



# SUSTAINABLE WATER AND SANITATION IN AFRICA (SUWASA)

## **KENYA: THE NEXUS INITIATIVE – INNOVATIVE FINANCING FOR WATER AND SANITATION**

Reform Work Plan (RWP)

July 2010

# Project Summary Sheet

Project Title	Innovative Financing for Water and Sanitation
Country	Kenya
Specific Location	To be identified within 45 days of commencement
Main Objectives	Improve access to safe, reliable, affordable and <i>demand-driven</i> water and sanitation solutions in urban, peri-urban and informal settlement communities (“urban communities” or “urban realm”)
Specific Objectives	Increased access to water and/or sanitation services for the poor using micro-finance. Achieving long-term financial sustainability by applying commercial principles at all stakeholder levels (households, communities and utilities).
Project Duration	24 months
Total Budget	US\$1,332,220 ( <i>One million, three hundred and thirty two thousand, two hundred and twenty United States Dollars</i> )
Approximate Commencement Date	September 13, 2010
Prime Implementing Organization	ARD, Inc., through SUWASA Regional Office, Nairobi
Sub-contracted Implementing Organization	Development Innovations Group (DIG)
Implementing Partners	At least 2 Micro-finance Institutions - <ul style="list-style-type: none"> <li>• K-REP Bank.</li> <li>• The second bank to be identified during the inception phase, i.e. within 45 days of commencement</li> </ul>
Key Project Implementation Staff	<ul style="list-style-type: none"> <li>• Innovative Finance Technical Advisor and Project Team Leader: Eric Adams</li> <li>• Micro-Finance Coordinator –to be identified</li> <li>• Utility Reform Coordinator –To be identified</li> </ul>
Reporting Requirements	Monthly, quarterly and mid-term (after 12 months) and end of project report (after 24 months)
Project Partner Contribution	<ul style="list-style-type: none"> <li>• Staff time from the MFI institutions and utilities</li> <li>• Identification of project sites</li> <li>• Mobilization of communities</li> </ul>

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# ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
ARD	Associates in Rural Development
COP	Chief of Party
DCOP	Deputy Chief of Party
DIG	Development Innovations Group
EGAT	Bureau of Economic Growth, Agriculture and Trade
IFC	International Finance Corporation
KDA	K-Rep Development Agency
LOE	Level of Effort
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MIS	Management Information System
MSPWS	Microfinance for Small-Piped Water Supplies
OBA	Output-Based Aid
PIP	Performance Improvement Plan
PMP	Performance Monitoring Plan
PUAFF	Public Utilities Advisory and Financing Facility
RWP	Reform Work Plan
SIP	(SUWASA) Small Investment Program
SME	Small and Medium Enterprises
SOW	Statement of Work
SSP	Small Service Provider
SSWA	Sanitation and Safe Water for All
STTA	Short-term Technical Assistance
SUWASA	Sustainable Water and Sanitation in Africa
TA	Technical Assistance
UfW	Unaccounted for Water
UNGWOP	United Nations Global Water Operators Program
UN-Habitat	United Nations Human Settlements Program
USAID	United States Agency for International Development
WASREB	Water Services Regulatory Board
WRMA	Water Resources Management Authority
WSB	Water Services Board
WSPs	Water Service Providers
WSP	Water and Sanitation Program
WSS	Water and Sanitation Services

# INTRODUCTION

SUWASA is a regional initiative of the US Agency for International Development (USAID), launched by ARD in November 2009 with a mission of fostering the transformation of water and sanitation delivery services in Africa to achieve long-term financial sustainability through application of market-based principles. SUWASA is designed to spread effective models of reform at the water utility and sector levels, and to facilitate innovative financing approaches for African water providers. The program will build partnerships with utilities and small service providers (SSPs), governments, donors, communities and businesses to demonstrate and promote best practices both for water service reform and governance, as well as innovative financing strategies. SUWASA will improve and expand the delivery of water and sanitation services in urban and peri-urban settings, with a focus on meeting the needs of the poor.

ARD has sub-contracted the Development Innovations Group (DIG) to assist in the design and implementation of the innovative financing project in Kenya as part of the SUWASA program. The following document presents the initial work plan (to be updated 45 days after program inception) for the proposed SUWASA Nexus Initiative in Kenya.

# 1. PARTNERSHIP STATEMENTS

## 1.1 K-REP LETTER OF COMMITMENT



Head Office:  
K-Rep Centre, Wood Avenue, Kilimani  
P.O. Box 25363 - 00603 Nairobi, Kenya

Tel: +254-20-3906000  
Cell: 0711 058000  
Fax: 020 3568995  
E-mail: registry@k-repbank.com  
Website: www.k-repbank.com

July 12, 2010

Franck Daphnis  
President/CEO  
Development Innovations Group  
4330 East-West Highway, Suite 1150  
Bethesda, Maryland 20814

Dear Mr. Daphnis:

K-Rep Bank in collaboration with K-Rep Development Agency (KDA) is pleased to confirm its intention to be included in the USAID-funded SUWASA program.

K-Rep Bank is a leading and fast growing licensed commercial bank that specializes in the microfinance sector, while K-Rep Development Agency – is a partner NGO involved in research and product development for the microfinance sector; both also provides a wide range of banking services. K-Rep Bank's mission is to provide exceptional financial services that create value and enrich the lives of our customers, shareholders, employees and the community.

In 1999, K-Rep was constituted as a bank and established a microcredit lending program, and established this as the core business and growth area. It also expanded its activities to include research and product development which is managed by KDA as well as changing its Technical Assistance (TA) activities to a fee-based capacity building service.

The bank is currently implementing a number of microfinance products, among them a microfinance for small piped water supplies (MSPWS) in collaboration with the Water and Sanitation Programme of the World Bank.

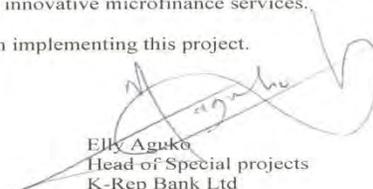
MSPWS is a Water Financing product for the development and implementation of low income rural community water infrastructure in Kenya. It uses the microfinance linked to Output Based AID (OBA), which is envisaged to increase sustainability of community water supply projects in partnership with the Ministry of Water and Irrigation of the Kenya Government. K-Rep Bank is interested in testing this model in urban, low-income communities.

K-Rep Bank in partnership with KDA is therefore looking forward to working closely with DIG, ARD, USAID, and other network partners in this program to increase accessibility of water and sanitation services for Kenya's urban and peri-urban poor through innovative microfinance services.

We look forward to working with the SUWASA team in implementing this project.

Sincerely,

  
Aleke Dondo  
Managing Director  
K-Rep development Agency

  
Elly Aguko  
Head of Special projects  
K-Rep Bank Ltd

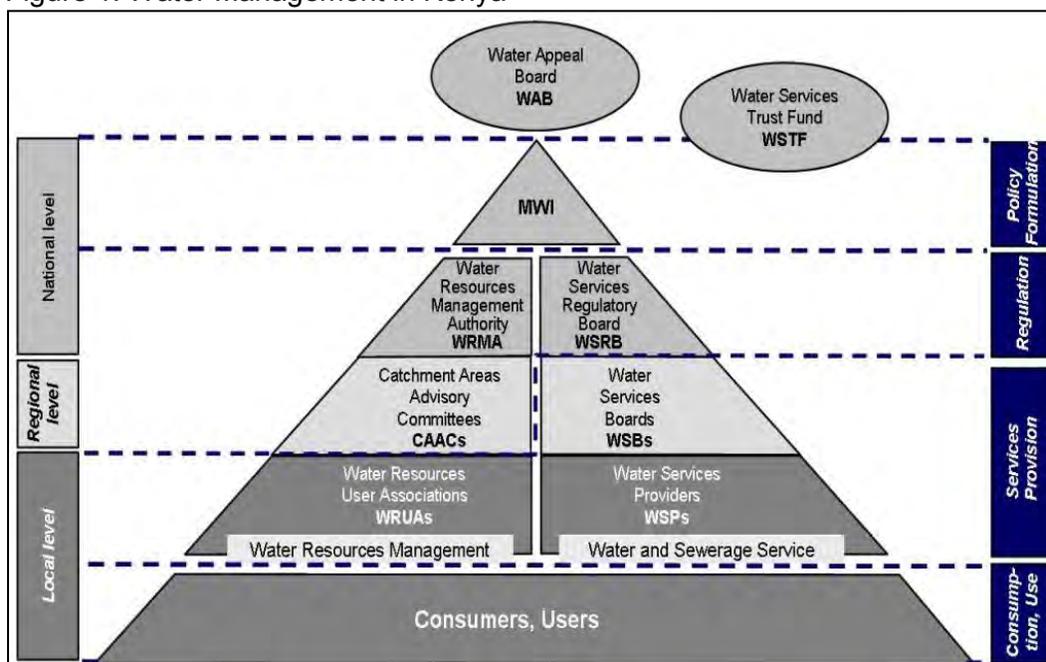
Directors: Bethuel Kiplagat (Kenyan), Kimanthy Mutua (Kenyan), Mary Houghton (American), Frank B. Streppel (Dutch), Eme Essien (American), Mwenda Thiribi (Kenyan), Mohammed Alin (American), George Okado (Kenyan), Philippe M. Leclercq (French), Marlou Van B. Grolstein (Dutch), Leon Smith (American)

# 2. IMPLEMENTATION ENVIRONMENT AND ARRANGEMENTS

## 2.1 CONTEXT OF THE PROJECT

In 1999, Kenya adopted a national water policy with an aim of decentralizing direct service provision and move government toward a policy and regulatory function. The 1999 policy stated that Chapter 372 of the Water Act would be reviewed and updated to transfer water facilities from the government, giving other institutions a legal mandate to provide water services and provide for regulation of urban water services; a signal that thinking about reform was evolving toward a market-driven solution as opposed to government-led and managed utilities. The 2002 Water Act was implemented in 2004. The 2002 Water Act led to the establishment of new organizations which included the transfer of ownership of assets at regional level to Water Services Boards (WSBs). Also included was the transfer of approximately 600 Ministry of Water staff.. The Water Act defines three levels of water management: the Water Resources Management Authority (WRMA) provides licensing and regulation functions of water resources management; the WSBs are responsible for investment in water services infrastructure; Water Service Providers (WSPs) are responsible for actual provision of water and sanitation services and the Water Services Trust Fund mobilizes financial resources to help meet the financing gap to specifically assist the poor gain sustained access to water and sanitation services, mainly in rural areas and informal settlements in the urban areas. These levels are displayed in Figure 1.

Figure 1: Water Management in Kenya<sup>1</sup>



The transformation to the new structure has been challenging. Prior to the reform, the water and sanitation sector was financially unviable and debt-ridden. It was characterized by poor governance structures, unclear roles and responsibilities, poor management, inadequate maintenance, artificially low tariffs, unreliable service and high levels of Unaccounted for Water (UfW). All of these challenges, to differing extents, still exist within the sector, but the shift from public sector to autonomous agencies using private sector utility management principles has produced promising signs of increasing innovation and efficiencies that are beginning to open the door to financial markets. Recent successes with debt financing for utilities in South Africa and Senegal are evidence that this is a viable and achievable goal, which will support the reform initiative and help the country meet its Millennium Development goals of 70% water supply coverage and 93% sanitation coverage by 2015. What for a long time was considered as a non-viable sector by commercial banks is increasingly becoming a promising sector for market financing at both the consumer and utility level. Another challenge that remains is to break the barrier to accessing water, especially for the urban poor who pay more than ten times than those with household connections. The barrier to the urban poor having house connections is mainly due to high connection costs, which must be paid upfront before the connection is made.

<sup>1</sup> Source: Olum, John Phillip. Water Resources Issues and Interventions in Kenya. WELL – Resource Centre Network for Water, Sanitation and Environmental Health. [http://www.itc.nl/news\\_events/archive/general/\\_doc/\\_0023/articles/Olum.pdf](http://www.itc.nl/news_events/archive/general/_doc/_0023/articles/Olum.pdf)

### **Overview of the Nexus Initiative**

The SUWASA Nexus Initiative is designed to capitalize on these recent utility reforms in Kenya. Nexus is a two-year program that will advance fundamental and long-lasting reform and scale in the delivery of water and sanitation solutions by connecting microfinance to water and sanitation through innovative financing for the urban poor and disadvantaged in Kenya (“beneficiaries”). The overarching objective of SUWASA is to improve access to safe, reliable, affordable and *demand-driven* water and sanitation solutions in urban, peri-urban and informal settlement communities (“urban communities” or “urban realm”). The specific goal of the Nexus Initiative is to unlock innovations and improvements in the water and sanitation sector through appropriate access to finance at multiple stakeholder levels (i.e., at the community/household level, the service provider level (including both utilities and SSPs) and the MFI level).

The program is called “Nexus” because it:

- 1) Links the microfinance and WSS sectors in a manner that hasn’t been done before;
- 2) Links multiple stakeholders across sectors (i.e., service providers - both utilities and SSPs, MFIs, communities, and households) to generate innovative financing models to increase the poor’s access to WSS; and,
- 3) Serves as a catalyst to bring together key actors in the sector like WSP, UNGWOP, K-Rep and others to build on their wealth of knowledge, relationships and accomplishments.

