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Financial Inclusion for Rural Microenterprises (FIRM)

Annual Workplan

October 1, 2012 – September 30, 2013

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OCTOBER 1, 2012 – SEPTEMBER 30, 2013

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

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ACRONYMS AND ABBREVIATIONS

| | |
|---------|--|
| ABEO | Agriculture Business and Environment Office |
| CBK | Central Bank of Kenya |
| CRB | Credit Reference Bureau |
| COFI | Community Owned Financial Institution |
| DCA | Development Credit Authority |
| DTM | Deposit-Taking Microfinance |
| FIIF | Financial Inclusion and Innovation Fund |
| FIRM | Financial Inclusion for Rural Microenterprises |
| FSA | Financial Services Associations |
| FSD | Financial Sector Deepening |
| FTF | Feed the Future |
| FTFMS | Feed the Future Monitoring System |
| GPS | Global Positioning System |
| IRA | Insurance Regulatory Authority |
| KCISI | Kenya Credit Information Sharing Initiative |
| KDLDP | Kenya Drylands Livestock Development Program |
| KFIE | Kenya Feed the Future Innovation Engine |
| KHCP | Kenya Horticulture Competitiveness Program |
| KLIFT | Kenya Livestock Finance Trust |
| KMT | Kenya Market Trust |
| KOOPA | Kenya Organic Oil Farmer Association |
| KWFT | Kenya Women's Finance Trust |
| LTTA | Long-Term Technical Assistance |
| MCL | Molyn Credit Limited |
| MFI DTM | Microfinance Institution Deposit-Taking Microfinance |
| MFI NGO | Microfinance Institution Non-Government Organization |
| MFS | Milango Financial Services |
| MFT | Microfinance Trust |
| MRR | Microenterprise Results Reporting |
| NESC | National Economic and Social Council |
| PCGA | Private Capital Group for Africa |
| PAT | Poverty Assessment Tool |
| PMP | Performance Management Plan |
| RBA | Retirement Benefits Authority |
| SCL | Safaricom Limited |
| SMEP | Small and Medium Enterprise Program |
| STTA | Short-Term Technical Assistance |
| USAID | United States Agency for International Development |
| VCFC | Value Chain Finance Center |

I. EXECUTIVE SUMMARY

Financial Inclusion for Rural Microenterprises (FIRM) is a five-year, \$18 million, USAID-funded activity implemented by DAI, designed to facilitate the expansion and innovation of financial services in five key areas: agriculture, renewable/clean energy, ICT, gender/youth, and policy reform. FIRM will exploit new opportunities and situations that arise and demonstrate the potential to advance the frontier of financial services for the benefit of marginalized and excluded populations across Kenyan society, such as water, health, and education.

To achieve these objectives, FIRM works in partnership with and supports a wide variety of commercial actors in the financial services industry, Government of Kenya agencies and stakeholders, associations, donors, business service providers, and consultants. FIRM has developed a Financial Inclusion and Innovation Fund (the FIIF) to underwrite costs associated with these partnerships. Moreover, FIRM continues to manage and grow USAID's Development Loan Guarantee program in each crucial implementation area.

The cornerstone of FIRM's overall purpose is centered upon, but not exclusive to, agriculture as the nexus for which each key area supports. To this end, FIRM has partnered with FSD Kenya to create the Agriculture Value Chain Finance Center (VCFC). The overarching objective of the Center is to strengthen agricultural value chains through the development of appropriate and sustainable finance. The Center strives to overcome identified information failures in agricultural and related financial markets. Ultimately, this work will lead to partnership with financial and non-financial sector participants to pilot and deliver products and services to improve the performance of agriculture in the Kenyan economy and for those individuals, families and small businesses excluded from finance – farmers and other value chain actors.

Program Impact

FIRM has recorded significant impact in four key areas as outlined below:

Agriculture

In the last calendar year, FIRM worked with financial institutions to strengthen the overall financial system at multiple levels so to make it more inclusive. To this end, FIRM delivered significant outputs that created substantial impact among rural microenterprises.

In FY 2012, FIRM assisted nine financial institutions to develop agriculture finance strategies – with a view to create independent units in MFIs and banks separate from the institutions' overall strategy. In addition, FIRM helped the financial institutions to incorporate the agriculture finance strategies into implementation plans with a view of operationalizing the strategies created across prioritized agriculture commodities. Some of the institutions FIRM worked with in this space include – KCB, Imperial Bank, KWFT DTM, SMEP DTM, Juhudi Kilimo, Milango Financial services, Faulu Kenya and Moly Credit.

