include two full feasibility studies

Energy Regulatory Commission (ERC): FIRM held meetings with NESC and ERC to identify policy issues which FIRM can assist ERC to fast track through NESC. The discussions and tasks from a previous meeting constituted the agenda for this meeting. On solar water heating, it was decided that FIRM will seek financing for a market study to better understand the reasons behind the lower than expected uptake. Policy areas that NESC will look into in the areas of renewable energy are; seeking VAT exemption for clean energy generation projects, net metering and electricity banking

County Investment Planning

In preparation for the anticipated contract modification, the FIRM team began planning areas in which it would provide support to county governments in areas of investment planning and service delivery. During the quarter, the team carried out a listening tour in conjunction with our ongoing work, to meet with county governments and receive input regarding priorities. Below are some samples of meetings.

Isiolo County Government: FIRM met with the Isiolo Governor to discuss FIRM's work in the County and to further understand their needs for technical assistance including the development of their County Integrated Development Plan (CIDP). In addition, the county government expressed a need for capacity building of cabinet secretaries. FIRM agreed on subsequent meetings with the Isiolo county government.

Meru County Government: FIRM met with the governor of Meru County to discuss FIRM's work in the county and to understand their need for technical assistance to develop their CIDP. During the discussions, other opportunities available to partner with the county government range from assisting the government to set up an agricultural SACCO that will serve small holder farmers in the region to directly partnering with agricultural exporters in the region. FIRM discussed a SACCO strategy covering development, regulation and financing of SACCOs, to support the Agriculture sector a key driver of the county's economic growth. FIRM is awaiting a concept note from the Cabinet Secretary for planning and note detailing areas that Meru County will require support from FIRM.

Kisumu County Government: FIRM met with the Kisumu County Governor to explore possible areas of partnership in financial inclusion. The meeting discussed a range of issues including youth and agriculture, renewable energy and micro-lending. The county has since submitted a concept note to guide a possible future partnership with FIRM.

Lessons Learned

FIRM's quantitative results continue to grow year-on-year.

The growing achievements are due to the following conditions in Kenya and the approach utilized by FIRM:

- Kenya is the economic and financial hub of East and Central Africa; it has the largest GDP in the region.

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- Kenya is the leader in mobile money and ICT (worldwide).
- In Kenya, USAID owns the largest DCA portfolio measured by number of transactions and diversity. It now stands at \$95 million.
- Kenya has a population of over 40 million and 90% of Kenyans live in rural areas.
- FIRM has over 100 partnerships with financial institutions from the largest banks to DTM MFIs to NGO MFIs, SACCOs, etc.
- FIRM's approach is driven by partnerships grounded in TA and consulting.
- Partnership developed early in the project cycle drive results later due to leveraging and compounding.
- DAI has been continuously active in the financial sector for 20 years in Kenya and, as a result, the company is well-known and respected; DAI did not have to introduce itself, build trust and create networks – that was already done.

These factors, taken together, have driven FIRM's growing success year-on-year. Results will continue to increase.

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.

During this quarter, FIRM was unable to receive all dates for partners on the following indicators: 4.5.2 – 29, 4.5.2 – 30, and 4.5.2-37. The data for these indicators should be considered provisional and revised numbers will be reported next quarter.

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.

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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	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
<i>-Gender(M/W)</i> <i>-New/Continuing</i> <i>Clients</i>		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
GENDER	N/A	10,000	36,523	104,700	296,710	24,863					189,400	279,900
M			28,006	52,350	149,948	3,376					85,230	111,960
W			8,517	52,350	146,762	21,487					104,170	167,940
NEW/CONTINUING	N/A	10,000	36,523	104,700	296,710	24,863					189,400	279,900
New Clients			36,523	70,000	296,710	24,863					90,000	100,000
Continuing Clients			-	34,700	-	-					99,400	179,000

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	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
- Type of Organization -New / Continuing clients		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
TYPE OF ORG.	N/A	N/A	313	400	372	92					450	450
Private Enterprises			36	50	51	6					60	60
Producer Orgs			12	20	12	85					25	25
Water Users Assoc.			21	40	35	-					45	45
Women’s Groups			241	270	262	-					285	285
Trade & Business Assoc.			3	10	11	1					20	20
Community-Based Orgs			-	10	1	-					15	15
NEW/CONTINUING	N/A	N/A	313	400	372	92					450	450
New			313	-	59	92					-	-
Continuing			-	-	313	-					-	-

