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# USAID Kenya Financial Inclusion for Rural Microenterprises Quarterly Progress Report

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# **Financial Inclusion for Rural Microenterprises, AID 623 BC II 0000 I**

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Prepared for: Benson Kimithi, COR  
United States Agency for International Development  
Nairobi, Kenya

Prepared by: Mark Rostal, Gabriel Kimweli, Grace Mwai, Linda Kagota and Danny Adams  
Development Alternatives, Inc. (DAI)  
Nairobi, Kenya

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## Acronyms and Abbreviations

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

# FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

## I. EXECUTIVE SUMMARY

### Qualitative Impact

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

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

Currently, FIRM has over 130 partnerships in the following areas:

- Commercial Banks
- MFI DTMs
- NGO MFIs
- SACCOs (Credit Unions)/Specialized Providers
- Government of Kenya Agencies
- Donor Projects/Associations
- Business Service Providers with the addition of new clean and renewable energy enterprises.
- Value Chain Businesses
- County Governments

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

During the reporting period, FIRM produced a total of 45 deliverables and released 9 RFPs for new areas of support. Those deliverables are discussed in the Key Achievement section the documents are itemized by month in the Annex.

### Quantitative Impact

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

### Project Administration

FIRM received Modification #5 from USAID in late February 2014 which incorporates increased work in renewable energy and adds new activities to support Kenya's new county governments. The project is working to quickly ramp up activities in this area and mobilize additional staff to support this work.

### Next Quarter's Work Plan

FIRM continues to meet progress on the original work plan to increase access to finance. With the new modification, FIRM is currently preparing a supplemental work plan to address the new county investment support activities; this work plan will be submitted to USAID early next quarter.

## II. KEY ACHIEVEMENTS (Qualitative Impact)

### Agriculture

**Century DTM:** As a result of FIRM's credit scoring exercise and support, Century streamlined the current six-page loan application into a two-page document. The new document will allow Century to more accurately capture all the information relevant for credit evaluation and indicators that inform credit risk, while reducing paperwork for their staff as well as potential new clients.

**Rafiki – Savings Product:** Based on a market assessment, focus group discussions, and asset finance product development exercise conducted by FIRM last quarter, Rafiki is finalizing on MOUs and agreements with partners, such as motorbike suppliers, and aim to launch the new product which encourages savings towards specific purchases. As at January 30, 2014, 100 youth had begun saving with Rafiki so as to build the 20% required contribution towards the purchase of motorbikes.

**Soko Shambani:** FIRM worked with KIVA and Sokoshambani to develop a financial product designed for smallholder potato farmers during post-harvest. The loan will be disbursed by Sokoshambani who have qualified for a credit line of USD 20M from KIVA. The 14-day product would enable smallholder farmers purchase gunny bags (purchase and stitching), pay for labor (harvest and packaging), and transport to the restaurants in Nairobi. The loan amount would range between Kes.35k – 45K per acre, at an interest rate 5% with Kes.350 registration and facilitation fee.

**Rafiki – Kenya Rainwater Association:** FIRM facilitated linkage between Rafiki DTM and the Kenya Rainwater Association (KRA). The two parties have since formed a partnership that will see Rafiki finance smallholders install KRA farm products across the country.

**FEWA SACCO:** FIRM supported FEWA SACCO to develop their operational & financial frameworks that included a detailed implementation plan. FEWA presented these documents to SASRA and were given the green light to operate as Back Office Systems Administration (BOSA). FIRM will support FEWA to commence operations by supporting FEWA to recruit a CEO and Administration Manager. The call for CVs/Resumes was released in mid-March and potential recruits expected to report by May 2014.

**REMU Microfinance Bank:** FIRM facilitated a 3-day workshop for the REMU DTM in Naivasha. The workshop informed the DTM's strategic alignment in the market. Dubbed 'Market research for product development', the workshop saw the review of key strategic drives for the DTM and a review/development of new products in line with the revised strategic alignments. FIRM facilitated the review of the DTM's quarterly targets which were aimed at propelling the DTM towards breakeven and profitability by the turn of the year. FIRM will conduct quarterly progress evaluations with the DTM aimed at tracking the DTM's progress towards achieving profitability and reaching out to targeted agricultural value chains and enterprises.

**REMU Microfinance Bank:** FIRM initiated the REMU DTM's technical assistance for the design and development of their Strategic plan. The TA was largely informed by the Market assessment TA that revealed a gap in the REMU's strategic planning. A consultant was selected to assist in the assignment. This assignment's objective is to help REMU formulate strategic plans and vision in line with the market realities and to position the DTM as the leading provider in its niche market. FIRM has put elaborate evaluation procedures to track the DTM's progress and shift in the market place.

**Kenton Farm:** FIRM brokered financial linkage for an exporter, Kenton Farm with Rafiki DTM which would see the exporter access financing for farm inputs/assets, and a packaging house for its expansion. Through this linkage, FIRM aims at facilitating financial inclusion for over 300 contacted smallholder farmers in the Nyahururu region, Nyandarua County. FIRM will monitor the linkage between the exporter and Rafiki DTM.

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**Honey Care Africa (HCA) and Milango:** In early 2012, FIRM brokered a deal between HCA and Milango, an MFI based at the coast, which would see HCA push its bee hives to smallholder farmers in Kwale County receiving finance from the MFI. This was pitched to be a pilot by FIRM and was to be scaled to other regions upon successful rollout. In 2013, HCA received funding from KIVA for the purchase of bee hives by small holder farmers in the region due the high cost of credit from MFI's at the coast. FIRM offered technical assistance to HCA for the development of an internal credit system with HCA that would leverage on KIVA's funding.

In January 2014, HCA and Milango conducted a buyback plan that would see unutilized bee hives which result in defaults, paid back to Milango in kind. FIRM facilitated the buyback plan which saw close to 135 complete hives bought back at Ksh. 4,000. This is the equivalent of Ksh. 540,000. Another 16 complete hives minus super box were to be bought back at Ksh. 3,000, a total of Ksh. 48,000. Another 15 complete hives, colonized, in poor condition, were to be bought back at Ksh. 3,500 for an equivalent of Ksh. 52,500. Total = Ksh. 640,500. Purchased hives would then be sold to smallholder farmer in the North rift and Western Kenya under the Kiva financing arrangement.

**Vegpro/KRA/FIRM Partnership:** FIRM, in partnership with the Kenya Rainwater Association (KRA), designed a low-cost greenhouse tunnel for use by small holder farmers growing snow peas, snap peas, and mange tout crop. The tunnels were then placed for a pilot with select Vegpro's Outgrowers in Timau, Laikipia County. The objective of the pilot was to draw parallels between the crop in open fields during the rainy season and that was covered under the tunnels and measure crop yields and quality. Vegpro's report for the month of January showed a significant difference between the crop under the greenhouse tunnels in terms of the crop yields and quality as compared to the crop in open fields which yielded lowered yields of much lower grades. The conclusion of the report was that the low-cost tunnels was a success and ready for roll out nationally. Already, there are plans by the USAID KHCP to hold an exporters and processors forum to market and scale up the use of the low-cost greenhouse tunnels. KRA tunnels are low cost compared to mainstream market players such as Amiran, whose cost for a unit ( 8\*24m) tunnel sells for Ksh. 270,000 and the one supplied by Charles & Gerard (8\*30m) at Ksh. 254,000.

**FIRM, Farm Concern International & Kiva Partnership:** FIRM, in partnership with Farm Concern International (FCI), Rafiki DTM, and KIVA, conducted a repeat two-weeks tour of Nyanza region that was aimed at profiling smallholder farmers to receive affordable credit for farm inputs and assets. Under the arrangement, FIRM would facilitate the linkage between FCI and KIVA as well as the on ground facilitation for loan disbursements, monitoring and collections. FIRM met with several groups of small holder farmers growing a variety of horticultural crops, poultry keeping, and fish farming as part of the preliminary farmer assessment and profiling.