FIRM also Partnered with the East African Dairy Development (EADD) program, a consortium of five industry players – Heifer International, International Livestock Research Institute (ILRI), Technoserve, World Agroforestry Center (ICRAF) and African Breeders Services - to identify emerging needs for Financial Service Associations (FSAs) in Rift Valley and Western Kenya, and to determine future interventions the FSAs require to ensure financial sustainability. All 13 FSAs under EADD are using the SACCO model in their operations. Two FSAs, Nyala and Chang Chego, have already converted and registered as SACCOs. FIRM will continue to work with these FSAs/SACCOs to strengthen their institutional capacity.

FIRM worked with Milango Financial services to develop a five-year fund raising strategy to assist the MFI to focus, prioritize, and diversify its fundraising activities as it incrementally professionalized operations. Likewise, FIRM created a partnership between Earthoil/Body Shop UK, Milango Financial Services, to provide financial services to Tea Tree smallholder farmers in Central Kenya.

Renewable Energy

FIRM conducted a comprehensive opportunity assessment for KWFT DTM in small-scale renewable energy that clearly described its growth prospects and internal constraints. The assessment articulated a sequential and detailed plan to leverage identified opportunities and overcome institutional shortcomings. The assessment recommended 5 product concepts (for clean and renewable energy) that FIRM will assist the DTM to develop into products and roll-out in the next project year.

Gender/Youth

FIRM worked with KWFT DTM, the premier microfinance institution in Kenya, and whose clientele is purely women to develop clean and renewable energy strategy, and product development in dairy to increase financial inclusion among women.

In addition, FIRM assisted RAFIKI DTM, which deals with youth, to develop an organizational strategy with clear guidelines on increasing outreach, development products that are youth-friendly and incorporating youth participation in agribusiness.

Policy and Regulatory Reforms

FIRM supported and facilitated the CBK in its efforts to draft a new set of regulations allowing Deposit-Taking MFIs (DTMs) to expand their rural outreach through agency relationships. The project also supported CBK in the development of guidelines on anti-money laundering and terrorist financing, customer due diligence and record keeping and reporting of suspicious transactions.

Through a partnership with the Kenyan Credit Information Sharing Initiative (KCSISI), the project expanded credit information beyond commercial banks and include DTMs, MFIs and SACCOs in the new Credit Reference Bureau. Additional support to KCISI included capacity assessment of DTMs and Credit-Only MFIs to participate in credit information sharing, pilot for 13 MFIs on credit information submission to CRBs, sensitization of credit

providers on information sharing and production of KCISI quarterly newsletter with milestones in credit information sharing.

FIRM set ample platform to work with National Economic and Social Council (NESC) on Credit Guarantees, with a view of increasing credit access for rural microenterprises. Follow-up activities included desk reviews and interviews on the need for credit guarantee schemes within the country and empirical analysis of questionnaires to six sectors on the need for credit guarantees. The six sectors reviewed were: women, youth, construction, exporters, banks and government bodies.

Evolution of the project in the 3rd year

In the third year, FIRM will concentrate more effort towards scoping out more opportunities to develop financial models for renewable energy through networking with more stakeholders. Moreover, the project will strive to strengthen existing initiatives in agriculture financing among existing partners and non-financial institutions such as producer groups.

In renewable energy, FIRM will also seek new opportunities and strengthen existing ones among its partners. These opportunities will not be limited to developing financial products but will also include enabling the development of pre-feasibility reports on bankable energy generation projects. Financial institutions can support these projects in order to increase generation of renewable energy. Consequently, credit access to clean and renewable energy users is expected to grow significantly during this financial year.

In addition to working with Chang Chego SACCO, Nyala Vision SACCO and 12 FSAs under EADD program, FIRM will engage more SACCOs outside the dairy sector, specifically in agriculture and clean renewable energy. Some of the SACCOs FIRM will work with this FY include Sky Sacco Society, United Traders SACCO, COFI SACCO and FEWA SACCO. FIRM will also support the umbrella body of rural SACCOs, the Kenya Rural Savings and Credit Co-operative Societies Union Ltd (KERUSSU) in capacity building and institutional strengthening.

On the policy and regulatory front, FIRM will develop clear agenda with CBK, KCISI, NESC, and Treasury, among other regulators within the financial services space with the aim to create an enabling environment and interventions towards financing for agriculture, renewable energy and water. Areas of focus will be credit information sharing for DTM/Credit only MFIs and development of policy and bill for credit guarantees.