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

Indicator 4.5.2 – 13: Number of rural households benefiting directly from USG interventions												
Baseline 0: FTF indicator												
DISAGGREGATE	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
-Gendered H/H Type -New/Continuing Clients		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
HOUSEHOLD TYPE	N/A	245,000	212,000	300,000	642,863	123,387					730,000	850,000
WNM				150,000	314,603	70,718					209,000	270,000
MNW				150,000	323,614	52,383					171,000	180,000
M&W	N/A			-	4,646	286					-	-
CNA				-	-	-					-	-
NEW/CONTINUING		245,000	212,000	300,000	642,863	123,387					380,000	450,000
New				-	642,863	123,387					-	-
Continuing				-	-	-					-	-

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	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
-Type of A/C-Policy -Gender of A/C- Policy Holder		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
TYPE OF A/C POLICY	N/A	N/A	49,772	75,000	217,567	78,449					85,000	90,000
Savings			46,750	37,500	208,944	78,123					42,500	45,000
Insurance			3,022	37,500	8,623	326					42,500	45,000
GENDER OF OWNER	N/A	N/A	49,772	75,000	217,567	78,449					85,000	90,000
M			27,378	37,500	90,246	20,994					38,250	39,600
W			22,394	37,500	127,321	57,455					46,750	50,400

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	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
-Type of Organization -Gender		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
TYPE OF ORG.	N/A		113,228	200,000	232,966	44,793					250,000	300,000
Producer Orgs.			30,728	80,000	174,141	44,789					125,000	180,000
CBOs			82,500	120,000	58,825	4					125,000	120,000
GENDER OF MEMBER	N/A		113,228	200,000	232,966	44,493					250,000	300,000
M			88,845	100,000	155,483	33,917					112,500	120,000
W			24,383	100,000	77,483	10,876					137,500	180,000

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

Indicator 4.5.2 – 29: Value of Agricultural and Rural Loans												
Baseline 0: FTF indicator												
DISAGGREGATE	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
-Type of Loan Recipient -Gender of recipient		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
TYPE OF LOAN RECIPIENT		225M	103M	250M	259,766,580	21,690,139					375M	500M
Producers		-	-	150M	140,273,953	635,974					243.75M	350M
Local Traders/Assemblers		-	-	50M	-	-					75M	125M
Wholesalers/Processors		-	-	25M	-	-					37.5M	25M
Others		-	-	25M	119,492,627	21,054,165					18.75M	-
GENDER OF RECIPIENT		225M	103M	250M	259,766,580	21,690,139					375M	500M
M		146.25M	51.68M	150M	84,793,588	2,875,376					187.5M	200M
W		78.75M	51.32M	100M	174,669,762	18,814,763					187.5M	300M
Joint A/C			-	-	303,230	-					-	-

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	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
-Size of MSME -Gender of Owner		Q1 – Q4		Q1 – Q4		Q1 Oct – Dec 2014	Q2 Jan – Mar 2014	Q3 Apr – Jun 2014	Q4 Jul - Sep 2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
SIZE OF MSME	N/A		158,175	200,000	189,168	54,641					250,000	300,000
Micro			158,175	100,000	189,168	25,786					150,000	200,000
Small			-	50,000	-	28,855					62,500	80,000
Medium	N/A		-	50,000	-	-					37,500	20,000
GENDER OF OWNER			158,175	200,000	189,168	54,641					250,000	300,000
M			79,847	100,000	37,174	7,238					112,500	120,000
W			78,328	100,000	150,966	47,403					137,500	180,000
Joint A/C			-	-	1,028	-					-	-
N/A			-	-	-	-					-	-

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	FY 2011	FY 2012		FY 2013		FY 2014					FY 2015	
-Size of MSME -MSME Type -Gender of Owner		Q1 – Q4		Q1 – Q4		10/01/2013 – 12/31/2013	01/01/2014 – 03/31/2014	04/01/2014 – 06/30/2014	07/01/2014 – 09/30/2014	TOTAL (Q1 – Q4)	Annual Target	Annual Target
		Target	Actual	Target	Actual	Actual	Actual	Actual	Actual	Actual		
SIZE OF MSME	N/A		38	50	53	92					65	65
Micro			3	25	4	85					45	50
Small			22	15	31	2					15	10
Medium	N/A		13	10	18	5					5	5
TYPE OF MSME			38	50	53	92					65	65
Ag Producers			12	20	12	85					30	35
Input Suppliers			-	10	-	-					15	15
Traders			-	5	-	-					10	10
Output Processors			-	5	-	-					5	5
Non-Agricultural			-	-	-	2					-	-
Other			26	10	41	5					5	-
GENDER OF OWNER			38	50	53	92					65	65
M			1	5	1						10	20
W			1	15	1						25	30
Joint			-	10	-						15	15
N/A			36	20	51						15	-