FIRM met with three key fresh produce exporters in the region and a staples bulker who collectively represent over 30,000 contracted farmers in the expansive Nyanza and Western regions. FIRM also met with a chili processor based in Eldoret town faced with cash flow constraints for financing its operations. FIRM brokered a financing deal between Mace foods Ltd and Rafiki DTM that would see the exporter access financing to bolster its cash flows. Mace foods represent hundreds of smallholder farmers growing various indigenous vegetables and pepper scattered in the western, Nyanza and

**Branch Locator Phase II:** FIRM received several requests from financial institutions for the implementation of the tool in their quest for expansion. Already, FIRM and Jamii Bora bank have signed up contracts for the implementation of the tool for the bank which has plans to open up 8 branches in the period of 2014. FIRM is also working with the TransNational bank to implement the tool with the view to assist the entity in identifying strategic regions for their next branch location. Already FIRM has initiated preliminary discussions with Rafiki DTM and has already received a written request for implementation from REMU DTM. FIRM has contracted Jamal, a risk specialist who will guide the institution's expansion plans in accordance to their individual strategic plans.

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**Kenya Organic Oils Farmers Association (KOOFA)/Earthoil extracts:** FIRM offered technical assistance to the Kenya Organic Oils Farmers Association (KOOFA) and Earthoil extracts in the development and registration of the Fair for Life Fund. FIRM, through a legal entity, offered legal guidance to KOOFA for incorporating a Trust Fund for managing the Fair for Life premium for the Kenya Organic Oils Association (KOOFA). The Fair for Life premium is an additional payment for all volumes of Fair for Life certified and sold products, which is paid besides the Fair for Life fair Trade price into a premium fund. The Premium Fund is used only for social and environmental development projects as decided by an assembly of producer's workers or a Premium fund committee. Communities around the Mt. Kenya region stand to greatly benefit from the social projects to be carried out such as student bursaries, community social hall, IT projects etc.

**Musoni MFI:** FIRM is offering the MFI with technical assistance to set up a branch in the Kisii County. Kisii was identified as a potentially suitable expansion location through the Branch Locator tool which was piloted with Musoni last year. This is part of FIRM's objective for financial inclusion by enabling the expansion of financial services to rural populations previously excluded from the financial market. FIRM is finalizing the contracting process for technical assistance to Musoni on this activity.

**The Credit Factory (CF):** In the month of February, the CF began discussions on the development of the CF's IT infrastructure and fundraising bid. The aim is to develop all three components of the CF's IT infrastructure from the loan management system, website interface, and the decision model by close of the third quarter of 2014 in readiness for the CF's pilot with select input service providers. Two lead consultants on the technical and data front have been procured for their roles in guiding the process.

The CF will carry out a parallel pilot on the sides which shall stand as a 'proof of concept' for the CF's fundraising bid. Already preparations for a 'basic' IT infrastructure development are ongoing with the goal of rolling out the pilot at the beginning of May 2014. This pilot is slated to take place in Sori, Nyanza region and will be carried out in partnership with the Farm Concern International (FCI), who have provided smallholder farmers under what is now known as the 'commercial villages' model, capacity, and best practice training in various disciplines.

**Crop Nutrition:** Crop Nutrition (CN) is an SME that conducts soil analysis for farmers across Kenya. They are in the process of building a map of Kenya with layered info which will include; soil quality (acidity), rainfall, humidity, slope, global Indicator of Farming economic risk, all at the ward level. The Credit Factory (CF) has partnered with CN to develop an **AgRisk Mosaic platform** that will act as a farmer's risk assessment database to be embedded into the CF risk functionalities, as the CF targets to serve smallholder farmers. The **AgRisk Mosaic Platform** will be composed of three key aspects namely; economic risk, accidents of life, and human character.

The objective of this assignment is to develop a database that can help assess the risk of the farm itself as well as the area it is located in, soil sample analysis provides information on the level of acidity and other parameters that greatly condition farming long term viability. Farm level information can also be aggregated at ward level and provide a strong economic indicator, useful even for those farms on which we have no individual data. All ward level parameters, including rainfall, humidity; slope etc. can be aggregated into an economic indicator.

**Oikocredit** : Oikocredit, a well-known wholesale lender developed a global agriculture lending strategy in 2012. FIRM then worked with Oikocredit to develop an marketing and communications strategy targeted at increasing Oikocredit reach to agriculture value chain actors so that Oikocredit can increase their lending to SMEs in value addition in the dairy and horticulture value chains. This increased lending will trickle down to growth in the rural microenterprises who are suppliers to these value addition firms that Oikocredit is working with in the dairy and horticulture value chains.

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**Neema HEEP:** FIRM provided technical assistance to Neema HEEP, an MFI based in Embu and with outreach in Meru, Tharaka Nithi and Kirinyaga counties. The TA was aimed at strengthening the MFI and boost its growth. The growth of the MFI led to quick expansion of both staff and customers, putting a strain on existing technical skills. Neema HEEP is currently lending to various agriculture value chains including vegetables, fruit and rice, and is also lending for solar lighting solutions. The objective of the technical assistance will Neema HEEP grow their customer base by reducing their credit turnaround time and customer service, setting the ground for increased lending in agriculture and clean renewable energy.

**KLIFT:** FIRM completed the development of a Strategic Business plan for KLIFT. This was an internal assignment undertaken by FIRM staff. The strategy focuses on KLIFT's take-off phase within the next 3 years. The strategy focused on productivity, service delivery and growth, which is intended to position KLIFT as a strong financier in the livestock sector.

**SISDO Microfinance:** FIRM commenced the development of an agribusiness finance strategy and refinement of products- The microfinance has a rural and agri-finance theme and intends to outlay a strategy that will boost its rural positioning. The agriculture portfolio is projected to compose 40% of the total portfolio in a period of 3 years.

**Heifer International/EADD 2:** Partnership for Financial Services Associations technical assistance; FIRM and Heifer International held a meeting to review EADD 1 technical assistance and gains that set ground for EADD 2 support. FIRM will assist in organizational development of a Financial Services Association under the Heifer International's project. The FSAs play a crucial role in the rich dairy zones of the Rift valley by offering much needed financial services to over 120,000 farmers. RFP for this assignment was released in February 2014.

**Universal Traders SACCO:** FIRM completed the development of a 5-year organizational strategic plan accompanied by review and development of agriculture finance products. This strategy will guide the SACCO to expand its rural outreach by rolling out 6 agriculture finance products (Dairy & Pig, Horticulture, Apiculture, Poultry, Fruit, discounting products and clean energy).

**KERUSSU:** FIRM will assist the Union of Rural SACCOs to develop a strategy with a view of enhancing its ability to impact rural finance through the rural SACCOs and community based Savings and Credit Associations. An RFP for Strategic plan development and another on needs assessment for Savings and Credit Associations (SACAs) were issued and the assignments are underway. The objective of the needs assessment is to set up a roadmap and for capacity building and growth of the Associations, which are expected to transform into SACCOs.

**Century DTM:** FIRM assisted Century DTM develop a strategic business plan which is agri-focused. The strategic focus is on business partnerships with agriculture aggregators and organized interest groups. The implementation of the strategic business plan is underway with a major milestone being a Core banking system installation which is already at an advanced stage. The DTM has also lined up partnerships and products for Stavia farmers, flower production in Thika, LPO financing based on credit ratings (with Metropol Bureau) and agri-asset finance at Makindu in the Lower Eastern. FIRM will be assisting Century to refine the products for roll out.

**Sky SACCO:** FIRM held a progress review meeting with Sky SACCO following earlier marketing and launch support. The SACCO membership has grown from 2,800 to 8,700 and increased staffing to 10. Their loan portfolio is now KES 7.5M and share capital raised is KES 20M. The SACCO has also set up a chicken-feed and dairy-feed factory. The purpose is to supply the members with affordable feeds and create a revenue center. FIRM will now assist in focusing the SACCO's organizational and business systems model, develop products, and build the capacity of the management and staff.

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**BIMAS Microfinance:** FIRM released an RFP to assist BIMAS improve their processes and service delivery through process maps, business unit manual development, and training of the board and management. The capacity building is expected to implement the strategy developed with FIRM's assistance in May 2013 and energize the MFI's capacity to penetrate its rural coverage.

**Adok Timo:** FIRM signed an MOU with Adok Timo, an MFI operating in the wider Nyanza region. FIRM will assist ADOK TIMO in formulation of a five-year strategic business plan that will drive business for the period 2014-2018.

**Transnational Bank:** FIRM signed an MOU with Transnational Bank (TNB). Under this partnership FIRM will support TNB in formulation of an agribusiness SME finance strategy that will enable them identify viable financing opportunities in various agricultural value chains so as to boost their SME portfolio and advance their growth agenda.