FIRM intends to employ more of its internal capacity to undertake simple assignments as a measure to stem substandard submissions by consultants. However, FIRM will continue to work with industry Business Service Providers (BSPs) to build their capacity and ensure sustainability after FIRM closes. Currently, FIRM has a database of over 20 BSPs and the list is growing.

II. PROGRAM MANAGEMENT

I.1 Personnel

In Year 3, the project will seek USAID's approval to add four local long-term positions: two new Partnership Specialists (bringing the total to six), M&E Coordinator, and Communications Specialist. The general scopes for each of these positions include:

Partnership Specialist – Energy, who will focus on current and pending partnerships in small-scale clean/renewable energy in efficient stoves, solar and bio-gas geared toward micro entrepreneurs in rural areas. The specialist will also focus on developing a new sector in the 1 to 25 clean/renewable megawatt ranges with increased interaction provided by USAID Kenya through the Chief-of-Party.

Partnership Specialist – SACCOs, who will focus on this important class of financial institutions that hold a high percentage of the financial sector's assets and prospects for growth and innovation and consequently offer significant opportunity in rural areas and in agriculture.

Monitoring and Evaluation Coordinator will manage the M&E and PMP data collection, quality assurance and reporting. This will allow the existing M&E Specialist to transition into a managerial role for M&E function, while also assuming full responsibility for the DCA portfolio, one of the largest in USAID's global universe and growing.

Communications Specialist will write and edit information for external distribution, maintain the project website, respond to growing information requests, and fulfill other USAID requirements, including those under the Feed the Future Initiative.

I.2 Partners, BSPs, Consultants

The FIRM project has a list of 48 prequalified vendors who were shortlisted through a process of competitive expression of interest. The list is updated by requesting interested service providers to express interest every year. The advert is placed in a local newspaper.

The pre-qualified Business Service Providers (BSP) will have expertise, skills and proven Kenyan experience. Individuals and BSPs pre-qualified by DAI are then requested by invitation to bid through a request for proposal (RFP), or Curriculum Vitae (RFCV) or request for quotation (RFQ) on activities contracted through USAID FIRM project. The FIRM project doesn't have subcontracts or grants.

I.3 Monitoring & Evaluation

I.3.1 Performance Management Plan (PMP)

At the beginning of year 3, FIRM will revise its PMP to reflect the project's inclusion in the FtF Initiative unveiled in FY 2011/2012. At the beginning of the project, our activities and

PMP indicators were categorized into two main components under 6 Intermediate Results (IRs). Component 1 was further subdivided into 5 sub-components, as follows:

Component 1: A Full Package of Financial Services Models

Subcomponent 1.1: Value Chain Finance

Subcomponent 1.2: Development Credit Authority

Subcomponent 1.3: ICT Solutions for Reaching Down Market

Subcomponent 1.4: Financial Models for Youth, Women and the Very Poor

Subcomponent 1.5: Expanded Access to Small-Scale Clean Energy Systems

Component 2: Financial Regulatory and Market Infrastructure Reforms

The Intermediate Results were as follows:

IR 1: Increased Access to Financial Services for Rural and Agricultural Enterprises

IR 2: Expanded Access to and the Use of Clean/Renewable Energy

IR 3: Incorporate Innovative ICT solutions to Enhance Inclusion

IR 4: Promote New Financial Models for Youth, Women and Very Poor Groups

IR 5: Maximize the Use of DCA Loan Guarantee Facilities

IR 6: Enhance Financial Sector Policy Reforms

To track all the activities under component 1 and 2 above, FIRM's monitoring plan had a total of 31 indicators. FIRM's PMP (with details of program components and IRs listed above) was constructed before the Kenya FtF Multi-Year Strategy was completed. According to the USAID Project Design Guidelines, FIRM was then classified under "existing projects, activities or awards that could contribute to the FtF Results Framework, but require some redesign". FIRM's PMP required alignment to ensure that all the project activities undertaken have the likelihood of contributing towards achievement of the overall ABEO objectives within the Kenya Feed the Future Multi-Year Strategy and Results Framework. FIRM's PMP now has three (3) FtF Intermediate Results and twelve (12) FtF Performance indicators.

Towards the end of Year 2, The FIRM M&E team was trained by ABEO staff on the use of the new Feed the Future Monitoring System (FTFMS), an on-line reporting system that captures quantitative project performance data against key FtF performance indicators and enables various U.S. Government agencies to report into a common M&E system. FIRM reported its end of Year 2 results into the FTFMS, and will continue to use this system throughout the life of the project. In Year 3, FIRM intends to engage the COR and M&E team at ABEO office to revise the targets set for some of the performance indicators at the time of PMP alignment.