### Introducing microfinance for WSS

Microfinance is an effective and sustainable tool for increasing access to finance for the working poor. The industry is agile and client focused, offering a variety of products and services. To date, however, work in water and sanitation in urban settings has been limited and the SUWASA project is designed to explore how MFIs can play a greater role in offering products to respond to people’s needs. Utilities, on the other hand, are reticent to offer water and sanitation services in urban poor communities and often lack the skills that microfinance has developed. Bringing these two together to look at market assessments, client needs, strategic plans and collaborative opportunities provides a unique framework for advancing reform. Nexus is designed to work in specific geographic areas with MFIs and utilities that are committed to finding new solutions and developing innovative ways to reform the sector.

### Serving as a catalyst for reform

Since the 2002 Water Act, a lot of funding and technical assistance has been provided to utilities to help them transition to commercially viable entities (to the point where many see a “crowding out” effect). Rather than focus the SUWASA project on this work, Nexus will serve as a catalyst to build on the knowledge, skills and work in progress in the sector, using this information to support financial innovations and guide identification of areas where opportunities to link microfinance exist. Billing and collections, illegal connections and client education, for example, are some of the issues identified as challenges for the utility and are areas where a link to an MFI can support financial innovation and increase access to safe, affordable and reliable water and sanitation services. Nexus, with the support and guidance of collaborators and partners, is identifying high-performing utilities and MFIs committed to working in urban poor areas.

## Innovative financing

Within the Nexus Initiative, “financial innovations” or “innovative financing” encompass new ways in which MFIs, service providers and communities can finance extending water and sanitation solutions to the urban poor and economically disadvantaged. These innovations will emerge during the course of the program, but may include means such as 1) at the MFI level, rolling out demand-driven microfinance products for water and sanitation solutions to link individual households, SSPs and communities to existing trunk lines through formal connections;<sup>2</sup> or financing communal infrastructure – such as a water kiosk or a community sanitation block – through a *metafinance*<sup>3</sup> loan; or financing individual household water and sanitation improvements (e.g., installing a bathroom, household water connections, etc.); and 2) at the utility level<sup>4</sup>, identifying opportunities to extend *revenue-generating* water and sanitation solutions, which could include such ideas as the utility extending formal connections to an SSP who can not only provide services to her community, but who can also serve as a means of collecting tariffs on behalf of the WSPs<sup>5</sup>; or for the utility to cover the up-front costs of building or replacing community infrastructure and to incrementally recover those costs from the consumer through monthly billing statements. Potential geographic areas for implementation include urban communities within the cities of Nakuru, Kisumu and Kisii. The specific locations will be finalized by the SUWASA team within the first 45 days of the project’s implementation.

### **Key Nexus Initiative Partnerships**

SUWASA will implement the Nexus Initiative in partnership with MFIs and water service providers and in coordination with multi-lateral institutions. The MFI partners will include K-Rep Bank and at least one additional MFI (*to be determined within the first 45 days of the program*), who will roll out microfinance products designed specifically to connect the targeted beneficiaries to demand-driven water and sanitation solutions. SUWASA will also partner with at least two Water Service Providers (WSPs) (*to be determined within the first 45 days of the program*) that demonstrate a commitment to commercial approaches, but that are struggling to provide water and sanitation services to the urban poor. In addition, the program will leverage the work of two existing SUWASA collaborators: the United Nations Global Water Operators Program (UNGWOP) and the World Bank Water Services Program (WSP), both of which are key players in utility reform. (See Sections 2.3 and 2.5 for further details)

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<sup>2</sup> The cost of water and sanitation services/infrastructure solutions is likely to vary significantly. For example, at the individual household level borrowers may need loans as small as US \$150, while SSPs may borrow up to US \$5,000, and community-based organizations may borrow as much as US \$30,000 or more.

<sup>3</sup> *Metafinance* is defined as the practice of using classical principles for financing *individuals* to finance *group* capital improvements, such as latrine blocks or on-site water/ sewage piping.

<sup>4</sup> *Utilities*: For the purposes of this document, the term “utilities” refers primarily to the Water Service Providers (WSPs) that are in the process of achieving full autonomy (adopting commercial approaches to move from being primarily state-run water and sewerage companies to being autonomous utilities). In some cases, the term may also refer to the Water Boards (WSBs), which serve as the asset holding companies for the utilities. We expect the impetus of the Nexus work to be with the WSPs, though in some cases the capacity building and innovative financing approaches will also include WSBs.

<sup>5</sup> This process is locally known as a “delegated management approach” and is similar to what is being implemented currently in Kisumu.

### ***The Nexus Process***

The SUWASA Nexus Initiative will result in specific outputs that are designed to increase demand-driven water and sanitation solutions for the urban poor and disadvantaged by bringing together innovative financing solutions at the household, community, MFI and utility levels. In other words, the Nexus process — by definition — is designed to yield innovations by cultivating new and effective linkages among these key stakeholders, in effect resulting in innovations and outputs beyond those initially envisioned herein.

## **2.2 OVERALL OBJECTIVES OF THE PROJECT**

The Nexus Initiative is aligned with the overall policy objectives of the SUWASA program, as outlined below. As stated above, the main objective of the nexus project is to improve access to safe, reliable, affordable and *demand-driven* water and sanitation solutions in urban, peri-urban and informal settlement communities (“urban communities” or “urban realm”). The specific objectives are given below. A detailed description of the objectives to be achieved by the project is given in [Section 3.1](#).

**Objective #1: Increasing access to safe, affordable, reliable and *demand-driven* water and/or sanitation services to the poor.** In this objective, Nexus seeks to: overcome core constraints that inhibit the urban poor’s access to credit for financing of their water and sanitation needs; generate simultaneous linkages at the community/household, the service provider and MFI levels through innovative financing solutions that create new ways for these stakeholders to sustainably provide water and sanitation solutions to the urban poor; and design specialized WSS microfinance products and other innovative financing approaches that will be demand-driven, while offering products that are affordable and appropriate for the consumer.

**Objective #2: Achieving long-term financial sustainability by applying commercial principles** at all stakeholder levels. The overall Nexus approach is rooted in several of the SUWASA core commercial principles for achieving long-term financial sustainability, namely: helping utilities and MFIs to *view the poor and disadvantaged as valued customers*, and thereby to *incentivize* them to serve this profitable and untapped market using appropriate, *cost-reflective pricing* of their services.

## 2.3 INSTITUTIONAL SET-UP AND OVERALL PROJECT ORGANIZATION

Following is a brief summary of the overall organization of the project per the key institutions involved:

### **Prime implementing organization**

As the prime implementing organization for the SUWASA program, ARD will lead the four-year USAID initiative to assist countries of sub-Saharan Africa toward achieving the Millennium Development Goals for water supply and sanitation. Under the Nexus Initiative, ARD will serve as the prime implementing organization, leading the program, overseeing the work of the Nexus Technical Advisor, and guiding and providing quality control to the Nexus Initiative.

### **Sub-contracted implementing organization**

The Development Innovations Group (DIG) has been subcontracted by ARD to design and implement the Kenya Nexus Initiative. DIG will provide technical staff to the program, including the Technical Advisor, long-term Kenyan Microfinance and Utility Specialists, and a host of STTA from DIG's Home Office. DIG is a private, international firm committed to fostering innovative solutions in the fields of financial services for the poor; urban, water, and sanitation infrastructure services; and fund management. DIG has worked in more than 30 countries in the developing world, and strives to identify home-grown solutions to global development challenges.

### ***Roles and Responsibilities: DIG Field Staff***

#### **SUWASA Nexus Technical Advisor, Eric Adams**

As stated above Eric Adams will serve as the SUWASA Nexus Initiative Technical Advisor, providing sustained long-term technical assistance to the program. As Technical Advisor to the SUWASA Nexus Initiative, Eric Adams will play the leading role in designing and delivering technical assistance to the utilities and MFIs, overseeing the market demand study and qualitative focus groups within the selected communities, and any additional assessments carried out under the program; liaising with key program partners (implementing utilities and MFIs, as well as collaborating institutions such as the UN and World Bank); and serving as the overall finance expert to the program. As an urban finance expert, Mr. Adams will apply his expertise working in microfinance and the urban realm to oversee the development of urban-focused microfinance products for our MFI partners designed specifically for water and sanitation solutions, all MFI systems adaptation required for new products, and strategic planning for the new product line. He will lead the design and delivery of all MFI and utility training activities. Mr. Adams will oversee all utility support activities, including selection and assessment of partner utilities, identification of innovative financing models and partnerships to facilitate the expansion of water and sanitation solutions to the urban poor. He will oversee all utility capacity building and proposal development (for commercial financing, as needed) efforts, and sensitize them to SUWASA commercial principles relating to Nexus. Reporting to the SUWASA COP, Mr. Adams will have overall responsibility for monitoring and quality control for all activities under the Nexus Initiative. Furthermore, Mr. Adams will oversee all efforts to create linkages among the service providers, MFIs and communities to increase the provision of water and sanitation solutions to the urban poor and disadvantaged, and increase financial efficiencies within the partner utilities.

#### Microfinance Coordinator, TBD

The Microfinance Coordinator will provide sustained, long-term technical assistance to the Nexus Initiative. This person, to be identified and hired locally, will be responsible for coordinating the SUWASA microfinance activities under the leadership of the Technical Advisor. This individual will report directly to the Technical Advisor, and will work closely with the counterparts in the local ARD team and our MFI partners, and with the Utility Reform Coordinator as needed. The Microfinance Coordinator will support the Technical Advisor in all microfinance activities, including the market assessment, the focus groups, and the analysis of the MFI urban lending portfolios. This individual will also support the Technical Advisor in his work in water and sanitation loan product design, in helping MFIs to adapt systems to adopt the new loan products, in training of the MFI line staff and management team, and in the monitoring and evaluation of the new product line.

#### Utility Reform Coordinator, TBD

The Utility Reform Coordinator will provide sustained, long-term technical assistance to the Nexus Initiative. This person, to be identified and hired locally, will be responsible for coordinating the SUWASA utility support activities under the leadership of the Technical Advisor. This individual will report directly to the Technical Advisor, and will work closely with his/her counterparts on the local ARD team and at our utility partners, and with the Microfinance Coordinator as needed. The Utility Reform Coordinator will support the Technical Advisor in all utility support activities, including participation in the selection and assessment of partner utilities, identification of innovative financing models and partnerships to facilitate expansion of water and sanitation solutions to the urban poor, utility training and capacity building, and in supporting the utilities in designing the utility financing framework and developing proposals the utilities may submit for commercial financing.

### ***Roles and Responsibilities: DIG Home Office Staff***

#### Microfinance Market Assessment & Focus Groups Team Leader, Thea Anderson

Ms. Anderson will support Mr. Adams by providing short-term technical assistance for all work related to the microfinance market demand assessment (including drafting the scope of work for the market assessment enumeration firm and drafting job descriptions) and serve as in-country advisor to Mr. Adams on the market assessment methodology, tools, enumerators, and training. Ms. Anderson will also serve as an in-country advisor on the qualitative focus groups, and will support Mr. Adams in conducting the focus group sessions.

#### Microfinance Training and Operations Specialist, Ruby AlSalem

Ms. AlSalem will support Mr. Adams by providing short-term technical assistance to SUWASA for MFI financial product design, production of MFI training materials, and guidance on the MFI operations systems (including loan officer incentive plans, loan applications, MIS, etc.), as needed.

### Home Office Program Management Team

The DIG Program Management team will comprise of Franck Daphnis (DIG President and CEO), Delila Khaled (DIG VP, Programs), Tara Panek Bringle (DIG Associate Director of Program Management/SUWASA Program Manager) and Program Officer/Program Associate support. From a program management perspective, together this team will provide overall quality control to the program, liaise with the ARD home office team as needed on contractual and compliance matters, ensure program compliance with the ARD contract and with USAID regulations, and make certain program deliverables are submitted in a timely manner, ensuring substantive, administrative and logistical success of the program. As is standard with DIG's program management approach, the team will also provide technical guidance, support and oversight to the DIG field team. Generally, the team will provide technical inputs in the areas of microfinance, slum upgrading (for any informal settlements work), and urban planning.

### **Microfinance partners**

DIG has identified the K-Rep Group as one of at least two projected MFI partners under Nexus that will introduce microfinance solutions for water and sanitation. DIG is actively recruiting a second MFI partner. DIG has met with and provided program information to Equity Bank, Jamii Bora Trust, Kenya Women's Finance Trust and Co-operative Bank of Kenya for their consideration. All of these organizations have branch networks around the country and in the areas currently under consideration (specifically Nakuru, Kisumu and Kisii) for the Nexus Initiative.

### Microfinance Partner: K-Rep Group

Within the K-Rep Group, SUWASA will work with both the K-Rep Development Agency (KDA) and K-Rep Bank Limited. KDA is the research and development arm of the K-Rep Group and focuses on expanding financial services to low-income people who have traditionally been marginalized by formal financial institutions. KDA develops effective methods of delivering viable demand-led financial services to low-income people. K-Rep Bank is the first bank in Kenya to cater specifically to the low-income population. The Bank provides microfinance products and services (loans, savings and banking services) to low-income entrepreneurs and households who otherwise have no access to mainstream financial institutions. As a partner in the SUWASA Nexus Initiative, the Bank will serve as a key provider of credit to finance the water and sanitation needs of targeted beneficiaries under SUWASA. Importantly, K-Rep Bank is a partner to the World Bank WSP and through this partnership has already created the *Maji ni Maisha* product designed to deliver water and sanitation solutions to the peri-urban areas also known as informal settlements and disadvantaged through innovative financing.