**Metropol CRB:** FIRM signed an MOU with Metropol. The first activity under this partnership will be to support the awareness creation campaign to SMEs in rural areas. Metropol will train SMEs on the use and need for credit reports. Once the SMEs sign up for a credit report that reflects a good credit record; they will access loans from Equity, KCB and Jamii Bora and lower interest rates, less collateral requirements and faster turnaround time.

**Development Credit Authority:** This is the updated DCA table as at March 31, 2014. The table includes the four new DCAs signed in September 2013 – Rafiki DTM, Housing Finance, AGF/Jamii Bora Bank and KCB/General Electric. FIRM is currently providing CMS support to the new partners for effective reporting on utilization. USAID Kenya is also in the process of cancelling the facility with Fina Bank (now GT bank) due to lack of utilization and pipeline of potential deals since the agreement was signed in 2011. The subsidy recovered will be added to the pool of funds available to close new deals for FY 2014/2015. Kenya Women Microfinance Bank (Former KWFT DTM) will send a request to USAID Kenya Mission Director requesting approval to take on the addition \$2M reserve available under the Multi-Party facility with SMEP Microfinance Bank (former SMEP DTM) and Micro Africa Kenya Limited/Letshego.

### Current Facilities/Enhancements

|     | Partner Financial Institution | Start | End  | Sector    | Value (\$) | Utilization % | Claims (\$) | Total no. of loans | Subsidy (\$) |
|-----|-------------------------------|-------|------|-----------|------------|---------------|-------------|--------------------|--------------|
| 1.  | BOA/Faulu Kenya DTM           | 9/08  | 9/16 | Health    | 5,000,000  | 100%          | 0           | 1                  | 250,000      |
| 2.  | Equity Bank                   | 9/08  | 9/15 | Micro     | 1,012,270  | 100%          | 0           | 4                  | 0            |
| 3.  | K-Rep Bank                    | 9/08  | 9/16 | Water     | 4,004,614  | 71%           | 0           | 29                 | 365,500      |
| 4.  | Oikocredit                    | 9/08  | 9/18 | Micro     | 8,987,730  | 67%           | 578,511     | 14                 | 0            |
| 5.  | KCB                           | 9/10  | 9/17 | SME       | 5,750,000  | 100%          | 0           | 845                | 0            |
| 6.  | Fina Bank                     | 9/11  | 9/16 | Ag        | 4,500,000  | 0%            | 0           | 0                  | 302,400      |
| 7.  | Acumen Fund                   | 3/12  | 9/17 | Energy    | 1,000,000  | 100%          | 0           | 0                  | 90,200       |
| 8.  | KCB                           | 9/12  | 9/18 | Ag        | 15,000,000 | 1.40%         | 0           | 50                 | 370,500      |
| 9.  | KCB                           | 9/12  | 9/22 | Water     | 5,500,000  | 0%            | 0           | 0                  | 493,350      |
| 10. | KWFT DTM                      | 9/12  | 9/19 | Ag/Energy | 5,000,000  | 100%          | 0           | 45,000             | 120,000      |
| 11. | Micro Africa                  | 9/12  | 9/19 | Ag/Energy | 2,000,000  | 23%           | 0           | 121                | 48,000       |
| 12. | SMEP DTM                      | 9/12  | 9/19 | Ag/Energy | 4,000,000  | 95%           | 0           | 7,407              | 96,000       |
| 13. | Multi-Party Reserve           | 9/12  | 9/19 | Ag/Energy | 2,000,000  | 0%            | 0           | 0                  | 48,000       |
| 14. | Rafiki DTM                    | 9/13  | 9/18 | Ag        | 2,500,000  | 0%            | 0           | 0                  | 135,500      |
| 15. | Housing Finance               | 9/13  | 9/25 | Water     | 6,000,000  | 0%            | 0           | 0                  | 420,000      |
| 16. | AGF/Jamii Bora                | 9/13  | 9/18 | SME       | 12,000,000 | 0%            | 0           | 0                  | -            |
| 17. | KCB/General                   | 9/13  | 9/23 | Health    | 10,000,000 | 0%            | 0           | 0                  | 660,000      |

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|  |          |  |  |               |                   |  |                |               |                  |
|--|----------|--|--|---------------|-------------------|--|----------------|---------------|------------------|
|  | Electric |  |  |               |                   |  |                |               |                  |
|  |          |  |  | <i>Totals</i> | <i>88,504,614</i> |  | <i>578,511</i> | <i>53,471</i> | <i>3,399,450</i> |

## Agriculture Policy

**National Economic Social Council:** FIRM released an RFQ for printing a book on the journey of credit guarantee schemes, titled: *Credit Guarantee Schemes: The road to expanding investment in Kenya*. The book summarizes activities from 2011 to date, that informed the development of the National Credit Guarantee Scheme Bill, Policy and Scenarios report, activities that were supported by FIRM.

**National Credit Guarantee Bill, Policy and Scenarios report:** FIRM provided a copy of the Bill, Policy and Scenarios report to Kenya Bankers Association who would in turn present it as a solution to the interest rate/risk perception challenge. This was done during a meeting with Kenya Bankers Association, who are planning to meet the Cabinet Secretary on Industrialization on the high cost of credit.

## Clean/Renewable Energy

**Equity Bank:** Equity Bank signed an MOU with FIRM to receive renewable energy technical assistance. This will see FIRM provide Equity Bank with technical assistance to build the capacity of the institution in providing credit for renewable energy to microenterprises and SMEs.

**Viability Africa:** Viability Africa delivered a feasibility study for the proposed 1.5 Mw Tindinyo Falls Hydro power plant. FIRM supports the development of feasibility studies for renewable energy generation projects in the small to medium-sized energy, both off-grid and grid connected projects ranging from .5Mw to 50Mw. They feasibility studies that are being worked on towards financial close are in solar photovoltaic (PV), mini-hydro, wind, and bio-mass co-generation projects. FIRM is working and coordinating with other USAID-financed projects and advisors focused on energy investments to catalyze the financial close of these projects.

**Kenya Women Finance Trust:** In January 2014, FIRM visited Karatina KWFT customers who have taken up loans to acquire solar lighting solutions, following the support FIRM gave to KWFT in developing a model for renewable energy lending. The visit included the USAID communications team who took videos for a 'This is USAID' global video. The videos included one of a woman solar technician installing a solar panel on the roof of one of the clients' homes. The installer is a KWFT renewable energy ambassador. KWFT launched a peer-to-peer marketing approach that has contributed to the success of their renewable energy lending. Another video was one of students studying using solar lighting. FIRM is supporting the financing of energy-efficient cook-stoves, solar lighting solutions and chargers, and on-farm biogas digesters. Rural microenterprises that generally cannot afford energy can now access financial services to enable them acquire required clean and renewable solutions

## County Support

**County Partner Selection and Utilizing Clusters to Expand Impact:** To select partner counties, FIRM developed a set of criteria and measurements to identify promising partners and prioritize investments. FIRM will analyze each potential partner across three main categories: ability to leverage resources; County commitment and priorities; potential returns / value of investment. FIRM's initial set of criteria reflects interest in working with counties that align with FIRM's scope of work and provide opportunities to leverage USAID and other donor resources, have a demonstrated commitment to good governance, and provide opportunities for high-impact investments.

FIRM will also prioritize partnerships with counties that have a demonstrated commitment to improving planning and service provision through engagement and strengthening the private sector.

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This factor will be especially salient when county's priorities align with FIRM's mandate to work in agriculture, energy, water, and youth. FIRM will also evaluate potential partnerships and prioritize those that have the largest potential return on investment. This means that FIRM will prioritize activities with a strong potential for large-scale impact or will also provide a "demonstration effect" to encourage other counties to follow suit.

FIRM will pursue a cluster-based approach and also pursue and prioritize activities that provide opportunities to facilitate cooperation amongst counties and expand FIRM's reach across as many counties as possible. The challenges that counties face and the economic opportunities do not stop at each county's borders; FIRM will prioritize those activities that foster collaboration and cross-county problem solving while maximizing economies of scale.