1.3.2 Poverty Assessment Tool (PAT)

As a USAID program with a microenterprise component, FIRM is required to report on the percentage of “very poor” clients it reaches. To do this, FIRM will carry out the Poverty Assessment Tool (PAT) survey in Quarter Two and present its findings in a report to USAID/ Kenya ABEO, the MRR team, and the PAT Help Desk. Apart from satisfying a funding requirement, the survey findings will indicate the percentage (from the total study population) of “very poor” clients FIRM is reaching; hence, inform more strategic interventions to targeting this group. The survey will also provide new data on the profile of our partners’ clients support the mid-term and final evaluation of FIRM’s impact.

The target population comprises over 10,000 clients drawn from lists of clients provided by FIRM’s partner microfinance institutions. All beneficiaries in the period between October 1, 2011 and September 30, 2012 will be considered when determining the sample population. Due to time and other resource constraints, the sample will be selected with a bias towards the FtF Zones of Influence. It will comprise about 300 clients from five MFIs, selected through random sampling and spread across Rift Valley, Luo and Kisii Nyanza, and Western provinces. Mapping of the 5 partner institutions’ branch and client locations will be carried out mid-January 2013. Based on the results of the mapping process, logistical planning will begin and the schedule will run according to the timelines set in the implementation plan. During fieldwork, quality control measures will include a daily review of the interview process and milestones accomplished for each interviewer, so as to ensure all questionnaires are completed accurately and the daily targets set are achieved.

1.3.3 Credit Management System (CMS)

Reporting on all Development Credit Authority (DCA) loan guarantees is done through an online internet-based system known as Credit Management System (CMS), which is designed to collect crucial information about credit guarantee loan portfolios globally and is managed centrally by the Office of Development Credit. It is a platform for interaction between the Financial Institution, USAID Mission and the Office of Development Credit to ensure credit compliance and monitoring. Partners report into CMS bi-annually.

FIRM will continue to:

- Monitor the frequency, timeliness, accuracy and validity of data reported into CMS by DCA partners
- Follow up on any outstanding Origination and Utilization fees for each reporting period
- Train new DCA partners on CMS guidelines, procedures and reporting process. Next training session will be conducted at the beginning of Year 3, targeting the Multi-Party DCA partners (KWFT, SMEP DTM and Micro Africa Limited)

1.3.4 Microenterprise Results Reporting (MRR)

Microenterprise Results Reporting (MRR) is an annual report to the U.S. Congress providing funding and program data on USAID's microenterprise activities. The MRR online reporting system, which supports the annual report, tracks USAID's progress towards congressionally mandated funding targets and monitors the results of USAID assistance to the microenterprise sector.

FIRM is required to report on technical support to sub-recipients (financial and non-financial institutions) with a focus on rural microenterprises. FIRM's Partners are not mandated to carry out MRR, therefore, FIRM reports aggregated data that includes its partners' information. This report is submitted during the second quarter of every fiscal year.

1.3.5 Environmental Monitoring and Mitigation Plan (EMMP)

The Environmental Mitigation and Monitoring Plan (EMMP) describes how the Kenya Financial Inclusion for Rural Microenterprises (FIRM) will meet or exceed the requirements of the SO 7 Initial Environmental Evaluation (IEE) and Threshold Decision (and conditions established therein), approved by the Bureau Environmental Officer, and complying with USAID environmental regulations (Regulation 216 and ADS 204). FIRM will build the capacity of financial institutions in environmental screening, institutional environmental policies, environmental soundness, compliance with local environmental laws and ensure USAID's ability to assess impact. Building financial institutions' environmental capacity and considering indirect effects is emphasized in FIRM's EMMP, and measures are provided to conform to Kenya environmental regulations.

1.3.6 Mid-Term Project Evaluation

This will be carried out by USAID/Kenya through MSI in August 2013, and in line with the USAID Evaluation Policy released in January 2011. USAID ABEO will provide the Scope of Work for this evaluation in the second quarter of Year 3.

1.4 Communication Strategy

FIRM recognizes the need to have a communications plan in place to document, share, and review project progress in a regular and systemic manner. Also, as a USAID implementing partner, developing and sharing communications products are project deliverables. Some of these deliverables include: quarterly reports, annual reports, success stories, a website, and a final report. Therefore, in year 3, FIRM will develop a comprehensive communications manual that will provide guidelines and procedures to effectively communicate FIRM's progress to USAID, GOK, FIRM's partners, beneficiaries and the public.