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

IV. PERFORMANCE MONITORING

In October 2013, FIRM M&E team focused on collecting, aggregating, analyzing and FTFMS reporting for the quarter and fiscal year ending September 30 2013. Partners were required to submit (i) the data collection form, duly dated and signed, showing aggregate values specific to the reporting period stated, and (ii) an excel spreadsheet or any other documentation to back up the values reported on the data collection form. This new reporting format will achieve a more efficient data-flow process, and ensure timeliness, accuracy and validity of data from partners. It was discussed in detail with all partners present during the data management training workshop late November 2013.

Early November, USAID ABEO had Management Systems International (MSI) consultants visit FIRM for a data quality assessment exercise. The FIRM M&E team participated in the initial Implementing Partner (IP) Q&A session with the consultants, planned and executed all selected partners' branch visits and head office meetings as requested by MSI. FIRM partners selected were KCB, Faulu Kenya and Micro Africa Kenya Limited. The report on findings from this DQA exercise will help the FIRM M&E team build on its strengths and improve on weaknesses.

The revised and approved Environmental Mitigation and Monitoring Plan (EMMP), findings from the data verification and validation exercise (carried out in quarter 4 FY 2013) and the Performance Management Plan informed the agenda for FIRM Partners' Data Management and Environmental Compliance Workshop held on:

- Tuesday, 26 November 2013 for banks and DTMs
- Wednesday, 27 November 2013 for MFIs and SACCOs
- Thursday, 5 December 2013 for government agencies and non-financial institutions

On all days, the morning sessions focused on data management, that is, FIRM's M&E system and various reporting platforms, FTF performance indicators (showing how each partner fits into each of these), the data collection form (as described above), and introduction to the Partnership Performance Scorecard. The afternoon sessions focused on key environmental issues in Kenya, screening, mitigation and monitoring of activities with potential and/or adverse environmental impact, USAID's Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP) and Water Quality Assurance Plan (WAQUAP). FIRM's partners actively participated in all discussions and expressed willingness to adopt and implement the workshop recommendations. FIRM M&E team will work closely with all partners to ensure compliance.

V. PROGRESS ON LINKS TO OTHER USAID PROGRAMS

USAID's ASAL Projects: To ensure that there is no overlap and to achieve multi-partner collaboration in carrying out development activities, Regal-IR, Regal – AG, NRT, FIRM and Millennium Water Alliance (MWA) held joint meetings to develop a joint work plan and to operationalize areas of geographical convergence to ensure that two or more organizations do not support the implementation of similar activities within the same county. As part of this process, the five programs reviewed the joint operational work plan and an MOU to capture all issues was developed. A consultant contracted by USAID Kenya to guide the process sent a revised version of the MOU and Operational workplan to all ASAL projects. Each of projects has so far reviewed the documents and sent them back to the consultant.

Millennium Water Alliance (MWA): FIRM met with the Millennium Water Alliance (MWA) to discuss leveraging FIRM's existing relationships to further MWA's work. FIRM will link MWA to financiers and assist MWA with strengthening the operations of two commercially viable projects with potential for scalability.

FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

Frigoken Passion fruit farming project: FIRM designed financial products for USAID KAVES and Frigoken to enable out growers in Makueni to access financing. The outgrower groups form part of a passion fruit farming initiative by Frigoken Company. FIRM designed the structure of a sustainable revolving fund where KAVES would offer a grant for inputs through an intermediary financial institution for onward lending to farmers. KAVES and Frigoken have since rolled out the revolving fund.

VI.PROGRESS ON LINKS WITH GOK AGENCIES

Linkages with GOK agencies remain unchanged form 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.