**FIRM's County Support Advisory Committee:** FIRM convened the first meeting of the Multi-Sector Devolution Advisory Board on February 20, 2014 in Nairobi. In attendance were representatives from USAID/Kenya, FIRM, The National Treasury of Kenya, the Council of Governors, as well as the private sector and civil society. The primary objective of the meeting was to introduce FIRM's activities in county support to the Advisory Board to seek their initial input and present FIRM's next 4 months of activities. FIRM presented current work in expanding access to finance into rural, agriculture, water, and energy sectors and strategy to integrating a county-based approach in furthering these objectives, as well as FIRM's approach in determining potential county partners and a framework for the co-operative sector and the PPP legal analysis.

**County PPP Act Diagnostics:** FIRM contracted a consultant to conduct an analysis of the Public-Private-Partnership Act (and attendant legislation) to document opportunities and restrictions prescribed by law in order to inform decision makers in the public and private sectors. . FIRM held a review sessions with experts and stakeholders from the private sector and Council of Governors, on March 13, 2014 to review the draft PPP Act Diagnostic and provide feedback to the consultants. FIRM has received all deliverables in this assignment namely;

- a) A comprehensive report on the Public Private Partnership Act, identifying obstacles that impede the successful development and implementation of PPPs and recommendations on how those roadblocks might be overcome to promote safe and sound investment to stimulate a county's economic growth.
- b) A flow chart and/or diagram indicating the institutional and administrative steps (approvals) required prior to execute a Public Private Partnership. Authorities relevant to the approval process must be documented.
- c) An inventory of essential laws that counties must legislate to operationalize the Public Private Partnership Act
- d) Outline and describe the incentives county governments can legally offer to attract a private investment via partnership – i.e. land, licenses, taxes, levies, etc. A list or table indicating the legal provision that permits the incentive to be granted.
- e) Outline and describe the framework or structures counties must create, allowing Public Private Partnership contracts/agreements.

**County Coop Sector Legal Framework Development:** FIRM is supporting County Governments to develop a legal framework to regulate and supervise cooperatives, which now is a devolved function. FIRM was invited by the Council of Governors to make presentation to the Governor's Forum mid-January and received support from the Forum to take lead in providing technical assistance to develop a harmonized cooperative legal framework for adoption by the counties. Each of the counties visited also highlighted this as a key priority for them.

# FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

During February, FIRM engaged with key stakeholders from the government and cooperative sector. Following stakeholders meetings, FIRM has contracted a team of consultants to develop a draft County Co-operative Law and Policy. The draft policy and bill are due in early April and a final version shortly after a validation and sensitization workshop with County governors and staff planned for April.

**County Youth Internship Program:** FIRM is planning to support an internship-type program to connect youth with county governments and the Council of Governors. Already, FIRM has interviewed and shortlisted interns for the Council of Governors. FIRM has also identified 16 counties that will be piloting the internship program. The recruitment process for county interns has begun.

## Communication

**USAID Media Meet:** FIRM was actively represented and contributed to the first of many regional consultative meetings with vernacular and regional media houses supported by USAID or through other USAID mechanisms. The meeting sought to explore the potential for interactive publicity and support between the media and USAID or USAID-funded projects in the regions to raise the profile of USAID. USAID has held subsequent meetings in Lodwar and Coast provinces.

**USAID Commendation:** FIRM received commendation at the USAID Communication Coordination meeting for outstanding performance in raising and improving on the profile of UFIRM and USAID through regional coverage of smallholder business and farming assessment.

## Lessons Learned

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

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

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

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

## III. PROGRAM PROGRESS (Quantitative Impact)

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

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

FIRM's contract was modified to include activities in county investment support and larger clean energy projects under Power Africa Initiative. In line with this, FIRM will modify its workplan and PMP to track progress and results of the new activities and submit to COR for approval.

**Impact on Youth:** FIRM is not required to disaggregate our indicators by youth; however; USAID requested late this quarter that we attempt to estimate our impact on work. To do so, FIRM quickly sampled our financial partners to determine which currently collect data on loans by age of recipient. Only a sub-set of our partners currently provide the age of recipient to FIRM; from this sample we are able to estimate that approximately 30%, or \$10 million of the \$33.45 million reported under indicator 4.5.2-29 "Value of Agricultural and Rural Loans" were made to youth. Sorting through this data, we determined that the vast majority of youth were between the ages of 27 and 34. Moving forward, FIRM will attempt to integrate this analysis into our partner reporting to the degree feasible; however, we note that this is only an estimate based on the currently available data. As FIRM more actively integrates youth initiatives into our county support work, we hope to see this figure increase.

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| <b>Indicator 4.5.2 – 5: Number of farmers and others who have applied new technologies or management practices as a result of USG assistance</b> |                |                |               |                |                |                      |                      |                      |                      |                    |                  |                  |
|--|----------------|----------------|---------------|----------------|----------------|----------------------|----------------------|----------------------|----------------------|--------------------|------------------|------------------|
| <b>Baseline 0: FTF indicator</b>   |                |                |               |                |                |                      |                      |                      |                      |                    |                  |                  |
| <b>DISAGGREGATE</b>  | <b>FY 2011</b> | <b>FY 2012</b> |               | <b>FY 2013</b> |                | <b>FY 2014</b>       |                      |                      |                      |                    | <b>FY 2015</b>   |                  |
| <i>-Gender(M/W)<br/>-New/Continuing<br/>Clients</i>  |                | Q1 – Q4        |               | Q1 – Q4        |                | Q1<br>Oct – Dec 2014 | Q2<br>Jan – Mar 2014 | Q3<br>Apr – Jun 2014 | Q4<br>Jul - Sep 2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|  |                | Target         | Actual        | Target         | Actual         | Actual               | Actual               | Actual               | Actual               | Actual             |                  |                  |
| <b>GENDER</b>  | <b>N/A</b>     | <b>10,000</b>  | <b>36,523</b> | <b>104,700</b> | <b>296,710</b> | <b>24,863</b>        | <b>141,619</b>       |                      |                      |                    | <b>189,400</b>   | <b>279,900</b>   |
| M  |                |                | 28,006        | 52,350         | 149,948        | 3,376                | 99,700               |                      |                      |                    | 85,230           | 111,960          |
| W  |                |                | 8,517         | 52,350         | 146,762        | 21,487               | 41,919               |                      |                      |                    | 104,170          | 167,940          |
| <b>NEW/CONTINUING</b>  | <b>N/A</b>     | <b>10,000</b>  | <b>36,523</b> | <b>104,700</b> | <b>296,710</b> | <b>24,863</b>        | <b>141,619</b>       |                      |                      |                    | <b>189,400</b>   | <b>279,900</b>   |
| New Clients  |                |                | 36,523        | 70,000         | 296,710        | 24,863               | 141,619              |                      |                      |                    | 90,000           | 100,000          |
| Continuing Clients   |                |                | -             | 34,700         | -              | -                    | -                    |                      |                      |                    | 99,400           | 179,000          |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

**Indicator 4.5.2 – 11: Number of food security private enterprises (for profit), producer organizations, water users associations, women’s groups, trade and business associations, and community-based organizations receiving USG assistance**