FIRM's communications team will continue to attend monthly meetings for implementing partners organized by USAID's Development Outreach and Communications (DOC) office. In these meetings, FIRM will network with other partners, share a calendar of events and maximize on the opportunities to further expose our project activities through the DOC team. FIRM will also continue to provide success stories to USAID on a weekly basis, and ensure that, through the DOC team, our activities and success stories are featured on

various USAID communications platforms, including Frontlines, Agro-Link, FTF newsletter, Impact Blog and the USAID Kenya website. FIRM website will also go live in year 3.

1.5 Budget

Kenya has the most sophisticated financial sector in East Africa and one of the leading economies of sub-Saharan Africa. The pace of innovation and change is quickening. These two factors have combined to create the conditions to reconfigure FIRM, gearing it to meet the evolving needs of the sector thus ensuring overall success. These changes will require a budget realignment which will include the proposed changes discussed below.

As FIRM evolved and the project incorporated into the Feed-the-Future reporting framework during its second year of operation, there was need for the project to work independently with a diminished need for STTA. Therefore, there was need for additional full-time Kenyan staff. Consequently, our realignment request will move CNN STTA labor to CCN LTTA labor, which in turn will produce more local partnerships with Kenyan institutions thus spurring increased innovation and results. Partnerships also lead to increased financial intermediation into sectors of the economy prioritized by USAID Kenya – primarily in agriculture but also in energy, water, and policy reform.

FIRM is designed to increase financial intermediation and therefore shifting resources will increase results produced by the project and to USAID. This is important since USAID Kenya has requested that FIRM add two thematic areas of partnership: (1) SACCOs and (2) larger-scale clean and renewable energy. FIRM requests to add two long-term Kenyan employees to the project. Supporting our entry into these new thematic areas and to improve the overall reporting function, FIRM will also add two new and important positions staffed by Kenyans: (1) a monitoring and evaluation coordinator and (2) a communications specialist.

Other new USAID requirements – including the growing demands of a large DCA portfolio, the need to expand assistance to new distribution channels (SACCOs, etc.), an increasing number of partners across sectors, and requests for enhanced project communications – further mandate the need to realign FIRM’s budget for 2013 and the two option years.

III. SELECTING PROMISING DEALS TO PROMOTE RURAL FINANCE

FIRM manages Kenya's DCA Loan Guarantee program on behalf of USAID. To date, USAID Kenya has \$62.5M in DCA loan guarantees with 10 financial institutions in Kenya. In Year 3, FIRM will continue exploring more DCA partnerships in the agriculture, clean energy and water sectors, in line with USAID Kenya's development objectives and the overall Feed the Future Strategy.

Potential DCA Guarantees

Agriculture

- **Lesiolo Grain Handlers / Commercial Bank of Africa:** A \$6 Million, 8-year Loan Guarantee (LG) to support Lesiolo installation of a new grain handling facility in Kitale (HR 1) with 50,000T storage capacity. Subsidy cost of \$300,600
- **Rafiki DTM Kenya:** A \$2.5M, 5-year Loan Portfolio Guarantee (LPG) designed to encourage uptake of rain-index crop-insurance products among Kenyan agriculture value chain actors. Subsidy cost of \$208,200

Clean Energy

- **Burn Manufacturing:** A \$3 Million, 5-year Loan Guarantee (LG) to support Burn Manufacturing plant to build and sell 3,000,000 fuel-efficient cook stoves in East Africa by 2020 through local manufacturing. Subsidy cost of \$136,200

Water

- There are no potential deals yet. FIRM will continue to engage with SUWASA, KMT and other technical assistance providers in water and sanitation to identify potential partners for DCAs. The Mission has \$300,000 available for water subsidies.

TA to Build Capacity of Financial Service Providers

In this upcoming year, FIRM will continue to work in partnership with and offers technical support to commercial actors in the financial services industry, Government of Kenya agencies and stakeholders, associations, donors, and business service providers to enhance financial inclusion for rural microenterprises.

The project will concentrate its efforts in the geographical regions under the FTF 2011-2015 Multiyear Strategy which recommends HR1 and SA2. This region covers 27 of the 47 Kenyan counties. The financial products and solutions developed are expected to have significant impact on various agricultural value chains that are the mainstream of these geographical areas FIRM will continue to work with existing commercial actors serving FTF HR1 and SA2 regions; and at the same time review potential working relationship with

other partners interested in working with FIRM to uplift livelihoods of rural microenterprises through financial inclusion.