The overall role of the K-Rep Group under the SUWASA program will be to:

- Provide input and guidance to the SUWASA team, as the team develops the market assessment questionnaire. Potentially play a role in supporting the SUWASA team in the focus groups, if relevant/needed.
- Work closely with the Nexus team to design, pilot-test, evaluate and modify, as needed, innovative financial products for water and sanitation.
- Build capacities of community-based groups to be effective systems for delivering financial services to the urban poor.
- Promote usage of the new microfinance products that have been developed for water and sanitation purposes.
- Share information on the performance of the new product line (urban water and sanitation microfinance products) with the SUWASA team to inform lessons learned and product-redesign, as needed.

### **Utility reform partners**

The Nexus approach builds upon a solid and coordinated effort underway in Kenya to improve the efficiency and commercial viability of utilities. The SUWASA partners and collaborators include key actors supporting the reform and growth of the Kenyan water and sanitation sector. Thus, the utility reform partners under this initiative will comprise a variety of stakeholders, including WSCs and SSPs, but also the UNGWOP and the World Bank WSP. Together, with the SUWASA team, these partners will help identify the best WSC candidates for a successful program.

With input from UN-HABITAT and others, utilities in Kisii, Nakuru and Kisumu are being seriously considered. Of those three cities, the Nexus team has identified Kisii as having a high potential to be selected as a geographic focus area for the program, as UN-HABITAT has already completed its Public Utility Advisory and Financing Facility (PUAFF) assessment in Kisii, and will have the assessment report prepared before the Nexus Initiative is launched. To capitalize on the UN's work with the Kisii WSC, the SUWASA Nexus Initiative will explore partnering with the WSC in Kisii, and examine the microfinance opportunities in Kisii (evaluating potential MFI partners in the area). It is important to note that a balance between the location of the utility and the opportunities for microfinance design and delivery is inherent in the Nexus approach. In this sense, the selection and location of the utility, which is the logical lead activity for choosing where to work, will influence the results and outcomes of the project.

The following organizations are very active in the Kenyan water and sanitation sector and have provided their input and experience to help guide SUWASA to areas where the conditions are conducive to achieving the SUWASA Nexus goals and objectives.

- UN Global Water Operators Partnerships (UNGWOP). The UNGWOP will support the Nexus Initiative in identifying and facilitating WSBs/WSCs to access market finance through implementation of its Public Utilities Advisory & Financing Facility. The GWOP has already conducted the assessment of the Kisii WSC, and has agreed to share the findings and approach to the Performance Improvement Plan (PIP) with the SUWASA team.
- Water and Sanitation Program (WSP). The World Bank WSP has extensive information on the water and sanitation sector throughout Africa and is based in Kenya. WSP has played technical, financial and collaborative roles in supporting the sector in Kenya with both microfinance and utilities. As a collaborating agency, the WSP will continue with its current output-based aid (OBA) and financial support for the K-Rep program – including a community proposal development process. WSP will provide strategic guidance to the Nexus Initiative as we seek out potential utility/MFI partnerships and geographic focus areas.

Furthermore, the Nexus team will continue to reach out to other institutions supporting water and sanitation reform, such as the IFC Sanitation and Safe Water for All (SSAWA) program and the African Development Bank (AfDB), to build political, programmatic and financial support for the Nexus Initiative.

It is important to note that while utility sector reform has moved towards making the WSPs and WSBs more autonomous, there continue to be many close links between the government and the WSPs/WSBs. Notably, for the WSBs, many of the infrastructure assets are still maintained on government books, while staff at WSPs and WSBs continue to be holdovers from the government. For this reason, SUWASA will work closely to keep the government – in particularly the water regulators (WASREB), the asset holding companies and the water service boards - apprised of Nexus Initiative activities and to solicit their input and guidance as the program progresses. The Technical Advisor will serve as the liaison with these government and oversight entities to ensure the program has legitimacy and buy-in from these key actors, and to ensure program success.

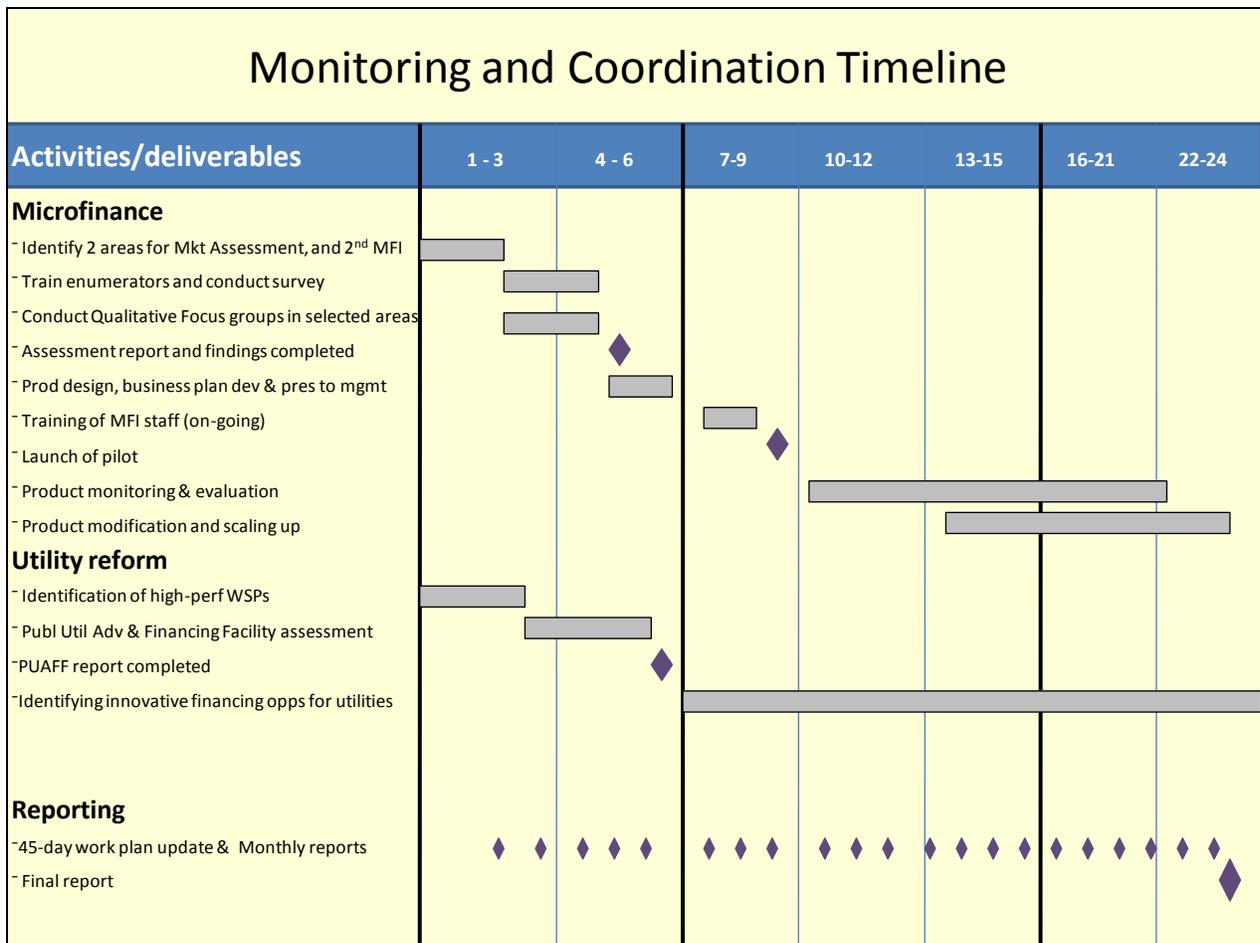
## 2.4 MONITORING AND COORDINATION ARRANGEMENTS

### 2.4.1 INTERNAL MONITORING AND QUALITY CONTROL

DIG will coordinate with the SUWASA Chief of Party (COP) through each key phase of the program to ensure the activities and outcomes of the Nexus Initiative work in harmony with the broader SUWASA goals. DIG’s Technical Advisor, reporting to the SUWASA COP for all Nexus activities, will have overall responsibility for monitoring and quality control for all activities under the Nexus Initiative. He will take a hands-on approach to working with Nexus partners to ensure a thorough monitoring and evaluation of program results throughout the course of the program. The Technical Advisor will be supported by the Utility Reform Coordinator and the Microfinance Coordinator. The local Microfinance Coordinator and Utility Reform Coordinator will work closely with partner MFIs and utilities, respectively, to ensure proper monitoring of day-to-day project activities and quality control.

The following table illustrates activities and deliverables that will support effective project management as well as monitoring and quality control of project results vis-à-vis program timeframes and objectives.

**Figure 2: Monitoring and Coordination Timeline**



## 2.4.2 MONITORING AND EVALUATION PLAN

The following table reflects the SUWASA evaluation criteria and illustrative indicators that will be used for assessing the performance of the Nexus Initiative in terms of on-going and final results.

Table 1: SUWASA Evaluation Criteria & PMP Indicators

SUWASA Evaluation Criteria and PMP Indicators	M&E Source/Method
<p><b>1. Increasing access to safe, affordable, reliable and demand-driven water and/or sanitation services</b></p> <ul style="list-style-type: none"> <li>- Number of people in target areas with access to improved drinking water supply (by gender, income group).</li> <li>- Number of people in target areas with access to improved sanitation facilities (by gender, income group).</li> <li>- Customer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>- Microfinance loan tracking MIS</li> <li>- Utility client database</li> <li>- Progress reports</li> <li>- Focus groups</li> </ul>
<p><b>2. Achieving long-term financial sustainability by applying commercial principles</b></p> <ul style="list-style-type: none"> <li>- Number of “financial innovations” adopted by utilities and MFIs to extend services to urban poor.</li> <li>- Number of households, SSPs, and communities borrowing (through MFIs or utility approaches) for water and sanitation services.</li> <li>- Number of participating utilities that improve at least one aspect of their commercial performance.</li> <li>- % Improvement on revenue collection</li> <li>Improvement on cost recovery ratio</li> </ul>	<ul style="list-style-type: none"> <li>- Market Assessment Report</li> <li>- Focus Group Assessment Report</li> <li>- PUAFF utility improvement plan monitoring and milestone achievement</li> <li>- Progress reports</li> </ul>
<p><b>3. Added-Value and Impact</b></p> <ul style="list-style-type: none"> <li>- Number of new partnerships established with selected partners, including: (1) in-country cooperation (utilities and MFIs), (2) regional cooperation (UN, World Bank), (3) private sector participation (commercial finance institutions, as needed and applicable).</li> </ul>	<ul style="list-style-type: none"> <li>- Signed partner agreements</li> <li>- Documentation on collaborators and financing partners</li> <li>- Progress reports</li> </ul>
<p><b>4. Potential for replication in other Sub-Saharan countries</b></p> <ul style="list-style-type: none"> <li>- Number of best practices identified and promoted to other WSS entities.</li> </ul>	<ul style="list-style-type: none"> <li>- Documentation of market assessment, product design, business plan and pilot results</li> <li>- Promotion of products to other microfinance providers in Kenya.</li> <li>- Documentation of utility PUAFF recommendations, investment strategy, financing framework and results (if applicable)</li> <li>- Presentations in microfinance and water/sanitation conferences and media reports on the project</li> <li>- Progress reports</li> </ul>

<b>SUWASA Evaluation Criteria and PMP Indicators</b>	<b>M&amp;E Source/Method</b>
<b>5. Leveraging of Resources (from SUWASA and other sources)</b>  - Amount of funding leveraged by SUWASA, disaggregated by (1) in-kind and (2) financial from the utility and MFI partners, and (3) any additional donor, government or private sector contributions.	- MFI portfolio monitoring reports - Monthly contributions tracking report

**Notes:**

- Reporting on the objectives will be done monthly and will include qualitative and quantitative summaries of progress toward objectives.
- Given that most microfinance entities track detailed information on their clients and the improvements undertaken with financing, these data will also be included in the monthly progress report when relevant and available.
- The program design emphasis on the Nexus approach to bring about innovative financing partnerships among MFIs, service providers and communities is new to both the water and sanitation sector and the microfinance sector. In light of Kenya’s commitment to utility reform, we anticipate that this will attract the attention and interest of MFIs, utility companies, government agencies, donors, multilateral agencies, etc. As a result, SUWASA’s documentation on the program and the sharing and promoting of this information is expected to enhance all of the objectives.

**2.4.3 ENVIRONMENTAL COMPLIANCE MONITORING**

At present, the project does not have an identified investment component for financing from the SUWASA Small Infrastructure Program; however, should this be considered in the future, the USAID environmental requirements as detailed in 22 CFR 216 will be adhered to.

**2.4.4 REPORTING ON PROJECT PROGRESS**

The following table summarizes reporting plans under Nexus in accordance with the reporting requirements of the SUWASA program.