**Baseline 0: FTF indicator**

| DISAGGREGATE  | FY 2011    | FY 2012    |            | FY 2013    |            | FY 2014              |                      |                      |                      |                    | FY 2015       |               |
|---|------------|------------|------------|------------|------------|----------------------|----------------------|----------------------|----------------------|--------------------|---------------|---------------|
| - Type of Organization<br>-New / Continuing clients |            | Q1 – Q4    |            | Q1 – Q4    |            | Q1<br>Oct – Dec 2014 | Q2<br>Jan – Mar 2014 | Q3<br>Apr – Jun 2014 | Q4<br>Jul - Sep 2014 | TOTAL<br>(Q1 – Q4) | Annual Target | Annual Target |
|   |            | Target     | Actual     | Target     | Actual     | Actual               | Actual               | Actual               | Actual               | Actual             |               |               |
| <b>TYPE OF ORG.</b>                                 | <b>N/A</b> | <b>N/A</b> | <b>313</b> | <b>400</b> | <b>372</b> | <b>92</b>            | <b>2</b>             |                      |                      |                    | <b>450</b>    | <b>450</b>    |
| Private Enterprises                                 |            |            | 36         | 50         | 51         | 6                    | -                    |                      |                      |                    | 60            | 60            |
| Producer Orgs                                       |            |            | 12         | 20         | 12         | 85                   | 1                    |                      |                      |                    | 25            | 25            |
| Water Users Assoc.                                  |            |            | 21         | 40         | 35         | -                    | -                    |                      |                      |                    | 45            | 45            |
| Women’s Groups                                      |            |            | 241        | 270        | 262        | -                    | 1                    |                      |                      |                    | 285           | 285           |
| Trade & Business Assoc.                             |            |            | 3          | 10         | 11         | 1                    | -                    |                      |                      |                    | 20            | 20            |
| Community-Based Orgs                                |            |            | -          | 10         | 1          | -                    | -                    |                      |                      |                    | 15            | 15            |
| <b>NEW/CONTINUING</b>                               | <b>N/A</b> | <b>N/A</b> | <b>313</b> | <b>400</b> | <b>372</b> | <b>92</b>            | <b>2</b>             |                      |                      |                    | <b>450</b>    | <b>450</b>    |
| New   |            |            | 313        | -          | 59         | 92                   | 2                    |                      |                      |                    | -             | -             |
| Continuing  |            |            | -          | -          | 313        | -                    | -                    |                      |                      |                    | -             | -             |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 13: Number of rural households benefiting directly from USG interventions |         |                |                |                |                |                         |                         |                         |                      |                    |                  |                  |
|---|---------|----------------|----------------|----------------|----------------|-------------------------|-------------------------|-------------------------|----------------------|--------------------|------------------|------------------|
| Baseline 0: FTF indicator   |         |                |                |                |                |                         |                         |                         |                      |                    |                  |                  |
| DISAGGREGATE  | FY 2011 | FY 2012        |                | FY 2013        |                | FY 2014                 |                         |                         |                      |                    | FY 2015          |                  |
| -Gendered H/H Type<br>-New/Continuing<br>Clients  |         | Q1 – Q4        |                | Q1 – Q4        |                | Q1<br>Oct – Dec<br>2014 | Q2<br>Jan – Mar<br>2014 | Q3<br>Apr – Jun<br>2014 | Q4<br>Jul - Sep 2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|   |         | Target         | Actual         | Target         | Actual         | Actual                  | Actual                  | Actual                  | Actual               | Actual             |                  |                  |
| <b>HOUSEHOLD TYPE</b>   | N/A     | <b>245,000</b> | <b>212,000</b> | <b>300,000</b> | <b>642,863</b> | <b>123,387</b>          | <b>166,048</b>          |                         |                      |                    | <b>730,000</b>   | <b>850,000</b>   |
| WNM   |         |                |                | 150,000        | 314,603        | 70,718                  | 57,013                  |                         |                      |                    | 209,000          | 270,000          |
| MNW   |         |                |                | 150,000        | 323,614        | 52,383                  | 109,218                 |                         |                      |                    | 171,000          | 180,000          |
| M&W   | N/A     |                |                | -              | 4,646          | 286                     | 147                     |                         |                      |                    | -                | -                |
| CNA   |         |                |                | -              | -              | -                       | -                       |                         |                      |                    | -                | -                |
| <b>NEW/CONTINUING</b>   |         | <b>245,000</b> | <b>212,000</b> | <b>300,000</b> | <b>642,863</b> | <b>123,387</b>          | <b>166,385</b>          |                         |                      |                    | <b>380,000</b>   | <b>450,000</b>   |
| New   |         |                |                | -              | 642,863        | 123,387                 | 166,385                 |                         |                      |                    | -                | -                |
| Continuing  |         |                |                | -              | -              | -                       | -                       |                         |                      |                    | -                | -                |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 25: Number of people with a savings account or insurance policy as a result of USG Assistance |            |            |               |               |                |                         |                         |                         |                      |                    |                  |                  |
|---|------------|------------|---------------|---------------|----------------|-------------------------|-------------------------|-------------------------|----------------------|--------------------|------------------|------------------|
| Baseline 0: FTF indicator   |            |            |               |               |                |                         |                         |                         |                      |                    |                  |                  |
| DISAGGREGATE  | FY 2011    | FY 2012    |               | FY 2013       |                | FY 2014                 |                         |                         |                      |                    | FY 2015          |                  |
| -Type of A/C-Policy<br>-Gender of A/C-Policy Holder   |            | Q1 – Q4    |               | Q1 – Q4       |                | Q1<br>Oct – Dec<br>2014 | Q2<br>Jan – Mar<br>2014 | Q3<br>Apr – Jun<br>2014 | Q4<br>Jul - Sep 2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|   |            | Target     | Actual        | Target        | Actual         | Actual                  | Actual                  | Actual                  | Actual               | Actual             |                  |                  |
| <b>TYPE OF A/C POLICY</b>   | <b>N/A</b> | <b>N/A</b> | <b>49,772</b> | <b>75,000</b> | <b>217,567</b> | <b>78,449</b>           | <b>37,088</b>           |                         |                      |                    | <b>85,000</b>    | <b>90,000</b>    |
| Savings   |            |            | 46,750        | 37,500        | 208,944        | 78,123                  | 33,159                  |                         |                      |                    | 42,500           | 45,000           |
| Insurance   |            |            | 3,022         | 37,500        | 8,623          | 326                     | 3,929                   |                         |                      |                    | 42,500           | 45,000           |
| <b>GENDER OF OWNER</b>  | <b>N/A</b> | <b>N/A</b> | <b>49,772</b> | <b>75,000</b> | <b>217,567</b> | <b>78,449</b>           | <b>37,088</b>           |                         |                      |                    | <b>85,000</b>    | <b>90,000</b>    |
| M   |            |            | 27,378        | 37,500        | 90,246         | 20,994                  | 18,670                  |                         |                      |                    | 38,250           | 39,600           |
| W   |            |            | 22,394        | 37,500        | 127,321        | 57,455                  | 18,418                  |                         |                      |                    | 46,750           | 50,400           |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 27: Number of members of producer organizations and community-based organizations receiving USG assistance |            |         |                |                |                |                         |                         |                         |                         |                    |                  |                  |
|--|------------|---------|----------------|----------------|----------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|------------------|------------------|
| Baseline 0: FTF indicator  |            |         |                |                |                |                         |                         |                         |                         |                    |                  |                  |
| DISAGGREGATE   | FY 2011    | FY 2012 |                | FY 2013        |                | FY 2014                 |                         |                         |                         |                    | FY 2015          |                  |
| -Type of Organization<br>-Gender   |            | Q1 – Q4 |                | Q1 – Q4        |                | Q1<br>Oct – Dec<br>2014 | Q2<br>Jan – Mar<br>2014 | Q3<br>Apr – Jun<br>2014 | Q4<br>Jul - Sep<br>2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|  |            | Target  | Actual         | Target         | Actual         | Actual                  | Actual                  | Actual                  | Actual                  | Actual             |                  |                  |
| <b>TYPE OF ORG.</b>  | <b>N/A</b> |         | <b>113,228</b> | <b>200,000</b> | <b>232,966</b> | <b>44,793</b>           | <b>130,538</b>          |                         |                         |                    | <b>250,000</b>   | <b>300,000</b>   |
| Producer Orgs.   |            |         | 30,728         | 80,000         | 174,141        | 44,789                  | 538                     |                         |                         |                    | 125,000          | 180,000          |
| CBOs   |            |         | 82,500         | 120,000        | 58,825         | 4                       | 130,000                 |                         |                         |                    | 125,000          | 120,000          |
| <b>GENDER OF MEMBER</b>  | <b>N/A</b> |         | <b>113,228</b> | <b>200,000</b> | <b>232,966</b> | <b>44,493</b>           | <b>130,538</b>          |                         |                         |                    | <b>250,000</b>   | <b>300,000</b>   |
| M  |            |         | 88,845         | 100,000        | 155,483        | 33,917                  | 97,815                  |                         |                         |                    | 112,500          | 120,000          |
| W  |            |         | 24,383         | 100,000        | 77,483         | 10,876                  | 32,723                  |                         |                         |                    | 137,500          | 180,000          |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 29: Value of Agricultural and Rural Loans |         |             |             |             |                    |                         |                         |                         |                         |                    |                  |                  |
|---|---------|-------------|-------------|-------------|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|------------------|------------------|
| Baseline 0: FTF indicator                                   |         |             |             |             |                    |                         |                         |                         |                         |                    |                  |                  |
| DISAGGREGATE  | FY 2011 | FY 2012     |             | FY 2013     |                    | FY 2014                 |                         |                         |                         |                    | FY 2015          |                  |
| -Type of Loan Recipient<br>-Gender of recipient             |         | Q1 – Q4     |             | Q1 – Q4     |                    | Q1<br>Oct – Dec<br>2014 | Q2<br>Jan – Mar<br>2014 | Q3<br>Apr – Jun<br>2014 | Q4<br>Jul - Sep<br>2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|   |         | Target      | Actual      | Target      | Actual             | Actual                  | Actual                  | Actual                  | Actual                  | Actual             |                  |                  |
| <b>TYPE OF LOAN RECIPIENT</b>                               |         | <b>225M</b> | <b>103M</b> | <b>250M</b> | <b>259,766,580</b> | <b>21,690,139</b>       | <b>33,455,287</b>       |                         |                         |                    | <b>375M</b>      | <b>500M</b>      |
| Producers   |         | -           | -           | 150M        | 140,273,953        | 635,974                 | 43,693                  |                         |                         |                    | 243.75M          | 350M             |
| Local Traders/Assemblers                                    |         | -           | -           | 50M         | -                  | -                       | -                       |                         |                         |                    | 75M              | 125M             |
| Wholesalers/Processors                                      |         | -           | -           | 25M         | -                  | -                       | -                       |                         |                         |                    | 37.5M            | 25M              |
| Others  |         | -           | -           | 25M         | 119,492,627        | 21,054,165              | 33,411,594              |                         |                         |                    | 18.75M           | -                |
| <b>GENDER OF RECIPIENT</b>                                  |         | <b>225M</b> | <b>103M</b> | <b>250M</b> | <b>259,766,580</b> | <b>21,690,139</b>       | <b>33,455,287</b>       |                         |                         |                    | <b>375M</b>      | <b>500M</b>      |
| M   |         | 146.25M     | 51.68M      | 150M        | 84,793,588         | 2,875,376               | 10,720,981              |                         |                         |                    | 187.5M           | 200M             |
| W   |         | 78.75M      | 51.32M      | 100M        | 174,669,762        | 18,814,763              | 22,597,928              |                         |                         |                    | 187.5M           | 300M             |
| Joint A/C   |         |             | -           | -           | 303,230            | -                       | 136,378                 |                         |                         |                    | -                | -                |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2 – 30: Number of MSMEs, including farmers, receiving USG assistance to access bank loans |            |         |                |                |                |                         |                         |                         |                         |                    |                  |                  |
|---|------------|---------|----------------|----------------|----------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|------------------|------------------|
| Baseline 0: FTF indicator   |            |         |                |                |                |                         |                         |                         |                         |                    |                  |                  |
| DISAGGREGATE  | FY 2011    | FY 2012 |                | FY 2013        |                | FY 2014                 |                         |                         |                         |                    | FY 2015          |                  |
| -Size of MSME<br>-Gender of Owner   |            | Q1 – Q4 |                | Q1 – Q4        |                | Q1<br>Oct – Dec<br>2014 | Q2<br>Jan – Mar<br>2014 | Q3<br>Apr – Jun<br>2014 | Q4<br>Jul - Sep<br>2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|   |            | Target  | Actual         | Target         | Actual         | Actual                  | Actual                  | Actual                  | Actual                  | Actual             |                  |                  |
| <b>SIZE OF MSME</b>   | <b>N/A</b> |         | <b>158,175</b> | <b>200,000</b> | <b>189,168</b> | <b>54,641</b>           | <b>166,061</b>          |                         |                         |                    | <b>250,000</b>   | <b>300,000</b>   |
| Micro   |            |         | 158,175        | 100,000        | 189,168        | 25,786                  | 78,043                  |                         |                         |                    | 150,000          | 200,000          |
| Small   |            |         | -              | 50,000         | -              | 28,855                  | 88,018                  |                         |                         |                    | 62,500           | 80,000           |
| Medium  | <b>N/A</b> |         | -              | 50,000         | -              | -                       | -                       |                         |                         |                    | 37,500           | 20,000           |
| <b>GENDER OF OWNER</b>  |            |         | <b>158,175</b> | <b>200,000</b> | <b>189,168</b> | <b>54,641</b>           | <b>166,061</b>          |                         |                         |                    | <b>250,000</b>   | <b>300,000</b>   |
| M   |            |         | 79,847         | 100,000        | 37,174         | 7,238                   | 109,056                 |                         |                         |                    | 112,500          | 120,000          |
| W   |            |         | 78,328         | 100,000        | 150,966        | 47,403                  | 56,858                  |                         |                         |                    | 137,500          | 180,000          |
| Joint A/C   |            |         | -              | -              | 1,028          | -                       | 147                     |                         |                         |                    | -                | -                |
| N/A   |            |         | -              | -              | -              | -                       | -                       |                         |                         |                    | -                | -                |