FIRM will pay special focus to partners who have demonstrated significant impact and willingness to reach out to marginalized groups within the selected geographies in the areas of agriculture, clean energy and water. Technical assistance will be in form of institutional strengthening, financial modeling, creating strategic partnerships and product development for increased impact.

Below is list of assignments/activities in agriculture, clean/renewable energy and policy regulatory reform that FIRM intends to realize.

| # | Partner and Its Geographic Focus | Brief Description | FIRM's Assistance in Prior Years | Planned Assistance in Year 3 | Estimated Timeframe |
|--------------------|--|---|--|--|---------------------|
| Agriculture | | | | | |
| 1 | Molyn Credit Ltd - Western, - Rift Valley, - Central and - Nairobi | - MFI (over 19,000 clients) - Serves low-income households mainly in rural Kenya. - Offers loans (\$50-\$1000) and financial advisory services to self-help and community-based women groups in marginalized areas, particularly small and micro-enterprises. | - April 2012 - A comprehensive three-year strategic marketing plan - Product development: 3 dairy and 1 horticulture products | - Develop bio-gas products (for lighting and cooking) to complement the dairy products. - Target: over 1,000 biogas loans disbursed by the end of 2013. | November 2012 |
| 2 | Small and Micro Enterprise Programme (SMEP) - nationwide - 36 branches - 29 marketing units - covers all major towns in Kenya | - DTM (over 160,000 clients and portfolio of \$100M) - Key financier in agriculture (>20% of portfolio is agriculture) - Wants to further explore opportunities in the ag sector | - 2012, Q1 and Q2 - A comprehensive ag finance strategy (opportunities and a roadmap to guide agribusiness operations) - 5 new agriculture products: horticulture, dairy, livestock, asset and poultry | - Develop a plan to roll-out plan 5 agric. products developed previously. - The products are expected to be rolled from January 2013 in Western, Rift Valley and Eastern provinces. - Develop, roll-out and implement agency banking | November 2012 |
| 3 | Milango Financial Services (MFS) - Coast - Eastern (Meru) - Rift Valley (Nanyuki) | - MFI (over 13,000 clients) - Disbursed over \$4.5 million) - Has fifty-three employees - Interested in raising capital base and development of diverse products in agriculture and clean/renewable energy | - November 2011 - A comprehensive Five-year strategic business plan - Refinement and consolidation of products from 24 to 6 - July, August, 2012 - Fund raising strategy | - Strengthen institutional capacity by training staff, management and the board - Develop four operational manuals, credit, accounting, MIS and human resource manuals and leadership and governance tools for the board. | Sept - Oct 2012 |
| 4 | YEHU Microfinance Trust (YMT) | - MFI (over 12,000 clients) - Serves rural socio-economically | None | - A comprehensive Four-year strategic business plan | Dec 2012 - Jan 2013 |

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|---|--|---|---|---|-----------------|
| | <ul style="list-style-type: none"> - Coast - Planning to spread operations to Eastern | <ul style="list-style-type: none"> marginalized entrepreneurs - Interested in increasing risk appetite towards start-ups, micro enterprises and small business enterprises | | <ul style="list-style-type: none"> - Refinement of products | |
| 5 | Commercial Bank of Africa (CBA) <ul style="list-style-type: none"> - Coast - Eastern - Western - Nyanza - Rift Valley - Central | <ul style="list-style-type: none"> - Commercial bank - Key financier in SME, particularly Dairy Value Chains - Intends to grow SME book with a clear focus in strengthening its agricultural portfolio | None | <ul style="list-style-type: none"> - Develop a policy and procedure manual for the supplier finance product - Develop an agri-centric application (manual) for appraising the product - Refine four dairy products | Sept - Oct 2012 |
| 6 | iCow <ul style="list-style-type: none"> - Countrywide | <ul style="list-style-type: none"> - Voice-based mobile phone application for small-scale dairy farmers - Over 45,000 subscribers | <ul style="list-style-type: none"> - Oct 2011 - Strategy development | <ul style="list-style-type: none"> - Provide business resource and capital support - TA to complete merger deal with Safaricom | Sept - Oct 2012 |
| 7 | Earthoil Extracts <ul style="list-style-type: none"> - Eastern - Rift Valley | <ul style="list-style-type: none"> - Commercial processing and export company - works with over 600 smallholder farmer - Plans to expand number working with the company to smallholder farmers to 7,500 | <ul style="list-style-type: none"> - 2012 - Development of a sustainable financial model. | <ul style="list-style-type: none"> - Develop a pricing model underpinning fair trade agreements - Establish financial linkages for smallholder tea tree farmers groups | Jan –Mar 2013 |
| 8 | Honey Care Africa | <ul style="list-style-type: none"> - Commercial processing and export company - Has pioneered modern beekeeping as a viable livelihood for rural families throughout East Africa - Has helped 15,000 families to grow out of abject poverty. - Interested in making honey production practical and successful for smallholder households while mitigating risks for | None | <ul style="list-style-type: none"> - Technical assistance to pilot test HCA's concept 'business in a beehive' in Kwale - Link HCA with MFIs - Develop systems and structures for HCA's Internal Credit Department - Develop management and operational dashboards for | Sept – Oct 2012 |