Table 2: Nexus Project Reports

<b>Report</b>	<b>Frequency</b>
Inception report with updated work plan	45 days from project start
Monthly progress reports including a narrative and actual progress versus planned work schedules, the work plan and financial utilization	Monthly
Quarterly progress reports	Quarterly
Mid-Term Progress Report	After first year
Final report with activities performed, results achieved and resources used, as well as a thorough analysis of established performance indicators	End of project

## 2.5 PROJECT PARTNERS' CONTRIBUTIONS

SUWASA will partner with at least two microfinance institutions and two utility companies to implement the Nexus project. We expect the utility and MFI partners to make, at minimum, the following contributions to the project:

Table 3: Project Partner Contributions

Institution	Contribution
<b>MFI Partners (K-Rep Bank and one additional MFI, TBD)</b>	<ul style="list-style-type: none"> <li>• Review the market assessment survey tool and recommend adaptations to the local environment including recommendations in selecting urban poor communities where the market assessment can be conducted (in coordination with the utility company).</li> <li>• Share information on the organization's current portfolio, products and operating systems so that the product design and delivery is integrated and aligned with existing systems. Also, as applicable, share any information on urban lending portfolio to inform the Nexus team's assessment of urban clientele.</li> <li>• Identify the pilot site and arrange for training and orientation with staff.</li> <li>• Provide product support materials for training and marketing of the product.</li> <li>• Promote new products (with the SUWASA/Nexus representative, as needed) at conferences/presentations and in target communities.</li> <li>• Attend Nexus functions between the utility and microfinance providers in the area to share information and identify opportunities to build on each other's knowledge and strategic plans.</li> </ul>
<b>Utility companies (TBD )</b>	<ul style="list-style-type: none"> <li>• Participate in the UN-HABITAT PUAFF assessment and discussion of investment scenarios, providing input on the operational and financial considerations.</li> <li>• Lead the utility improvement process, meeting milestone targets and working with technical assistance providers to optimize the chances to access market finance, if needed.</li> <li>• Collaborate with the Nexus team to identify opportunities to expand water and sanitation solutions to the urban poor.</li> <li>• Collaborate with the Nexus team to identify innovative partnership arrangements with SSPs, communities and individual households to explore new financing approaches for increased access to water and sanitation solutions, cost recovery and financing of small infrastructure.</li> <li>• Collaborate with SUWASA partners to outline the financing framework, develop financing proposals, and identify potential commercial bank financing resources, as needed.</li> <li>• Develop proposals, in collaboration with the SUWASA team to apply for commercial financing and meet with potential funders to present the applications for financing, as needed.</li> <li>• Promote the Nexus Initiative successes/experiences at conferences and in presentations.</li> <li>• Attend Nexus functions between the utility and microfinance providers in the area to share information and identify opportunities to build on each other's knowledge and strategic plans.</li> </ul>

Detailed financial contributions including in-kind, direct funding and accessing commercial finance will be provided in the updated work plan to be submitted 45 days after project start-up and in regular programmatic reports.

# 3. PROJECT DESCRIPTION

The SUWASA Nexus Initiative is a two-year program that will advance fundamental and long-lasting reform and scale in the delivery of water and sanitation solutions by connecting microfinance to water and sanitation through innovative financing for the urban poor and disadvantaged in Kenya. SUWASA will implement the Nexus Initiative in partnership with MFIs and private utility companies and in coordination with multi-lateral institutions (including the UNGWOP and the World Bank WSP). The geographic areas currently under consideration are Kisii, Kisumu and Nakuru. The specific geographic focus areas, WSC partners and the second MFI partner will be finalized in the 45-day work plan.

## 3.1 SPECIFIC OBJECTIVES TO BE ACHIEVED BY THE PROJECT

The overall goal of the Nexus Initiative is to unlock sustainable, demand-driven financial innovations in the water and sanitation sector through appropriate access to finance at various stakeholder levels. This goal supports the specific SUWASA objectives to (1) increase access to safe, affordable, reliable and *demand-driven* water and/or sanitation services to the poor; and (2) achieve long-term financial sustainability by applying commercial principles.

The Nexus Initiative is aligned with the overall policy objectives of the SUWASA program, as summarized below. Please note that the goals outlined under Objectives #1 and #2 are inherently related given that the overarching theme of the Nexus project is innovative, demand-driven, sustainable long-term financing solutions for WSS. For the sake of avoiding redundancy, therefore, we've summarized the results-specific goals under Objective #1, while focusing on the commercial principle-specific goals of SUWASA under Objective #2.

**Objective #1: Increasing access to safe, affordable, reliable and *demand-driven* water and/or sanitation services to the poor.** In this objective, Nexus seeks to:

- Overcome core constraints that inhibit the urban poor's access to credit for financing of their water and sanitation needs at both the household and community levels.
- Generate simultaneous linkages at the community/household, the service provider (utilities and SSPs) and MFI levels through innovative financing solutions that create new ways for these stakeholders to sustainably provide water and sanitation solutions to the urban poor.
- Design specialized WSS microfinance products and other innovative financing approaches that will be demand-driven, allowing MFIs and service providers to recover their costs, sustain operations and earn a reasonable profit, while offering products that are affordable and appropriate for the consumer; the availability of these products will increase access to demand-driven WSS solutions for the urban poor.

It is important to note that Nexus is *not* designed to create standalone financing facilities for the project, but rather to work in conjunction with existing institutions to source financing from their existing capital flows.<sup>6</sup> *This approach is designed to leverage the resources and expertise of existing institutions with a proven track record in this area in order to maximize the project's impact within the limits of the two-year implementation period.*

**Objective #2: Achieving long-term financial sustainability by applying commercial principles** at all stakeholder levels. At the community level, this means adequately assessing capacity to pay and identifying solutions that are affordable to the community; at the service provider level this means ensuring that the water and sanitation solutions identified to meet the needs/demands of the target market are sustainable for the service provider, including any delegated management approaches; and at the MFI level this means pricing the loan products in a manner that allows for the MFIs to cover costs and achieve long-term sustainability. The overall Nexus approach is rooted in several of the SUWASA core commercial principles for achieving long-term financial sustainability, namely: helping utilities and MFIs to *view the poor and disadvantaged as valued customers*, and thereby to *incentivize* them to serve this profitable and untapped market using appropriate, *cost-reflective pricing* of their services. Our specific objectives as pertains to these SUWASA principles are further summarized below:

- *The poor and disadvantaged as valued customers*. Nexus seeks to achieve a fundamental shift in thinking at the level of the utilities by working with WSCs to generate new approaches that demonstrate the viability of the urban poor as a profitable business market and, in turn, as valued customers.
- *Incentives. The SUWASA program seeks to incentivize* both the utility and microfinance sectors to extend solutions for water and sanitation to the urban poor and disadvantaged through the potential for an expanded client base and increased profits. Utilities and MFIs engaging in innovative partnerships with communities, households and SSPs will increase both the consumer purchasing power and the capacity of the utilities and SSPs to deliver services, and subsequently lead to a greater chance of cost recovery, increased revenue generation, as well as expanded markets.
- *Cost reflective pricing, with provisions for the poor*. When we talk about cost-reflective pricing in the context of Nexus, we are talking about *appropriately pricing financial products* for WSS. Nexus will drive the innovation of new financial products for WSS that are affordable to the customer, and that allow MFIs to cover their costs while earning a reasonable profit. As a prerequisite for financial sustainability, microfinance best practices dictate that MFIs adhere to demand-driven, cost-reflective pricing without making exceptions (or provisions) to subsidize the poor. That said, we recognize that the intersection of microfinance and WSS is a new and emerging field, for which best practices have not yet evolved; and furthermore, that this program is not a stand-alone microfinance initiative. Additionally, we must acknowledge that in the delivery of WSS, the sector often does make provisions for the poor, in some cases with the government *heavily* subsidizing their costs. The Nexus team will pay careful consideration to these

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<sup>6</sup> While the Nexus Initiative is not designed to establish stand-alone financing facilities, if a very strong case were made, or a significant opportunity presented itself and it would be feasible to establish within the life of the program, then the Nexus team would explore that opportunity.

issues as the project facilitates the merging of the microfinance and WSS sectors, and explore opportunities for innovation along both fronts. In instances where needed water and sanitation solutions surpass a consumer's or community's capacity to pay, Nexus will explore subsidy-based models (such as the local K-Rep/OBA subsidy model with *Maji ni Maisha*) that offset the cost to the consumer, while allowing the utility and/or the MFI to recover its costs.

## 3.2 TASKS AND RESULTS TO BE ACHIEVED BY THE PROJECT

### Tasks and Activities

Outlined below are some of the key tasks and activities that the Nexus team will engage in throughout the life of the program. We do expect this list of activities to evolve as we begin implementing the Nexus approach. We will update these activities in the 45-day work plan, and in subsequent progress reports as new tasks emerge.

- **Market Demand Assessment:** This assessment will be carried out in multiple urban and peri-urban neighborhoods as well as informal settlements within each geographic focus area to assess the poor's demand for WSS solutions and to determine their capacity to pay for those solutions.<sup>7 8</sup>
- **Qualitative Focus Groups:** The Nexus team will conduct 2-3 focus groups per selected area. The purpose of the focus groups is to assess community needs, priorities and interests regarding water and sanitation solutions.
- **Assessing the Capacity of Utilities:** Nexus will identify and analyze utilities' operational and financial inefficiencies, in accordance with the PUAFF assessments and the resulting PIPs. Nexus will use the PIPs as a road map to understand where Nexus can add, working with utilities to devise capacity building plans based on PIP recommendations, focusing particularly on issues which inhibit financial improvements that affect the poor, and/or could facilitate innovative partnerships and financing arrangements.
- **Innovative Financing Solutions – WSS Microfinance Product Design for MFIs, and Innovative Financing Solutions for Utilities and SSPs:** The market assessment and qualitative focus group reports, along with subsequent work with the MFIs and utilities will allow Nexus to:
  - Develop microfinance water and sanitation loan products.
  - Provide important market information to the MFIs and service providers.
  - Pioneer innovative partnerships and financing arrangements between utilities on the one hand, and SSPs, MFIs, communities and households on the other<sup>9</sup> that ultimately increase the poor's access to WSS.

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<sup>7</sup> Based on initial conversations and population size of the cities under consideration, SUWASA anticipates a need for a total of 750-1,000 surveys (cumulative for all geographic areas), although this may vary depending on the cities selected.

<sup>8</sup> In the discussions with WSP, the idea of a utility-focused market survey was also discussed as a way to further inform the PIP and investment strategy. If done, these two assessments will provide firm data to share in determining nexus opportunities between utilities and MFIs (as well as potentially engaging community members and organizations)

<sup>9</sup> One such example could be that the utilities offer small finance to SSPs, households and/or communities to cover up-front costs for services and/or small infrastructure that is in turn repaid through monthly billing statements (households) and/or service contracts (SSPs)

- Explore the possibility of MFIs providing finance to utilities in order for them to fund the aforementioned innovative partnership arrangements, as appropriate.
- **Strategic Planning & Product roll-out:** Nexus will work closely with partner MFIs to design strategic plans and advise on product roll-out strategies to introduce water and sanitation loan products to targeted urban poor markets.
- **Capacity Building of Partner Institutions (MFIs and Utilities):**
  - Train MFIs and utilities to understand the nature and challenges of operating in the targeted urban, peri-urban and informal settlement populations, and sensitize them to SUWASA commercial principles relating to Nexus.
  - Provide training and/or technical assistance to utility and MFI staff so they can better understand the water and sanitation infrastructure needs of the urban poor, as well as their financial behavior and payment capacity.
  - Provide technical assistance to build the utility's organizational capacity and financial health, as needed and as directly relates to Nexus objectives.

## Results

The SUWASA Nexus Initiative will increase access to safe, affordable, reliable and demand-driven water and sanitation solutions for the urban poor through innovative financing solutions that are rooted in commercial principles and designed to achieve long-term financial sustainability. To this end, the program will achieve the following results:

- The design and roll-out of specialized WSS microfinance products and other innovative financing approaches that are demand-driven, allowing MFIs and service providers to recover their costs, sustain operations and earn a reasonable profit, while affordable and appropriate for the customer; the availability of these products will increase access to demand-driven WSS for the urban poor.
- Innovative and financially sound partnerships between key WSS stakeholders for financing of WSS and small infrastructure, and improving cost recovery.
- Sound business models for utilities and, as needed, financial proposals from utilities to commercial banks for market-rate finance.
- A fundamental shift in mindset for the utilities to view the poor and disadvantaged as valued customers, as evidenced by increased water and sanitation services and small infrastructure to the urban poor throughout the course of the program.
- Adoption of cost-reflective pricing for microfinance products and other specialized WSS financial products, as evidenced by successful performance of product lines and high quality of loan portfolios.

### 3.3 INDICATORS FOR ACHIEVING THE PROJECT RESULTS

In section 2.4.2 above, a detailed list of quantifiable indicators has been provided as part of the Performance Monitoring Plan and in line with the SUWASA evaluation criteria. As a more unified set of approaches and financial solutions emerge based on the final identification of WSP partners, target communities, and their collective needs, a more comprehensive menu of indicators may be developed in the 45-day updated work plan. During this initial start-up phase of the project, specific discussions around the work plan will allow us to more accurately refine indicators and set additional targets to be achieved. This will depend not only on the location of the utilities and target communities, but also on the findings from the market assessment and the types of microfinance products to be designed.