## FINANCIAL INCLUSION FOR RURAL MICROENTERPRISES

| Indicator 4.5.2-37 Number of MSMEs, including farmers, receiving business development services from USG assisted sources |            |         |           |           |           |                            |                            |                            |                            |                    |                  |                  |
|--|------------|---------|-----------|-----------|-----------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------|------------------|------------------|
| Baseline 0: FTF indicator  |            |         |           |           |           |                            |                            |                            |                            |                    |                  |                  |
| DISAGGREGATE   | FY 2011    | FY 2012 |           | FY 2013   |           | FY 2014                    |                            |                            |                            |                    | FY 2015          |                  |
| -Size of MSME<br>-MSME Type<br>-Gender of Owner  |            | Q1 – Q4 |           | Q1 – Q4   |           | 10/01/2013 –<br>12/31/2013 | 01/01/2014 –<br>03/31/2014 | 04/01/2014 –<br>06/30/2014 | 07/01/2014 –<br>09/30/2014 | TOTAL<br>(Q1 – Q4) | Annual<br>Target | Annual<br>Target |
|  |            | Target  | Actual    | Target    | Actual    | Actual                     | Actual                     | Actual                     | Actual                     | Actual             |                  |                  |
| <b>SIZE OF MSME</b>  | <b>N/A</b> |         | <b>38</b> | <b>50</b> | <b>53</b> | <b>92</b>                  | <b>2</b>                   |                            |                            |                    | <b>65</b>        | <b>65</b>        |
| Micro  |            |         | 3         | 25        | 4         | 85                         | 2                          |                            |                            |                    | 45               | 50               |
| Small  |            |         | 22        | 15        | 31        | 2                          | -                          |                            |                            |                    | 15               | 10               |
| Medium   | <b>N/A</b> |         | 13        | 10        | 18        | <b>5</b>                   | -                          |                            |                            |                    | 5                | 5                |
| <b>TYPE OF MSME</b>  |            |         | <b>38</b> | <b>50</b> | <b>53</b> | <b>92</b>                  | <b>2</b>                   |                            |                            |                    | <b>65</b>        | <b>65</b>        |
| Ag Producers   |            |         | 12        | 20        | 12        | 85                         | 1                          |                            |                            |                    | 30               | 35               |
| Input Suppliers  |            |         | -         | 10        | -         | -                          |                            |                            |                            |                    | 15               | 15               |
| Traders  |            |         | -         | 5         | -         | -                          |                            |                            |                            |                    | 10               | 10               |
| Output Processors  |            |         | -         | 5         | -         | -                          |                            |                            |                            |                    | 5                | 5                |
| Non-Agricultural   |            |         | -         | -         | -         | 2                          | 1                          |                            |                            |                    | -                | -                |
| Other  |            |         | 26        | 10        | 41        | 5                          |                            |                            |                            |                    | 5                | -                |
| <b>GENDER OF OWNER</b>   |            |         | <b>38</b> | <b>50</b> | <b>53</b> | <b>92</b>                  | <b>2</b>                   |                            |                            |                    | <b>65</b>        | <b>65</b>        |
| M  |            |         | 1         | 5         | 1         |                            |                            |                            |                            |                    | 10               | 20               |
| W  |            |         | 1         | 15        | 1         |                            |                            |                            |                            |                    | 25               | 30               |
| Joint  |            |         | -         | 10        | -         |                            |                            |                            |                            |                    | 15               | 15               |
| N/A  |            |         | 36        | 20        | 51        |                            |                            |                            |                            |                    | 15               | -                |

## IV. PERFORMANCE MONITORING

In January 2014, FIRM M&E team focused on collecting, aggregating, analyzing and reporting data for the quarter ending December 31 2013. Partners were required to submit (i) the data collection form, duly dated and signed, showing aggregate values specific to the reporting period stated, and (ii) an excel spreadsheet or any other documentation to back up the values reported on the data collection form. This new reporting format is a more efficient data-flow process, and ensures timeliness, accuracy and validity of data from partners.