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|----|--|--|---|--|-----------------|
| | | lenders. | | HCA | |
| 9 | Kenya Agency for the Development of Enterprise and Technology (KADET) <ul style="list-style-type: none"> - Nyanza - Western - Rift Valley - Central - Coast - Eastern | <ul style="list-style-type: none"> - MFI (over 45,000 clients) - Empowers Kenyan communities with limited and/or access to credit facilities for small and micro businesses. - Plans to mitigate agri-finance related risks and reinvigorate agricultural loan balances | <ul style="list-style-type: none"> - None | <ul style="list-style-type: none"> - Develop a five-year agricultural finance strategy – with viable financing opportunities in dairy, livestock, and horticulture | Feb - Mar 2012 |
| 10 | Micro Africa <ul style="list-style-type: none"> - Eastern - Rift Valley - Central | <ul style="list-style-type: none"> - MFI - client base of 16,000 clients, a portfolio of \$ 6 Million - Portfolio at risk (PAR) 30 days of 3.54%. - Proposes to expand its agricultural portfolio (agriculture portfolio represents 70% of the total MAL's portfolio) and is interested in exploring opportunities in the horticultural sector in the Central, Eastern and Rift Valley Provinces | <ul style="list-style-type: none"> - 2012 - Development of horticulture strategy, depicting financing opportunities in the sector | <ul style="list-style-type: none"> - To assist Micro Africa to set up a branch in Meru to roll-out horticulture products developed earlier by FIRM and E-ware housing product | June – Dec 2013 |

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| 11 | Nyala Dairy SACCO <ul style="list-style-type: none"> - Over 12,000 clients - 5 branches - Central - Rift Valley | <ul style="list-style-type: none"> - A model dairy SACCO - Transformed from Financial Services Association (FSA) to a SACCO - Has over 10,000 members who are primarily dairy farmers - Interested in increased efficiency in of its operations, higher staff productivity, and well defined roles for governance and leadership. | <ul style="list-style-type: none"> - 2011 - Needs assessment for its Dairy farmer members and Sacco operational processes. | <ul style="list-style-type: none"> - Build the capacity of board and staff; - Develop a current, well-structured and standardized training program centered upon well documented policies and procedures and other related documentation. - Refine existing dairy products | <p>Sept - Oct 2012</p> <p>June 2013</p> |
| 12 | Musoni BVMFI <ul style="list-style-type: none"> - Central - Rift Valley - Eastern | <ul style="list-style-type: none"> - MFI (over 8,000 active clients) - Provides most flexible and most customer- orientated financial services in the market through mobile banking services - Mission is to grow, build and maximize the potential of the businesses of the poor and unbanked - Loans range Ksh 5,000-Ksh 140,000 - PAR less than 4%. - Plans to expand into peri-urban and rural areas where clients can further benefit from mobile payments technology | None | <ul style="list-style-type: none"> - Design and develop a five year rural expansion strategy - Create a methodological branch location model support that will see the MFI strategically expand into rural agricultural regions | Feb - Mar 2013 |
| 13 | Opportunity Kenya Limited (OKL) <ul style="list-style-type: none"> - Operations are spread across three provinces - Rift Valley - Western | <ul style="list-style-type: none"> - MFI (over 9,000 active clients) - Serves small and micro entrepreneurs in the rural and peri urban areas. - Loan portfolio over \$5 million - Products target business owners, subsistence farmers, fishermen, sugarcane, dairy and poultry farming - Interested to consolidate operations, | None | <ul style="list-style-type: none"> - Develop a five-year agribusiness strategy to operationalize critical success areas to take advantage of financing opportunities in the agriculture sector. | Jan - Feb 2013 |