### 3.4 ASSUMPTIONS AND RISKS

Table 4: Risks & Mitigating Factors

Risk Factors	Assumptions & Mitigating Factors
Selection and commitment of utility partners	SUWASA will identify utility companies based on visits and discussions with potential partners, a selection criteria that include the input from WASREB (and government ratings of utilities), as well as the rigorous and transparent process of the PUAFF assessments and the resulting PIPs. Combined, these resources will help Nexus to identify WSP partners committed to reform, and with a strong potential to succeed. Partners will be committed to moving away from government dependence and toward commercial management principles, market-based financing and efficient operations. However, the challenges are significant and the utility will need to focus energy, resources and personnel to adopt innovative financing approaches and position the utility to access market finance, if needed. As the Nexus Initiative includes support from the UN and potentially other multilateral agencies actively engaged in WSS reforms in Kenya, broad expertise is available to mitigate challenges. The assumption is that the utility will be a highly-engaged partner given that they will receive the organizational assessment, investment planning, support, training, direction and contacts that are directly in their business interest of becoming a commercially viable and “bankable” entity. Furthermore, through the Nexus process and the interplay with other key stakeholders, the project will help the utility partners to identify innovative partnership opportunities to increase WSS for the urban poor. Thus, another mitigating factor is the utilities’ incentive to increase revenues and recover costs, ultimately making the utilities more financially viable while achieving their mandate of serving the urban poor.
Lack of Financial Incentive for Utilities to expand Infrastructure to Poor areas	While utilities in Kenya have a mandate to extend WSS to the urban poor, they see this market as wrought with challenges. The utilities, working with already limited resources, do not trust the poor to pay, and do not see the poor as reliable customers. To mitigate this lack of incentive for utilities to expand into the urban realm, the Nexus program will work to affect a fundamental mind shift at the level of the utilities and sensitize them to SUWASA commercial principles relating to Nexus - demonstrating the profit potential in the urban market (through the market

Risk Factors	Assumptions & Mitigating Factors
	<p>assessment analysis), unlocking new opportunities for revenue generation (through innovative partnerships with the MFIs, SSPs and communities), and working with utility partners to build capacity to manage financially viable projects (training for and capacity building developed in coordination with the utility partners). Further mitigating factors include the following: 1) the whole organization will benefit from the capacity building and improved financial position of the company, 2) the work with the poor will attract supportive financing partners (for guarantees for example), and will allow utilities to tap a new market that is currently underserved, and 3) innovative partnerships with MFIs, service providers and communities will increase consumer purchasing power and capacity of the utilities to deliver WSS solutions, and subsequently lead to a greater chance of cost recovery, increased revenue generation and expanded markets.</p>
Political interference	<p>Access to and pricing of water and sanitation are political issues in Kenya and to a certain extent may pose a risk to the project. While the sector is moving towards privatization, many of the WSP workers maintain strong ties to the government – many of them are former government employees and others still remain on the government payroll. Furthermore, at the WSB level, many of the infrastructure assets are still held on government books. To mitigate the risks associated with political interference, the project will work to identify WSP and WSB partners who show a commitment to reform and transparency, and who have less entrenched ties with the government. Based on strong recommendations from various WSS reform players in Kenya, the first step will be to identify partners outside of Nairobi – where the WSPs and WSBs have stronger direct ties with the government. SUWASA will rely heavily on input from our partners at the UNGWOP, using the rigorous and transparent PUAFF assessment process and the resulting PIPs to identify strong WSP candidates committed to reform. SUWASA will also benefit from information and guidance from many agencies and government utility ratings to identify effective and upstanding partners.</p>
Capacity of MFIs to reach urban poor & design new WSS products	<p>For microfinance providers, there are inherent risks in introducing new product lines and expanding into new markets. For MFIs, lending for water and sanitation solutions in an urban environment will require a shift in approach and practice. Furthermore, many MFIs restrict their lending to the more traditional peri-urban and rural areas, as they perceive the urban environment to be wrought with challenges and posing a higher risk for a financial institution. To mitigate these risks, Nexus has identified K-Rep, a recognized MFI leader in Kenya and an organization whose mission and microfinance products mirror the overall SUWASA goals and objectives to serve the poor in a sustainable and commercially-driven manner. SUWASA has talked with several other MFIs and will select at least one additional MFI partner that also shares a commitment to serving the urban poor and has the basic competencies to take full advantage of the SUWASA capacity building and product development assistance. The market assessment and mapping of the repayment characteristics will inform all MFI products and trainings. This aspect in particular is</p>

Risk Factors	Assumptions & Mitigating Factors
	<p>a core expertise of DIG and the assessment, business plan development, financial model development, implementation and tracking systems and will be based on best practices and target the desired market segment. Finally, DIG will bring to the project a recognized leader in microfinance – a Technical Advisor with extensive firsthand experience in MFI start up, introducing new product lines and services, and lending in the urban realm. The Technical Advisor, with extensive experience in analyzing loan portfolio performance, and adjusting for complications that new markets or products may present as they arise while maintaining a high portfolio performance, will serve as a strong guide for the training, capacity building, business planning, product development, and monitoring and evaluation of the MFIs as they launch new microfinance WSS product lines in the urban realm.</p>

### 3.5 LINKAGE WITH OTHER USAID OPERATIONS, COMPLEMENTARITY WITH OTHER WSS REFORMS

The USAID mission in Kenya focuses primarily on developing agriculture in the country’s rural areas, with WSS programs also targeting rural and peri-urban populations of the country. However, the USAID Washington urban office has recently encouraged the mission to expand its work into urban and peri-urban areas as well. The mission is indeed interested in how the SUWASA Nexus Initiative can help USAID expand its financial services and water/sanitation activities into the urban realm. The Nexus Initiative will look for opportunities to build on USAID’s knowledge and expertise in WSS in rural areas and adapt concepts from the country and/or region as appropriate to the urban context.

In addition to potential USAID programs, SUWASA will capitalize upon and complement various WSS reform initiatives taking place in Kenya including the UN-HABITAT Global Water Operators Partnerships (UNGWOP), the IFC’s Sustainable Sanitation and Water for all (SSAWA) program, the World Bank Water and Sanitation Program (WSP), and K-Rep Bank’s *Maji ni Maisha* program. UNGWOP provides technical assistance and capacity building support to water operators in order to sharpen the extension of water and sanitation services to the urban poor. Through its Public Utilities Advisory and Financing Facility, UNGWOP helps utilities finance and implement performance improvement plans. SUWASA will leverage UNGWOP’s efforts at identifying and facilitating high-performing WSBs/WSCs to partner in the Nexus initiative, and capitalize on the PUAFF assessment and resulting PIPs to develop capacity building strategies in coordination with the utility partners.

The nascent IFC SSAWA program will initially focus on water purification models and water and sanitation at the household levels. As the program matures, however, it is interested in collaborating with SUWASA on water service management, specifically on fostering efficient management of the WSPs. In meetings with the DIG assessment team, the IFC said that a line of credit could be possible if SUWASA can muster substantial scale. For its part, the WSP works with K-Rep Bank on the *Maji ni Maisha* program to increase access to clean and reliable water supply for rural communities in Kenya using a blend of commercial finance and an output-based subsidy. The project helps small community-based water providers access the finance they need to improve water systems and connect poor households to piped water supply. SUWASA will build upon this program in urban and peri-urban areas, capitalizing on the WSP's expertise with the *Maji ni Maisha* program.

### 3.6 PERSONNEL AND MANAGEMENT PLAN

#### Staffing Plan for Nexus Technical Staff

##### Staffing Rationale

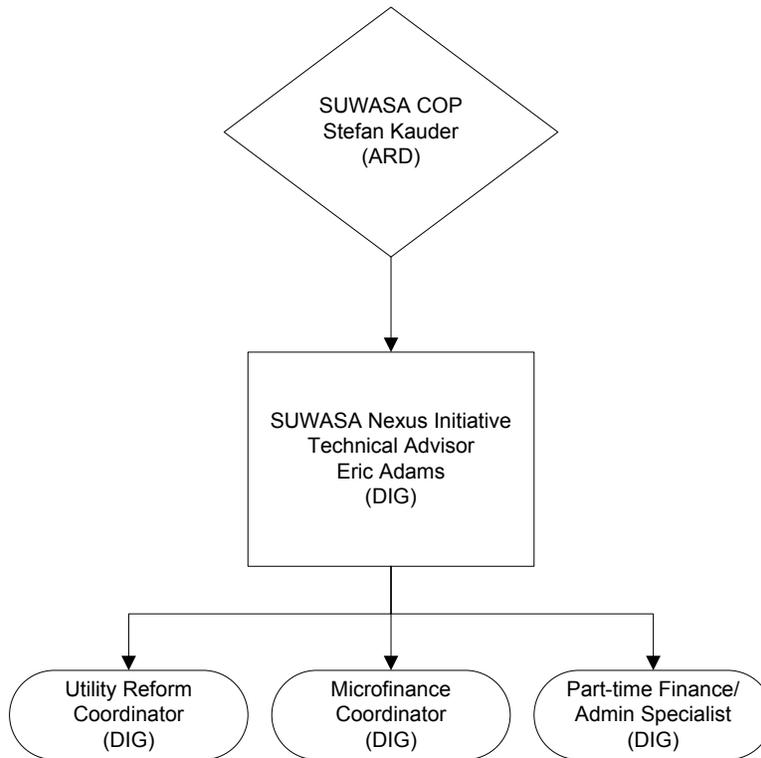
The below staffing plan presents a lean team equipped to address the Nexus project's complex technical approach. This approach demands a comprehensive set of skills to provide sustained technical assistance over the life of the project for MFIs and utilities to work collaboratively and with multiple stakeholders to introduce innovative WSS financing solutions into difficult to reach urban poor markets. For **MFIs**, lending for water and sanitation services in an urban environment will require a shift in thinking and practice for the institutions. While K-Rep has tapped into the water and sanitation market, it has done so only in rural and peri-urban areas, while other potential MFI partners have no experience in this area. Furthermore, while MFIs have a desire to expand their outreach, they often restrict their lending to peri-urban and rural areas where they have traditionally been active because they are not comfortable in, nor do they understand the dynamics of the urban market. **Utilities** in Kenya understand they have a mandate to extend water and sanitation services to the urban poor, but see the urban environment as wrought with challenges. Utilities, already working with limited resources, do not trust the urban poor to pay and do not see the poor as reliable customers. The Nexus Initiative introduces innovations in the financing of water and sanitation provision that will push the boundaries of traditional utility and MFI services in order to better serve the urban poor. Nexus will introduce a new type of microfinance for which no known track record exists. Furthermore, the project introduces the challenge of linking the private sector with the urban poor, and building mutual trust. Nexus will require a Technical Advisor who can manage the day-to-day project activities, while managing the complex relationships among MFIs, utilities, SSPs and communities. The Nexus Technical Advisor presented herein brings to the project understanding of the key factors to (1) mitigate the risks that the urban environment poses, (2) adapt to the complex requirements of launching new product lines in new markets, and (3) regularly monitor and modify those products.

The Nexus Technical Advisor offers a broad skills base in partnership development, capacity building, MFI operations, and extensive business planning and field experience in designing financial services for the urban poor. The Technical Advisor has worked with microfinance programs in eight countries, served on three MFI boards and effectively linked private sector companies and MFIs in the implementation of microfinance programs. With the support and analysis of collaborators like UNGWOP and WSP, the Technical Advisor will identify Nexus opportunities where MFIs, utilities, SSPs and communities can collaborate, and will present market analysis, demand-driven products and training to inform and advance the process. The Technical Advisor will deconstruct the dynamics of the urban environment for both the utilities and MFIs. This will be achieved by the Technical Advisor through extensive and sustained training and capacity building of MFI and utility staff based on knowledge gained throughout the Nexus process of coordinating among stakeholders. Importantly, the complexity of MFIs introducing previously untested products into new markets requires an individual with a firm understanding of microfinance operations, institutional training and capacity building, and expertise in working in the urban realm, while possessing a firm understanding of global best practices in financial services delivery to the poor and experience in how to adapt services to new markets and the urban environment. It can be difficult to find any one of these areas of expertise in one individual, but Eric Adams, the Nexus Technical Advisor, brings to the project a tested and proven expertise in all of these areas. The Nexus staffing plan will also comprise two local Kenyan technical staff: Microfinance Coordinator and Utility Reform Coordinator, bringing local knowledge to the project to support the Technical Advisor in providing capacity building and training to the MFIs and utilities, respectively, while working closely with their counterparts on the larger SUWASA team. The Technical Advisor and local staff will be supported by targeted STTA from DIG Home Office staff.

### Project Organizational Structure

Below is a basic organizational chart outlining the Nexus Initiative's Field Management Plan for field-based technical staff:

Figure 3: Field Management Plan



### **Position Descriptions**

#### **Nexus Technical Advisor, Eric Adams**

The Technical Advisor reports to the SUWASA COP on all key SUWASA Nexus activities. As a senior member of DIG's programs team, DIG's VP of Programs also serves as the Advisor's supervisor. The Technical Advisor will work closely with the COP and SUWASA team in the start-up and implementation of the project. He will also work closely with all key stakeholders - partner MFIs, communities, SSPs, and utilities - to broker partnerships and unlock financial innovations in WSS. Specifically the Technical Advisor will:

- Serve as the primary liaison with the Nairobi-based SUWASA COP and DCOP, with the implementing MFI and utility partners, and with all collaborating WSS actors – including the UN-HABITAT GWOP, World Bank WSP and other potential partners. He will also be the primary link between the Nexus Initiative and DIG to ensure DIG meets its deliverables and contractual obligations to ARD.
- Lead community outreach and analysis activities, including: Market Demand Assessment and Focus Group Activities and accompanying reports, and MFI urban trend analysis report.

- Lead technical assistance (TA) initiatives with the MFIs, designing training programs and microfinance water and sanitation loan products. In coordination with MFIs, develop strategic plans and roll-out strategies for the new water and sanitation loan products and oversee capacity building efforts within the MFIs to ensure all MFI systems can adequately adopt the new product line.
- Lead TA initiatives with the utilities, identifying revenue-generating opportunities to extend and/or improve service provision to urban poor.
- Manage local project personnel including the Utility Reform Coordinator, Microfinance Coordinator, and a part-time bookkeeper /administrative specialist.
- Manage additional DIG short-term technical inputs for work including the Market Demand Assessment, the focus groups, microfinance product design, training activity design, and Nexus financial innovations.
- Monitor and manage leveraged and in-kind contributions to the project, and coordinate any additional outside TA to the utilities and MFIs to ensure maximum impact.
- Provide regular reports to ARD on progress towards objectives and oversee monitoring and evaluation process.