Late January into February 2014, FIRM Accompanied DCA Washington representatives who were in Nairobi to conduct an opportunity assessment for new DCA guarantee deals to close by September 30, 2014. Potential partners are in the process of submitting their guarantee loan proposal forms to DCA office for review. For those institutions that are shortlisted, DCA office will conduct further due diligence and risk assessment and draft the guarantee agreements.

FIRM M&E team spent much of February and March 2014 cleaning up discrepancies in data collected in the last fiscal year. The team visited most partners (new and old) to conduct data verification checks and to emphasize the importance of submitting data in an accurate and timely manner. The data collection process for this quarter also began towards the end of March. As the M&E/DCA manager transitions into managing FIRM's special projects (women and youth), there is need to bring in a new staff member as M&E coordinator on a full-time basis to take on the M&E function.

## V. PROGRESS ON LINKS TO OTHER USAID PROGRAMS

**Fresh produce exporter's forum, Kisumu:** FIRM, in partnership with the USAID KAVES project, brought together stakeholders in the fresh produce exporting sector in Kisumu. The aim of this forum was the signing up of comprehensive service agreements with Mobipay (K) Ltd, through their Agrilife platform. Mobipay, through Agrilife, aggregates various services such as finance for farm inputs, factoring, insurance etc. between smallholder farmers and financial institutions along various value chains. The Agrilife platform also plays an important part in establishing market linkages between producers and markets as well as well pertinent farmer information.

Three key exporters and a staples bulker were represented at the forum. These included Carolina Fresh Produce Exporters, AgriVictoria Exporters, Kenya Horticultural Exporters (KHE) and Community Action for Rural Development (CARD). During the forum, Mobipay (K) made a presentation of the Agrilife platform functionalities to stakeholders, which was followed by the signing ceremony.

This event will see over 30,000 contracted smallholder farmers represented in the forum, to access finance for farm inputs and assets and, thereby, improve on their yields and livelihoods. Crop Nutrition, an entity that facilitates soil analysis tests was also present. FIRM will continue to monitor partnerships between the exporters and Mobipay in order to ensure affordable finance for inputs trickles down to smallholders.

**FIRM and KHCP Continues:** Collaboration between FIRM and USAID Kenya Horticulture Competitiveness Project (KHCP) began in mid-2011 on a number of interventions. FIRM is structured as a financial services project while USAID KHCP aims at helping small farmers and allied agribusinesses take advantage of local, regional, and global market opportunities.

KHCP has been designed on the premise that improved horticulture industry can transform rural incomes, generate employment, and increase food security. The program focuses on enhanced productivity, increased value-addition, improved value-chain coordination, marketing, and trade promotion and improved business environment, and institutional capacity. While these interventions

go a long way in improving capacity of rural microenterprises, most of them suffer the constraint of accessing finance for business expansion and or farm inputs.

FIRM has stepped in to bridge this gap between various microenterprises, microprocessors and full exporters and mainstream financial services providers by helping them to develop customized financial products to cater for the different unique needs of the enterprises. To date, USAID FIRM has facilitated financial linkages to over ten (10) microenterprises comprising of small holder farmer groups in horticulture, microprocessors, and full exporters. During this quarter, FIRM provided technical and financial advice to the following enterprises: Earthoil extracts, Meru Greens, Vegpro/KRA, Farm Concern International, Kenton Farm, Mace Foods, Sweet N Dried foods, Vert Limited and Stawi Limited

## **VI. PROGRESS ON LINKS WITH GOK AGENCIES**

Linkages with GOK agencies remain unchanged from the previous period.

## **VII. PROGRESS ON USAID FORWARD**

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

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

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

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

## **VIII. SUSTAINABILITY AND EXIT STRATEGY**

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

## **IX. NEXT QUARTER'S WORK PLAN**

FIRM does not anticipate any deviations or setbacks to the project workplan. In fact, the growth of new opportunities outpaces original planning forecasts. Current partners continue to request new support to position and prepare for new business opportunities (that are fully aligned with the Feed the Future goals).

FIRM is currently developing a workplan specific to the new activities in county support and energy; this workplan will be finalized early next quarter.

[REDACTED]

[REDACTED]

|            |            |            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|------------|------------|
|            | [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |

[REDACTED]

|            |            |            |            |            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|            | [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |

[REDACTED]

- █ [REDACTED]
- █ [REDACTED]
- █ [REDACTED]

## **XI. PROJECT ADMINISTRATION**

### **Constraints and Critical Issues**

During the next quarter, FIRM will need to increase activities and staff rapidly to initiate the new activities in energy and county support.

### **Personnel**

FIRM Home Office Project Manager Daniel Adams joined the project as LTTA Key Personnel as the Deputy Team Lead – Program Management & County Support. Partnership Specialist Titianne Donde was promoted to the Technical team leader and Senior Accountant Evarista Ingaa was promoted as the Finance and Contracts Manager. Additional support staff has been hired to support the Communications, Administration, and County Support teams.

### **Changes in the Project**

There were no significant changes to the project this quarter.

In this quarter we have received 2 DAI forms for VAT exemption, awaiting 111 VAT exemptions submitted through to March 2014 from January 2011 mounting to USD 250,545.42.

### **Contract Modifications and Amendments**

On February 24, 2014, USAID received contract Modification #5 which incorporated the new areas of county support as well as expanded energy activities into FIRM Scope of Work. In addition, the modification added \$4,500,000 to the total estimated cost.

## **Annexes**

## Annex I: Quarterly Deliverables

### Request for Proposals Issued

| RFP # | RFP Activity   | Issue Date | Contract Price (\$) |
|-------|--|------------|---------------------|
| 53    | Assist Kenya rural Sacco societies union ltd. develop a five year strategic business plan  | 23-Jan-14  | ████████            |
| 54    | Assist Kenya rural Sacco societies union conduct needs assessment on its SACAS   | 23-Jan-14  | ████████            |
| 55    | FIRM RFP-055-Legal advisory services for the incorporation of a trust fund for managing the fair for life premium for the Kenya organic oil farmers association (KOOFA)                                | 7-Feb-14   | ██████              |
| 56    | Assist transnational bank develop an agribusiness SME finance strategy and related documentation   | 10-Feb-14  | ████████            |
| 57    | Assist Adok Timo MFI develop a five year strategic business plan   | 10-Feb-14  | ████████            |
| 58    | Assist STIMA SACCO review its operational systems, develop operational manuals for the small and micro business program (smib) and deliver a comprehensive training program with related documentation | 10-Feb-14  | ████████            |
| 59    | Assist NEEMA HEEP review business system manuals and deliver a comprehensive training program with related documentation   | 10-Feb-14  | ████████            |
| 52    | Re-issue: Assist EADD develop strategic business plans and refine/develop products for financial services associations (FSAS)  | 10-Mar-14  | ██████<br>██████    |
| 60    | Assist BIMAS revise business system manuals, design and deliver a training program   | 17-Mar-14  | ██████<br>██████    |