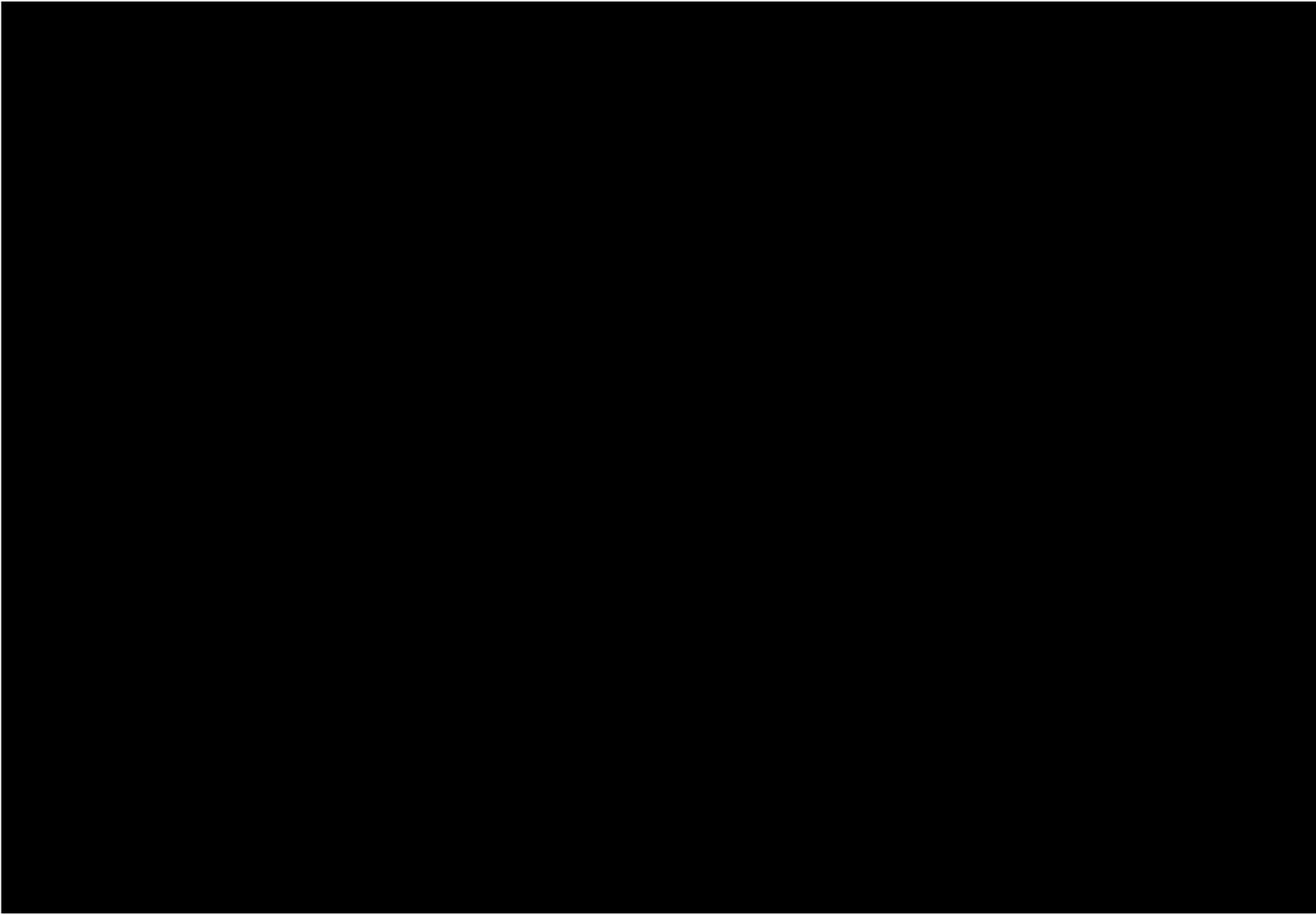
VIII. SUSTAINABILITY AND EXIT STRATEGY

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. Current partners continue to request new support to position and prepare for new business opportunities (that are fully aligned with the Feed the Future goals).

At USAID Kenya's request, FIRM will submit proposal within the parameters of the project's current scope-of-work to support devolution in financial services.



XI. PROJECT ADMINISTRATION

Constraints and Critical Issues

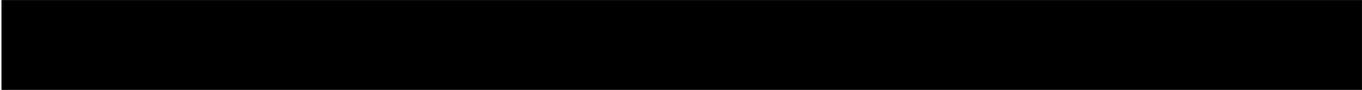
During the reporting period, FIRM did not encounter any operational constraints or critical issues.

Personnel

There were no changes to FIRM's personnel during this quarter.

Changes in the Project

There were no significant changes to the project this quarter.



Contract Modifications and Amendments

FIRM submitted a proposal and budget in response to USAID's request. As of December 31, 2013, we are still waiting an official modification to begin work in these areas.