#### Local Microfinance Coordinator, TBD

The Microfinance Coordinator reports directly to the Technical Advisor and under his direction will:

- Coordinate with the local SUWASA team and particularly the SUWASA/ARD Finance Specialist, as needed.
- Support the market assessment process and provide contextual insights to the business plan development.
- Facilitate communication and follow up with partners, reporting on progress and issues.
- Provide capacity building to MFIs, most notably regarding market analysis, the complexities of lending in the targeted urban environment, modifying internal systems and controls to accommodate new product(s), loan application review/design, risk management for urban-focused portfolios, and monitoring and evaluation of new product(s).
- Train MFIs at the level of senior management and line staff as new products are introduced. Training courses may include loan product training, new product implications for branch management, portfolio management, marketing and customer service, MIS Training, and Training of Trainers.
- Other duties, as required.

#### Local Utility Reform Coordinator, TBD

The Utility Finance Coordinator reports directly to the Technical Advisor and under his direction will:

- Coordinate with the local SUWASA team and particularly with the SUWASA/ARD Utility Finance Specialist, as needed.
- Provide technical assistance and support directly to utility partners.
- Work with Microfinance Coordinator to sensitize and train utility partners on commercial principles, including recognizing the poor as valued customers, the role and process of microfinance lending in the urban poor environment, innovative partnerships and approaches for financing WSS, etc.
- Under the direction of the Technical Advisor, liaise with the UN-HABITAT GWOP program and the utility partners, as needed, to support PUAFF assessments and the resulting Performance Improvement Plans (PIPs).

- Work with utilities to devise capacity building plans based on PIP recommendations, focusing particularly on issues which inhibit financial improvements that affect the poor, and/or could facilitate innovative partnerships and financing arrangements.
- Work with the utilities and Technical Advisor, as needed, to identify independent commercial financing sources and prepare applications for commercial finance.
- Other duties, as required.

#### DIG Market Assessment & Focus Groups Team Leader, Thea Anderson (STTA)

Under the leadership of the Technical Advisor, the DIG Market Assessment Team Leader will provide short-term TA to support and facilitate all aspects of the market assessment, including:

- Survey Design: Design the survey instrument, tailored to address the demands for specific loan products and water and sanitation services.
- Hiring of Enumerators: Identify and hire a local firm to provide the enumerators to conduct the surveys within the identified communities.
- Training and Management of Enumerators: Train the enumerators on the specific subject matter and how to conduct the interviews with the target populations. Under the leadership of the Technical Advisor, oversee the survey process, ensuring the surveys are completed and of high quality.
- Determining Sample Size: The Market Assessment Team Leader will work closely with the Technical Advisor and members of the SUWASA/ARD team to determine sample size. The assessment will be carried out among a representative sample of households at sufficient scale to provide a statistically valid result.
- Data collection: Survey questions on household's socioeconomic background (gender, level of education, monthly revenue, profession, and household size) and access to services including assessing the barriers to access. In the case of water, these questions include source, satisfaction with water supply and quality, demand for different types of services/infrastructure, etc. For sanitation, these questions will include current methods of sanitation, satisfaction with current methods, demand for different types of infrastructure (formal connections, pit latrines, community sanitation blocks, etc.).
- Quality Control: Ensure the quality of the completed questionnaires and conduct a statistical analysis of the findings.  
Analysis and Recommendations: Based on the survey results, prepare a detailed report of the statistical findings and provide an overview of effective and potential demand for services among the population in general, providing insight into the population's particular needs and requirements for products and services. The analysis will detail the poor's household payment capacity, and provide recommendations on the types of financial products they desired and for what (WSS) purpose.
- Qualitative Focus Groups: Under the direction and training of the Team Leader, the Nexus team will conduct a total of six focus group discussions (2-3 in each identified area) to better understand community needs, priorities and interests regarding water and sanitation infrastructure. The Team Leader will be responsible for synthesizing the results of the discussions into a report.

### Microfinance Training and Operations Specialist, Ruby AlSalem (STTA)

Under the leadership of the Technical Advisor, the Microfinance Training and Operations Specialist will provide short-term TA to support Nexus' microfinance activities and MFI partners, as needed, including but not limited to the following:

- Microfinance training tools design: Work with the Technical Advisor to design customized training tools and courses for all levels of the MFI, including senior management, line staff, and the board as new products are introduced. Training courses will include loan product training, new product implications for branch management, portfolio management, marketing and customer service, MIS Training, and Training of Trainers.
- Microfinance operations: Work closely with the local Microfinance Coordinator to develop tailored capacity building programs for MFIs as needed. Training will address: the complexities of lending in an urban environment; modifications to the MFI's internal controls and operating systems needed to accommodate the new product(s); integrating new products into loan officer incentive schemes; and conducting monitoring and evaluation to measure quality and performance of new product line. In addition, the Microfinance Training and Operations Specialist will provide STTA to support the Nexus team and MFIs, as needed, to ensure various other internal changes necessary for the MFIs' successful integration of new WSS product lines including: MIS upgrades, accounting system revisions, loan application re-design, analysis of new product(s) performance and recommend modifications, if necessary.

### Additional STTA

In addition to the specific STTA activities noted above, the DIG project management team for SUWASA (based at DIG US) will provide short-term support in the area of financial innovations and services, as needed. Furthermore, over the course of the project, this team will provide STTA to bolster the field team's work in the areas of urban water and sanitation, as well as slum-upgrading. This STTA is summarized below:

- Urban water and sanitation: As needed, advise the Nexus Initiative on: urban water and sanitation issues; incorporating appropriate water and sanitation questions into the household questionnaires under the Market Assessment; capacity building of SSPs in terms of business/enterprise development; development of WSS and related financial literacy and education tools; identifying appropriate WSS solutions that match with household needs and capacity to pay, as well as MFI's interests and lending capacity.
- Slum improvement: DIG's project management team and in-house experts are well-versed in the intricacies of working within urban environments and informal settlements. DIG will apply this expertise to guide the field team throughout project implementation to address the common challenges associated with working in such environments (e.g., land tenure, population instability, etc.), and to ensure that the financial products and partnerships developed under Nexus take into account the specific risks of working with urban and informal settlement populations.

# 4. RESOURCE TABLE

Table 6: Resource Table/SUWASA Assessment Team Meeting Schedule

Person Interviewed	Date of Meeting	Position	Contact Information
Graham Alder	3/29/2010, 4/1/2010	Director, Matrix Development Consultants	Matrix Development Consultants Museum Hill Centre, P.O. Box 59343 City Square - 00200 Nairobi, Kenya. Tel: +254 20 3751048/3751050, +254 20 2122978 Fax: +254 20 3743274 www.matrix-africa.com
Prof. Edward Kairu	3/29/2010	Executive Director and ANEW Chairman, ANEW/ Maji na Ufanisi African Civil Society Network on Water and Sanitation	Theta Lane, Off Lenana Road, Hurlingham PO Box 58684-00200, Nairobi, Kenya Tel: +254 20 272 7107 8 Fax: +254 20 2726332 Mobile: +254 (0)726 939309 edward.kairu@majinaufanisi.org www.majinaufanisi.org
Nancy Githaiga	3/29/2010	Programmes Director, Maji na Ufanisi	Theta Lane, Off Lenana Road, Hurlingham PO Box 58684, Nairobi, Kenya Tel: +254 20 7107 8 Fax: +254 20 272 6332 Mobile: +254 (0)726 939309 nancy.githaiga@majinaufanisi.org www.majinaufanisi.org
Peter Irungu Murigi	3/29/2010	Project Manager, Water & Sanitation for the Urban Poor (WSUP)	c/o Umande Trust Olympic Estate PO Box 43691-00100, Nairobi, Kenya Tel: +254(0)20 23 49 728 Mobile: +254 (0)722 45 85 16 pmurigi@wsup.com www.wsup.com
Josiah Omotto	3/29/2010	Managing Trustee, Umande Trust	Olympic Estate PO Box 43691, Nairobi, Kenya +254 20 807 90 01 www.umande.org
Elly Aguko	3/30/2010	Head of Special Projects, K-Rep Bank	K-Rep Centre Wood Ave, Kilimani 1st Floor PO Box 25363-00603, Nairobi, Kenya Tel: +254-20-3906000 Fax: +254 20 3568995 Mobile: 0711 058 000 EAguko@k-repbank.com www.k-repbank.com
Francis Mugo	3/30/2010	Managing Director, Nairobi City Water & Sewerage Company (NCWSC)	PO Box 30656-00100, Kampala Rd Industrial Area, Nairobi, Kenya Tel: +254 20 557 131 3

Person Interviewed	Date of Meeting	Position	Contact Information
			Fax: +254 20 552126 Direct: +254 20 552154 fmugo@nairobiwater.co.ke www.nairobiwater.co.ke
Mr. Moguna	3/30/2010	Informal Settlements Division, NCWSC	Same as above
Patrick Komatia	3/30/2010	Finance Director, NCWSC	Same as above
Edith Kromonda	3/30/2010	Sociologist, Informal Settlements Division, NCWSC	Same as above
Joseph Komani	3/30/2010	Director of Technical Services, NCWSC	Same as above
Kameel Virjee	3/30/2010	Finance Specialist, World Bank Water and Sanitation Program	Hill Park Building, Upper Hill Road PO Box 30577-00100, Nairobi, Kenya Tel: +254 20322 6334 Fax: +254 20 322 6386 www.wsp.org
Ken Owuocha	3/31/2010	Economist, Athi Water Services Board	Africa Re-Centre, Hospital Road PO Box 45283– 00100 Nairobi, Kenya Tel: +254 20 2724292/3, +254 20 2727439 42 Fax: +254 20 2724295 Mobile: +254 735 375 695, +254 725 674 763 kowuocha@awsboard.go.ke www.awsboard.go.ke
Eng. Lawrence W. Mwangi	3/31/2010	Chief Executive Officer, Athi Water Services Board	Africa Re-Centre, Hospital Road PO Box 45283– 00100 Nairobi, Kenya Tel: +254 20 2724292/3, +254 20 2727439 42 Fax: +254 20 2724295 Mobile: +254 735 375 695, +254 710 819 815 lwmwangi@awsboard.go.ke www.awsboard.go.ke
Arik A. Karani	3/31/2010	Sr. Corporate Communication Officer, Athi Water Services Board	Africa Re-Centre, Hospital Road PO Box 45283– 00100 Nairobi, Kenya Tel: +254 20 2724292/3, Fax: +254 20 2724295 Mobile: +254 735 375 695, +254 722 657 972 akarani@awsboard.go.ke www.awsboard.go.ke
Will Davies	3/31/2010	Sanitation and Safe Water for All (SSAWA) Program, IFC	CBA Building, 4th Floor, Upper Hill, Mara/Ragati Road Nairobi, Kenya P.O. Box 30577-00100 Tel: +254 717 133177 WDavies@ifc.org www.ifc.org
Faraj El-Awar	4/1/2010	Programme Manager, Global Water Operators Partnerships , UN Habitat	United Nations Human Settlements Programme PO Box 30030, GPO Nairobi 00100,

Person Interviewed	Date of Meeting	Position	Contact Information
			Kenya Tel: +254 20 7623983 Fax: +254 20 7623588 Mobile: +254 713 909989 faraj.el-awar@unhabitat.org www.unhabitat.org
Harrigan Mukhongo	4/1/2010	USAID, Business Organization Development Advisor	US Agency for International Development United Nations Avenue, Gigiri PO Box 629, Village Market 00621 Nairobi, Kenya Tel: +254 20 862 2514 Fax: +254 20 862 2680/1/2 Mobile: +254 (0)722 657 235 Hmukhongo@usaid.gov www.usaid.gov/ke
Phares Ratego	4/1/2010	Project Management Specialist, Agriculture, Business and Environment Office, USAID Kenya	US Agency for International Development United Nations Avenue, Gigiri PO Box 629, Village Market 00621 Nairobi, Kenya Tel: +254 20 862 2514 Fax: +254 20 862 2680/1/2 Mobile: +254 (0)722 657 235 pratego@usaid.gov www.usaid.gov/ke
Dennis Mwanza	4/1/2010	Sr. Water and Sanitation Specialist, World Bank Water and Sanitation Program	Hill Park Building, Upper Hill Road PO Box 30577-00100, Nairobi, Kenya Tel: +254 20 322 6315, +254 20 322 6334, +254 20 322 6000 Home: +254 726 175 958 Fax: +254 20 322 6386, +254 20 322 6381 Mobile: +254 726 175 948 dmwanza@worldbank.org www.wsp.org
Joel Kolker	N/A	Regional Program Leader for East and Southern Africa , Public-Private Infrastructure Advisory Facility (PPIAF)	East and Southern Africa Regional Coordination Office Public-Private Infrastructure Advisory Facility (PPIAF) Kenya Re Towers P2, Ragati Road-Upperhill c/o. The World Bank P.O. Box 30577, Nairobi, Kenya Tel: (+254 20) 2714095 Fax: (+254 20) 2714275
Stefan Kauder	N/A	Chief of Party, ARD	SUWASA Africa Regional Office P.O. Box 38454 - 00623 Nairobi - KENYA Tel: +254 (0)20 271 2312, +254 (0)20 271 2313 Direct: +254 (0)20 271 2315 Fax: +254 (0)20 271 2314 Mobile: +254 (0)73 120 9456

Person Interviewed	Date of Meeting	Position	Contact Information
			www.usaid-suwasa.org
	N/A	Practical Action	Practical Action - Eastern Africa AAYMCA Building Along State House Crescent Off State House Avenue P.O. Box 39493 - 00623 Nairobi, Kenya Tel: +254 (0) 20 2713540 / 2715299 / 2719313 / 2719413. Fax: +254 (0) 20 2710083 www.practicalaction.org

# APPENDICES: RESUMES OF NEXUS TECHNICAL STAFF



## **ERIC ADAMS**

**NAME:** Eric Adams

**CITIZENSHIP:** USA

### **EDUCATION:**

M.B.A., International Management, Thunderbird, The American Graduate School of International Management, Arizona, United States, 1997

B.A., Political Science/History, State University of New York at Binghamton, NY, United States, 1988

**LANGUAGES:** Fluent in English and Spanish

**COUNTRIES OF WORK EXPERIENCE:** Bangladesh, Cambodia, Costa Rica, Guatemala, Honduras, India, Mexico, Micronesia, Nigeria, Palau, South Africa and United States.