### Deliverables Produced

#### January 2014

| Vendor              | Deliverables paid  | USD      |
|---------------------|--|----------|
| Ideal Business Link | PO-141, Deliverable #2 A draft strategic marketing plan. Assignment - Technical assistance to develop A 3 year marketing plan for Nyala Vision SACCO and refine lending products                   | ████████ |
| Ideal Business Link | PO-141, Deliverable #3 A workshop report with recommendations from Nyala Vision SACCO management. Assignment - Technical assistance to develop A 3 year marketing plan and refine lending products | ████████ |

|                                  |  |          |
|----------------------------------|--|----------|
| Viability Africa                 | Del# 7. PO-102. Expression of Interest documents and Submissions to Ministry of Energy in Kenya ( reports for 3 sites).Assignment; to build local capacity and increase the number of viable renewable energy generation projects                | ████████ |
| Eka Hotel                        | Balance payment for data Management and Environmental Compliance Training conference for 31 participants on 11.26.2013   | ████████ |
| Sarova Panafric                  | Full day conference facility for 53 participants for data management and environmental compliance training workshop on 11/27/2013  | ████████ |
| Sarova Panafric                  | Full day conference facility for 53 participants for data management and environmental compliance training workshop on 12/05/2013  | ████████ |
| Kenya School of Monetary Studies | Part payment for the Association of Kenya Credit Providers (AKCP) AGM meeting on 11/19/ 2013   | ████████ |
| Software Group                   | Deliverable 4-PO.054 - System sign off document to certify that the system is moved to live production use   | ████████ |
| Tara Consultants Ltd             | Deliverable #5-August 2013 Newsletter- the activities include Rapporteur National Forum August 2013 meeting, Participation in two Committee meetings and writing, design, layout of newsletter and email invitations to forum meeting attendees. | ████████ |
| Great Rift Valley Lodge          | 75% payment on conference facility for 18 participants attending product development workshop in Naivasha from January 29, 2014  | ████████ |
| Great Rift Valley Lodge          | 75% payment on conference facility for 2 participants attending product development workshop in Naivasha from January 30, 2014   | ████████ |
| Great Rift Valley Lodge          | 75% payment on conference facility for 18 participants attending product development workshop in Naivasha from January 30, 2014  | ████████ |
| Great Rift Valley Lodge          | 75% payment on conference facility for 16 participants attending product development workshop in Naivasha from January 31, 2014  | ████████ |
| Mobipay K Limited                | PO-129, Del #3 December 2013 report, Assignment - Enhancement of the Mobipay Agrilife System   | ████████ |

|  |  |            |
|--|--|------------|
|  | <b>Total deliverables paid in January 2014</b> | ██████████ |
|--|--|------------|

**February 2014**

|                    | <b>Deliverables paid</b>   | <b>USD</b> |
|--------------------|--|------------|
| James Otieno Odek  | Del # 1. Delivery and acceptance of summary a draft zero on scope of work to guide an analysis of the legal framework on Finance, investment and revenue enhancement for County government   | ██████████ |
| James Otieno Odek  | Del # 2. Delivery and acceptance of summary a draft one(with USAID FIRMfeedback incorporated) Scope of work to guide an analysis of the legal framework on finance, investment and revenue enhancement for County government       | ██████████ |
| James Otieno Odek  | Del # 3. Delivery and acceptance of summary a draft two (with USAID FIRMfeedback incorporated) Scope of work to guide an analysis of the legal framework on finance, investment and revenue enhancement for County government      | ██████████ |
| James Otieno Odek  | Del # 4. Delivery and acceptance of summary final scope of work to guide an analysis of the legal framework on finance, investment and revenue enhancement for County government   | ██████████ |
| Clara Kaki         | Communications Consultant-Jan. 2014 - A monthly report that includes 4 weekly FTF blurd, 3 weekly success story, website updates done for the month, project photography done and facebook, twitter and tumblr – management report | ██████████ |
| Nation Media Group | Daily Nation newspaper advertisement on Tindinyo Falls application of Energy Regulatory Commission licence   | ██████████ |
| Nation Media Group | The East African newspaper advert on Tindinyo Falls application of Energy Regulatory Commission licence  | ██████████ |
| The Standard Group | The Standard newspaper advertisement on Tindinyo Falls application of Energy Regulatory Commission licence   | ██████████ |
| Protus Nkuru       | ICA 017, Deliverable #3 Jan 2014. Monthly report. Assignment: Provide technical and administrative support to the National economic and social council of Kenya (NESC  | ██████████ |
| Viability Africa   | Del# 8. PO-102. Environmental Impact (3 reports for 3 sites) Assessments (3) . Assignment; to build local capacity and increase the number of viable renewable energy generation projects  | ██████████ |

|                           |   |            |
|---------------------------|---|------------|
| Great Rift Valley Lodge   | Balance payment on Conference facility for 18 participants attending product development workshop in Naivasha from January 29 to 31, 2014   | ██████████ |
| Business Renewal Consult  | PO-143 Del #2. A draft five-year Strategic Business Plan. Assignment: Assist Universal Traders SACCO develop a five-year Strategic Business Plan.   | ██████████ |
| Business Renewal Consult  | PO-143 Del #3. A workshop on the draft report including recommendations given by UTS. Assignment: Assist Universal Traders SACCO develop a five-year Strategic Business Plan.                       | ██████████ |
| Business Renewal Consult  | PO-143 Del #4. A comprehensive final five-year Strategic Business Plan. Assignment: Assist Universal Traders SACCO develops a five-year Strategic Business Plan.                                    | ██████████ |
| Business Renewal Consult  | PO-143 Del #5. A detailed implementation plan and budget, and systems to monitor performance against plan. Assignment: Assist Universal Traders SACCO develop a five-year Strategic Business Plan.  | ██████████ |
| Essence International Ltd | FIRM-PO--140 Del#2- A draft three year agribusiness marketing and communications strategy and plan. Assignment - To assist Oikocredit develop an agribusiness marketing and communications strategy | ██████████ |
|                           |   |            |
|                           | <b>Total deliverables paid in February 2014</b>   | ██████████ |

### March 2014

|                           | <b>Deliverables paid</b>   | <b>USD</b> |
|---------------------------|--|------------|
| Clara Kakai               | Communications Consultant-Feb. 2014 - A monthly report that includes 4 weekly FTF blurb, 3 weekly success story, website updates done for the month, project photography done and social media management report | ██████████ |
| Viability Africa          | Del# 9.PO -102.Full Feasibility Study (one site) Assignment; To increase the number of viable renewable energy generation projects and to build local capacity for renewable energy project development          | ██████████ |
| Essence International Ltd | Del#3- A workshop reviewing the draft three year agribusiness marketing and communications strategy and plan. Assignment - To assist Oikocredit develop an agribusiness marketing and communications strategy    | ██████████ |

|                                |  |            |
|--------------------------------|--|------------|
| Essence International Ltd      | Del#5- Staff capacity building report. Assignment - To assist Oiko credit develop an agribusiness marketing and communications strategy  | ██████████ |
| Essence International Ltd      | Del#6- Report on the agribusiness products refined or developed. Assignment - To assist Oiko credit develop an agribusiness marketing and communications strategy  | ██████████ |
| Protus Nkuru                   | ICA 017, Deliverable # 4 Feb 2014. Monthly report. Assignment: Provide technical and administrative support to the National economic and social council of Kenya (NESC   | ██████████ |
| Essence International Ltd      | Del#4-A final three year agribusiness marketing and communications strategy and plan. Assignment - To assist Oikocredit develop an agribusiness marketing and communications strategy  | ██████████ |
| Nation Media Group             | Newspaper advertisement for request for Expressions of Interest for renewable energy consultants- Daly Nation 03/19/2014   | ██████████ |
| Ideal Business Link            | PO-141, Deliverable #4 Report detailing products developed or refined<br><br>Deliverable. Assignment - Technical assistance to develop A 3 year marketing plan for Nyala Vision SACCO and refine lending products                                      | ██████████ |
| Nungo Oduor & Waigwa Advocates | PO.139 Deliverable#3. A flow chart and/or diagram indicating the<br><br>institutional and administrative steps (approvals) required prior to execute a Public Private Partnership. Assignment - Legal Diagnostic of The Public Private Partnership Act | ██████████ |
| Nungo Oduor & Waigwa Advocates | PO.139 Deliverable#4. An inventory of essential laws that counties must legislate to operationalize the Public Private<br><br>Partnership Act. Assignment - Legal Diagnostic of The Public Private Partnership Act                                     | ██████████ |
| Nungo Oduor & Waigwa Advocates | PO.139 Deliverable#5. Outline and describe the incentives county governments can legally offer to attract a private investment via partnership. Assignment - Legal Diagnostic of The Public Private Partnership Act                                    | ██████████ |
| Nungo Oduor & Waigwa Advocates | PO.139 Deliverable#6.Outline and describe the framework or structures counties must create, allowing Public Private Partnership contracts/agreements. Assignment - Legal Diagnostic of The Public Private Partnership Act                              | ██████████ |
|                                |  |            |
|                                | <b>Total deliverables paid in March 2014</b>   | ██████████ |

|  |  |                   |
|--|--|-------------------|
|  |  |                   |
|  | <b>Total Deliverables Payments for the Quarter</b> | <b>[REDACTED]</b> |