### **EXPERIENCE SUMMARY:**

Eric Adams currently serves as the Associate Director for International Housing Finance with the Development Innovations Group (DIG) and is the Director of Operations for CapStone Financial Services Private Ltd in India. He is a recognized expert in housing microfinance in urban community upgrading. He previously managed CHF's International flagship housing microfinance program in Mexico while serving on the board of FUNHAVI, one of the institutions featured in the Cities Alliance shelter finance case studies series. Mr. Adams has over twelve years of senior level experience in international development finance and community infrastructure projects, including a project recognized by the United Nations, InterAmerican Development Bank and World Bank as a microfinance best practices model. He has authored publications and training manuals on housing microfinance, competency-based training for field staff, operations management, internal audits & controls, market assessment, business planning and public policy. He has managed microfinance companies and consulted for international non-profit organizations and financial institutions implementing microfinance programs; providing market assessments, strategic and business planning, product design, MIS parameters, staff training, and training-of-trainers.

### **EMPLOYMENT RECORD:**

**Associate Director for International Housing Finance / Director of Operations, CapStone Financial Services**

## **Development Innovations Group, Chennai, India**

### **June 2007-present**

Represent DIG locally and internationally in housing microfinance consulting, training and conference presentations. Direct operations of the India-based DIG microfinance company, CapStone Financial Services. Spearheaded launch of first branch and individual lending operations, including staffing, training, internal controls and audits, MIS development, funder negotiations, cash management and disbursements. Monitor and evaluate operations performance on a daily basis. Present business plan to banks and investors for debt financing and equity investments. Analyze portfolio data to refine policies and procedures. Oversee market assessments for new product development; three new products launched including micro-insurance.

## **Independent Consultant/ Development Finance & Community Development Advisor**

### **February 2004-March 2007**

Consulted with national and international non-profit and for-profit organizations to implement microfinance and community development programs incorporating best practices. Provided direct implementation, technical assistance and training-of-trainers consultations in market assessment & product design, strategic business plan development, and MFI training & technical assistance.

Consultancies included:

**Pro Mujer International**, analyzing market demand, organizational capacity, feasibility and product design for housing microfinance products in Nicaragua.

**CHF International**, developing three housing microfinance best practices manuals, power point presentations and trainer notes on theory, market assessment & business planning and product implementation tools & strategies. Based on CHF programs in 10 countries and my experience.

The **National Housing Finance Corporation (NHFC) of South Africa**, presenting development finance best practices at their Annual Conference and providing training to NHFC staff and MFIs on market assessment, product design and business planning.

## **Programming and Training Officer, Peace Corps Micronesia and Palau, Pohnpei, FSM**

### **March 2006-May 2007**

Managed Peace Corps programming and training for Federated States of Micronesia (FSM) and Palau Volunteers. Supervised 8 staff and 5 field offices, supporting 45-55 Volunteers annually. Wrote the 5-year Peace Corps project strategy to meet FSM and Palau development needs. Developed new reporting system to improve data collection and sharing with stakeholders. Designed, oversaw and evaluated 12 week training to Volunteers, delivering core sessions. Authored Peace Corps articles published in Pacific Magazine, Hawaii Herald Tribune, The Peace Corps Insider and local newspapers. Served as Acting Country Director.

**Director, Office of Program Initiatives, Landmark College Institute for Research & Training, Putney, VT**

**February 2004-February 2006**

Developed and expanded the College's research, outreach and training programs in the learning disabilities field through strategic business planning, public policy analysis and corporate and foundation relations. Led and supported efforts to raise more than \$1.1 million in grants. Worked with faculty and staff to develop strategies, plans, and programs to maximize outcomes and enhance its reputation, impact and image.

**Co-Principal Investigator, U.S. Department of Education grant**

Served as Co-Principal Investigator on \$1,000,000 Department of Education grant to improve community college education for students with learning disabilities. Managed partner relationships, contracts and sub-grants with 5 community colleges. Conducted needs assessments at 5 multi-campus colleges and assessed findings. Wrote reports for grant Advisory Committee and the Department of Education. Monitored budget expenditures. Co-authored, "Best Practices for Serving Students with Learning Disabilities at Community Colleges".

**Mexico Country Director, CHF International, Ciudad Juárez, Mexico**

**February 2000-January 2004**

Served as the CHF Management Advisor to MFIs in Mexico. Provided development finance training, technical assistance and program evaluation on housing, sanitation and small business microfinance. Served on the Executive Committees of local MFIs and led and collaborated on raising \$4.8 million in loan portfolio funding through grant and international financing sources. Developed partnerships with private sector companies, foundations, municipal government agencies and international investment companies. Investigated border cities, conducted needs assessments, developed feasibility studies and oversaw program expansion to two cities leading to a 110% increase in program beneficiaries. Led MIS development for MFI headquarters and branch offices. Developed and served as Principal Investigator on a health impact study of the program.

**Program Recognitions:**

- United Nations Dubai Award - 100 best practices in habitat worldwide
- Featured on the PBS show, "The Visionaries"
- InterAmerican Development Bank Microfinance Honorable Mention Award
- World Bank Housing Microfinance model, Cities Alliance

**Publications:**

- US-Mexico Border Housing Public Policy Review, January 2007,  
National Academy of Public Administration
- Housing Shortage: How Maquiladoras Can Help, July 2001, Twin Plant News
- In-country Coordinator and Contributor: Cities Alliance case study,  
October 2002 World Bank publication

**Associate Director, Economic Activities & Project Evaluation, CHF International, Ixcán, Guatemala**

**March 1998-January 2000**

Designed and implemented economic activities programming, coordinated community development infrastructure projects and developed/implemented an impact evaluation framework for a \$7 million USAID sponsored project supporting the Guatemalan Peace Accords.

**Economic Activities:** Provided technical assistance and training to a MFI village bank program and a regional association of non-traditional crop farmers. Facilitated MFI strategy to grow membership by 400% with 100% repayment and investigated markets and organized meetings of local farmers to explore non-traditional crop opportunities.

**Community Infrastructure:** Reviewed community proposals for water/sewer projects, schools and clinics and worked with the community leaders to establish collaborative agreements with the Guatemalan government, municipal government and USAID to fund them.

**Project Evaluation & Reporting:** Designed and implemented evaluation tools and monitored progress for project results reporting.

**Program Director, AmeriCorps/Youth Works Program, St Paul, MN**

**1995-1996**

Managed integrated community development program with 32 employees and 12 non-profit agencies, providing service learning opportunities and career training to young adults in the AmeriCorps National Service Program. Program highlighted in the Washington Post for its impact on reducing crime through youth after-school programs.

**Team Leader, AmeriCorps/Youth Works Program, St Paul, MN**

**1994-1995**

**Peace Corps Rural Development Volunteer, U.S. Peace Corps, Colonia Naranjeña, Costa Rica**

**1990-1993**

Worked with a rural Costa Rican farming community on a \$750,000 pineapple project. Conducted project feasibility study for funding and met with the Ministry of Agriculture, Dole Fruit Company, USAID, and the Canadian Cooperative Association regarding technical assistance, export contracts and funding. Developed a reporting system for work teams and, with farmers, reported to lending/donor institutions. Trained community members in management, bookkeeping, inventory control, and reporting systems. Developed and presented a training program to incoming volunteers on business management.

**Senior Account Executive, National Demographics and Lifestyles, New York, NY**

**1988-1990**

Developed and presented marketing strategies to financial institutions.

## REFERENCES:

Bryan Winston  
Director, CapStone Financial Services Private Ltd.  
Ghatala Towers; No.19, Avenue Road, Nungambakkam  
Chennai 600 034 India  
Tel: (91-44) 4356-1222; Fax: (91-44) 4356-1244  
Cell: 99406-29620  
Email: [bwinston@capstone-india.com](mailto:bwinston@capstone-india.com)

Delila Khaled  
Vice President of Programs, Development Innovations Group  
4330 East-West Hwy, Ste 1150,  
Bethesda, MD 20814  
Tel: (301) 664-9644; Fax: (301) 664-9645  
Email: [dkhaled@developinnovations.com](mailto:dkhaled@developinnovations.com)

Damian Richard  
US Peace Corps  
Micronesia

  
Cell: (691) 922-5585  
Skype Phone: damian\_richard  
Email: [damian\\_richard@yahoo.com](mailto:damian_richard@yahoo.com)

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## **THEA ANDERSON**

**NAME:** Thea Anderson

**CITIZENSHIP:** USA

### **EDUCATION:**

M.A, Harvard University, International Education, Cambridge, Massachusetts – 1998

B.A. Guilford College, Anthropology, B.A. Women's Studies, and B.A. International Development, Greensboro, NC –1997

Graduate level coursework in Spanish at Centro Maya de Idiomas in Quetzaltenango, Guatemala – 1996

Graduate level coursework in Community Development and Spanish at Universidad de Guadalajara in Jalisco, Mexico – 1995

### **LANGUAGES:**

English, Spanish and basic Arabic

### **COUNTRIES OF WORK EXPERIENCE:**

Long Term (6 months +): Afghanistan, Guatemala, India, Iraq, Lebanon, and Mexico

Short Term( >6 months): Angola, Azerbaijan, Cambodia, Costa Rica, Dominican Republic, El Salvador, Honduras, Jordan, Kenya, Indonesia, Nicaragua, Oman, Pakistan, Romania, Rwanda, Serbia, South Africa, Syria, Uzbekistan, and Vietnam

### **EXPERIENCE SUMMARY:**

Ms. Anderson has more than 10 years professional experience working in development finance and organizational development. She specializes in financial management, financial analysis, market assessment, product design, strategic planning, and training with extensive long term field experience in Iraq, Afghanistan and Lebanon. In her current role at DIG, she serves as an Associate Director for Program Management based at the DIG Middle East office in Beirut, Lebanon. She provides technical assistance to a wide range of finance organizations, including commercial banks, NGOs, MFIs and non-bank service companies to find practical solutions to reaching scale and sustainability in providing financial services for the poor. Ms. Anderson has specific and extensive experience in the planning, oversight and implementation of market assessments. Ms. Anderson has managed market assessments from start to finish during her

time at DIG, including designing and refining the market assessment survey instrument, hiring the local survey firm, training the enumerators, overseeing the data collection process, data quality control, data analysis, and report writing. She has also engaged in the follow-on work, including developing loan products for financial institutions and designing training and capacity building plans to introduce those new loan products. Ms. Anderson has conducted nation-wide market assessments for a variety of institutions in a variety of contexts, including: exploring demand and capacity to pay for financial services in an urban and post-conflict environment working with the only non-bank financial institution in Angola; surveying demand and capacity to pay for housing microfinance services in urban South Africa working with a housing-focused NGO; identifying demand and capacity to pay for financial services in the urban realm working with an urban-focused MFI in India; and surveying demand and capacity to pay for financial services in a post-disaster environment working with an MFI network in Indonesia.

## **EMPLOYMENT RECORD:**

### **Associate Director for Program Management**

Development Innovations Group (DIG) – Beirut, Lebanon

December 2006 – present

- Launched a large scale microfinance company (CapStone Financial Services) in India in conjunction with the country's largest bank. This included participating in the market assessment and subsequent strategic planning, product design and training programs; and developing the company's HR, financial compliance manuals and internal controls. Recruited and hired initial branch managers, loan supervisors, and loan officers.
- Led market assessment, and subsequent business and financial planning exercises for South African housing MFI.
- Managed the entire market study for both non-bank financial company in post-conflict Angola and for a housing-focused NGO in South Africa; and participated substantively in market assessments with an MFI network exploring demand for microfinance services in post-disaster Indonesia, and with an urban-focused MFI in India. This work included designing and refining the market assessment survey instrument, hiring the local survey firm, training the enumerators, overseeing the data collection process, data quality control, data analysis, and report writing.
- Engaged in the follow-on work to market studies, including developing loan products for financial institutions and designing training and capacity building plans to introduce those new loan products.
- Currently leads DIG's microfinance activities in Angola providing targeted technical assistance to the only non-bank MFI. Guides them in housing product design, helping scale their lending activities nationwide and leading their business and strategic planning to access affordable sources of financing in order to expand operations.
- Wrote Operations manual for DIG USAID funded economic development and small infrastructure reconstruction program in southern Lebanon. Served as short-term advisor in DIG- Middle East office.
- Drafted DIG Finance and Accounting Manual and financial reporting system for field offices.
- Led rapid diagnostics on urban NGO sector and pro-poor advocacy organizations in Bangladesh, Cambodia, Vietnam, and Rwanda for Gates Foundation funded program.
- Managed DIG's in capacity building activities for pro-poor NGOs in Bangladesh, Angola, and Kenya.

### **Program Director – Afghanistan and Middle East**

Creative Associates International, Inc. – Washington, DC/Kabul, Afghanistan

2005 – December 2006

Served as Program Director for company's largest USAID funded contract. Projects focused on emergency education and economic development response and long term Ministry of Education capacity building in Afghanistan (nationwide). Spent approximately 75% in Afghanistan, including serving as acting Chief of Party. Awarded Program Director of the year award in 2006 by Creative senior management. Total value of contracts managed valued at \$90 million.

- Directly managed project Chief of Parties and all senior Kabul based staff. In consistent communication with field offices addressing daily field management issues, troubleshooting potential technical and contractual issues as well as personnel issues, including leadership in handling security related issues and includes frequently addressing local staffing and personnel issues.
- Managed 12 international and Afghan national subcontractors' including monitoring budgets, obligations, and initial (and ongoing) scope of work negotiation and adjustments.
- Led in realigning budgets and subsequent negotiations with USAID.
- Served as main point of contact with USAID Technical Officer on administration issues and technical issues as raised by the senior field staff. This included weekly phone calls and consistent email follow-up and sending all travel, personal, and procurement related approvals.
- Drafted all quarterly, annual programmatic reports as well as annual work plans and monitoring all contract deliverables.

Served as Washington DC based Program Manager for U.S. State Department funded projects in Oman, Algeria, and Libya focused on Ministry of Education capacity building in teacher education and eLearning. Total value of contract \$11 million.

- Supervised international and national field based staff in Oman and Algeria as well as Washington DC administrative staff, addressed daily technical and contractual issues as they arose.
- Main point of contact for five international subcontractors, including responding to all inquiries, budget management, obligations, and scopes of works for consultants. Drafted all subcontracts for State department approval.
- Strengthened relationship with Ministry of Education in Oman, including initial and ongoing negotiations with new and on-going project activities.
- Led recruitment efforts for all Oman local staff including employment contracts and addressing local labor laws.

### **Program Manager (Kabul and Kandahar)**

Save the Children UK – Kabul, Afghanistan

January 2005 – December 2005

- Monitored and oversaw the financial and technical management for Save the Children UK activities in Afghanistan, including Kabul main office and 4 sub offices.
- Successfully and rapidly established monitoring systems to improve the quality of projects focused on accelerated learning, working street children, primary education, and vocational training. Quickly improved quality of project cycle delivery with accountability to the project proposals and enhanced the capacity of national project teams in planning and financial management.
- Served as line manager for three international staff and over 75 national Afghan staff.

- Developed and maintained a strategic financial overview and funding strategy for \$5 million in programs and activities manage and develop grant activity and ensure high level quality financial reporting accountability.
- Served as primary liaison and negotiator with project partners, NGOs and international agencies, including responsibility for preparing all technical and financial donor reports.
- Designed and implemented umbrella subcontracting procedures for \$2 million program with 4 partners, including all financial and technical requirements.

### **Director of Finance & Administration**

CHF International – Al Hillah, Babil, Iraq

May 2003-December 2004

- Managed all financial, administrative, human resource, and procurement aspects of microfinance and reconstruction programs valued at \$61 million in central and southern Iraq.
- Trained and lead a staff of 25 international and national finance and administrative staff.
- Designed and implemented cash management policies and procedures in high-risk region with no functioning banking system.
- Oversaw internal and external audits and served as primary point of contact with HQ, USAID, and other donors.
- Directed the budgeting process and maintained financial oversight of all projects, including cash flow monitoring.
- Established human resources and procurement systems across 11 field offices as well as training and personnel policies for 400 national staff including policies on recruitment, leave, salary structure, and disciplinary matters.
- Supervised sites throughout south-central region of Iraq including Karbala, Babil, and Najaf as well as in Baghdad and Basra. Conducted quarterly and semi-annual evaluations and issue reports on all projects.

### **Program Administrator, Iraq Community Action Program**

CHF International – Iraq

May 2003-December 2004

- Administered a high-profile \$40 million USAID-funded community-based reconstruction and rehabilitation program in south-central Iraq. This includes \$2 million in funds for individuals affected by Coalition operations (e.g., those suffering burns from fire, loss of limb, or destruction of their livelihoods).
- Served as Contracts Manager for over 300 contracts exceeding \$25 million and establish contracting policies.
- Conducted field and training visits throughout south-central regions of Babil, Karbala, and Najaf.
- Ensured compliance with donor and headquarter requirements regarding procurement and reporting.
- Continually assessed the program's progress against the grant requirements and objectives and make necessary adjustments accordingly, preparing monthly and quarterly project progress reports.

### **Senior Program Officer; Program Officer; Program Budget Analyst**

CHF International – Washington, DC

2002 – 2003; 2000 – 2002; 1999 – 2000

- Managed \$25 million globally in various foreign aid programs including a \$5.9 million microfinance loan portfolio.
- Oversaw business development teams of 8-10 staff that successfully acquired over \$80 million in new contracts.
- Served as main point of contact for all financial and budgetary issues for program department, including the monthly provision of spending analysis and cash flow analysis.
- Developed an umbrella grant and contract management manual for use by all CHF field offices worldwide.
- Conducted needs assessments, overseeing all aspects of survey design, execution, and results analysis.
- Participated and led field missions in Central Asia, Eastern Europe, Latin America, and the Middle East.

### **Education Policy Specialist**

Alliance for International Education – Washington, DC 1998 – 1999

### **Consultant, Researcher/Writer**

LET'S GO Travel Publications – Cambridge, Massachusetts  
1998

### **Education & Computer Skills Training Specialist**

Concilio Hispano-Primavera Young Parents Program – Chelsea, Massachusetts  
1997 – 1998

### **Program Manager**

Pathways Homeless Family Shelter – Greensboro, NC  
1994 – 1997

### **PUBLICATIONS:**

Co-authored chapters on Rwanda, Cambodia, Vietnam, Urbis: The Urban Capacity Laboratory, The Development Innovations Group, 2008.

World Bank, *"Housing Microfinance in Mexico: Shelter Finance for the Poor Series,"* contributing author March 2002.

LET'S GO Travel Publications, *"Costa Rica, Central America,"* November 1998.

### **RECENT CERTIFICATIONS AND WORKSHOPS:**

*Boulder Microfinance Training*, Turin, Italy, July – August 2008

*Security in Conflict Environments Workshop*, Church World Service Amman, Jordan – December 2004

*Remote Management Workshop*, NGO Coordinating Committee for Iraq, Amman, Jordan – November 2004

*Conflict Management through Negotiation & Mediation*, U.N. Assistance Mission for Iraq (UNAMI) – November 2004

*Implementing SPHERE Minimum Standards for Disaster Response*, Red R, London, England – June 2004

*Microfin and Business Planning*, Chuck Waterfield, Washington DC – 2000

## **REFERENCES:**

Mayada Baydas, PhD  
Executive Director, Emkan  
Sadat Tower, 5<sup>th</sup> floor  
Sadat Street, Beirut, Lebanon  
Tel: +961-1-814901/2/3; Fax: +961-1-814900  
Email: [mbaydas@Emkan.org.lb](mailto:mbaydas@Emkan.org.lb)

Bruce Parmelee  
CHF International  
8601 Georgia Avenue, Suite 800, Silver Spring, MD 20910  
Phone 301-587-4700  
Email: [bparmelee@chfinternational.org](mailto:bparmelee@chfinternational.org)

Delila Khaled  
Vice President of Programs, Development Innovations Group  
4330 East-West Hwy, Ste 1150,  
Bethesda, MD 20814  
Tel: (301) 664-9644; Fax: (301) 664-9645  
Email: [dkhaled@developinnovations.com](mailto:dkhaled@developinnovations.com)

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## **RUBY ALSALEM**

**NAME:** Ruby AlSalem

**CITIZENSHIP:** Jordan

**EDUCATION:**

B.A., School of Languages, Yarmouk University, Irbid, Jordan – 1995

Certificate, MFI exponential Growth Course, Colorado University in Boulder, USA – 1997

Certificate, Microfinance TOT, Basic and Advance course, Institute of Banking, Studies/Shore Bank Advisory Services – 1999

**LANGUAGES:**

Fluent: Arabic and English

**COUNTRIES OF WORK EXPERIENCE:**

Jordan, Lebanon, Egypt, Iraq, Yemen, Pakistan, Afghanistan, India, South Africa, Indonesia and Morocco

**EXPERIENCE SUMMARY:**

Ms. AlSalem is an experienced microfinance manager and trainer. She has designed, implemented and co-managed several multi-million dollar programs, funded by USAID and the private sector, related to microfinance development, cooperative strengthening, and institution building. As the Director for Microfinance Consulting Services, Ms. Al Salem provides targeted training and technical support to DIG's partners world-wide in the areas of operations management, loan officer training, product design, and portfolio management. Prior to joining DIG, Ms. AlSalem served as Deputy General Manager and Operations Manager for AMEEN, currently the largest and most successful microfinance program in Lebanon, and one of the first programs in the Middle East to link MFIs with commercial banks.

Ms. AlSalem has also worked closely with commercial banks in Jordan and Lebanon, providing training on microfinance best practices, and training bank branch employees on implementing and managing loans in conjunction with the microfinance institutions. Ms. AlSalem worked with bank MIS and accounting staff to produce the necessary reports to help manage loans effectively and accurately.

### **Managing Microfinance Institutions**

Know-how and practical managerial experience in microfinance. Ms. Worked in two MFIs in Jordan and worked as Deputy General Manager and Operations Manager for AMEEN in Lebanon. Managing, supervising and coaching field staff and mid management furthermore designing and operational plans implementation, monitoring the portfolio risks, monitoring the financial and efficiency performance of the MFI etc.

### **Microfinance and Capacity Building Training**

Ms. AlSalem has conducted extensive training for different microfinance institutions MFIs in Jordan, Romania, Palestine, Egypt, Iraq, Lebanon, Pakistan, India and South Africa on a variety of topics including: introduction to microfinance; marketing; management and follow-up with micro-entrepreneurs; group and individual lending; Field management and supervision, microfinance post-conflict and, financial and indicator analysis. She also devised operations and procedural manuals for MFI's including 3 MFIs in Jordan, Ameen MFI in Lebanon, Tameer Microfinance bank in Pakistan and CapStone in India. Most recently, Ms. AlSalem helped to conduct a market assessment in Afghanistan, India, South Africa and Pakistan.

### **EMPLOYMENT RECORD:**

#### **Director for Microfinance Consulting Services**

Development Innovations Group (DIG) – Beirut, Lebanon

February 2005 – Present

Founding partner and Director for Microfinance Consulting Services; a private sector organization focusing on development finance, fund management, urban development services, and post-emergency reconstruction.

As a Director for Microfinance Consulting Services, Ms. AlSalem carries out field-work assignments covering responsibilities such as training field and management staff of microfinance organizations, market assessments, product design, and program evaluations. These services are rendered for a variety of clients including leading donors and financial institutions.

#### **Deputy General Manager and Operations Manager**

AMEEN sal – Beirut, Lebanon

October 2001 – 2005

Supervised all aspects of the operations component with AMEEN sal, the lead microfinance institution in Lebanon. Responsibilities included managing the field team of about 40 employees. Additionally, worked closely with the General Manager on setting programmatic targets; assisted in developing business plans, provided input in preparing program budgets, and reviewed program implementation progress; reviewed loan applications and participated in loan committees with partner banks; conducted regular credit analysis and loan officer performance analysis; developed program Lending Policy and Procedures Manual; trained new Loan Officers and Area Supervisors and created on going training materials for field staff; and assisted in program development and proposal writing.

#### **Group and Individual Loan Advisor**

CHF International – Amman, Jordan  
April 1999 – 2001

Reviewed applications for group and individual micro-loans to ensure completeness, clarity, and adequacy; improved the efficiency and effectiveness of lending operations by working directly with applicants, loan officers, management, and bank employees with four partner banks; provided loan officers and branch managers in eight regional offices with ongoing supervision and training; assessed the lending market in Jordan to better understand program market niche and achieve sustainability. Responsibilities included writing quarterly performances audits for two products, assisting country director with proposal writing and business planning, developing policies and procedures for the management of the group and individual lending components, and developing group and individual reference manuals.

### **Microfinance Supervisor and Trainer**

Save the Children – Amman, Jordan  
May 1996 – April 1999

Monitored and managed 5 promoters in 18 different areas with a total of 1180 active borrowers and total portfolio of over \$180,000. Modified the lending methodology and created new policies, procedures and documentation in order to standardize policies and procedures for all branches. Identified training needs and conducted various trainings.

### **PUBLICATIONS:**

Group Lending Manual, Save the Children Jordan, 1996.

Individual Lending Manual, SJACP, CHF International, 1998.

Group Lending Manual, SJACP, CHF International, 1998.

Operations and Procedures Manual, AMEEN, CHF International, 2004.

Loan Officer Training manual TOT, AMEEN, CHF International, 2004.

Tameer Microfinance operations manual, TMF, 2006.

Microfinance Operations Manual, CapStone India, 2007.

Back Office Operations Manual, CapStone India, 2008.

### **REFERENCES:**

Bassem Khanfar  
National Microfinance Bank  
Jordan  
Tel: +962795595181  
Email: [bassem.k@nmb.com.jo](mailto:bassem.k@nmb.com.jo)

Nadeem Hussein  
Tameer Microfinance Bank  
Pakistan  
Tel: +92300822040  
Email: [nadeem.hussain@tameerbank.com](mailto:nadeem.hussain@tameerbank.com)

Mayada Baydas, PhD  
Executive Director, Emkan  
Sadat Tower, 5<sup>th</sup> floor  
Sadat Street, Beirut, Lebanon  
Tel: +961-1-814901/2/3; Fax: +961-1-814900  
Email: [mbaydas@Emkan.org.lb](mailto:mbaydas@Emkan.org.lb)