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| | - Nyanza | synchronize methodologies and pursue organic growth. | | | |
| 14 | Vegpro Ltd - Central - Eastern - Coast - Rift Valley | - Registered horticulture company - Largest exporter of fresh vegetables and flowers - Uses owned land and outgrowers for production - Has adopted global certification to ensure food safety and meet retailer and consumer requirements - Wants to improve rural microenterprises' access to finance | None | - Design and develop financial products for smallholder horticulture farmers. - Link smallholder farmer groups to various credit providers' access loans through products developed. - Hold financial products forum to disseminate the products to FIs | Dec 2012 Jan – Mar 2013 |
| 15 | Jamii Bora/Sirgon Capital Jamii Bora Bank - Central - Rift Valley - Western - Nyanza Sirgon Capital MFI - Rift Valley (Bomet & Trans Nzoia Counties) | JBB – local bank - Over 300,000 clients - 41 outlets approved by CBK - Aggressive plans to grow its agriculture lending book and - Seeks an effective entry into the agriculture sector Sirgon Capital – MFI - Over 2,000 clients - Serves smallholder farmers involved in dairy, horticulture and livestock farming - Capacity to offer small loans is overstretched - Seeks a strategic partnership with a financial institution that will enable the MFI expand its lending - FIRM is facilitating the partnership deal - | None | - Facilitate partnership operations between the two financial institutions, - Design appropriate product suites for rural smallholder groups for the MFI | March 2013 April 2013 |

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| 16 | Narok Potatoes Farmers Group - Rift Valley (Narok County) | <ul style="list-style-type: none"> - Group with over 70 farmers - Group introduced to FIRM through M-lab workshops - Four partners involved with the group: Europlant to provide quality seedlings, Yara to provide quality fertilizer, Risper investment will purchase the potatoes, and Equity to provide financing for the inputs. - FIRM to provide TA for the financial modeling | <ul style="list-style-type: none"> - 2012 - Assisted in identifying value chain players to address value chain challenges at smallholder levels | <ul style="list-style-type: none"> - Conducted a workshop between farmers, processors, restaurants and financiers. - Facilitated a propagator visit that show cased the potato varieties to farmers - Develop financial model and to pilot-test with a sample of 35 farmers | August 2013 |
| 17 | Business Initiatives and Management Assistance Services (BIMAS) <ul style="list-style-type: none"> - Eastern - Central - Rift Valley | <ul style="list-style-type: none"> - A local MFI - Over 18,000 active clients - Network of 19 branches - Specializes in rural microfinance and serves rural households - Outstanding loan portfolio over \$5 million - Plans to grow loan portfolio by 30% and client numbers by 25% each year over the next three years - To increase its overall market share by developing innovative market-led products key focus on agriculture and renewable energy | None | <ul style="list-style-type: none"> - Develop the strategic business plan – with clear strategic guidelines for agribusiness and renewable energy financing. | May – June 2013 |
| 18 | Federation of Women Entrepreneur Association (FEWA SACCO) <ul style="list-style-type: none"> - Countrywide | <ul style="list-style-type: none"> - SACCO - Adheres to the Kenyan Cooperative Society rules and regulation - Has ambitious vision to become financial solution provider for all interested women entrepreneurs in Kenya. - Serves financial needs of women | None | <ul style="list-style-type: none"> - Develop a comprehensive SACCO framework with requisite systems and processes necessary to deliver financial products and services | Jan – Mar 2013 |

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| | | <p>entrepreneurs registered under various associations that form FEWA</p> <ul style="list-style-type: none"> - Plans to incrementally build managerially self-sustaining and profitable SACCO with full-scale operations, front office savings accounts (FOSA) to back office savings accounts (BOSA) | | | |
| 19 | <p>Century DTM</p> <ul style="list-style-type: none"> - Nairobi - Eastern - Coast | <ul style="list-style-type: none"> - DTM (over 3,000 clients) - Key financier in agriculture finance - Planned expansion includes a planned branch in Eastern Province, Coast and Western Kenya | None | <ul style="list-style-type: none"> - Develop a strategic business plan for the institution and to - Refine and develop market-led products and to conduct pilot test | June 2013 |
| 20 | <p>WESO Microfinance</p> <ul style="list-style-type: none"> - Nairobi - Eastern (Tharaka & Embu) | <ul style="list-style-type: none"> - MFI (financial services company) - Over 2,000 clients - Focuses on women in business - intends to align processes and procedures to accommodate gradual growth and to facilitate efficient delivery of services | None | <ul style="list-style-type: none"> - Conduct process mapping and policy/ procedures manual development for efficient delivery of services - Conduct product development agriculture finance products | June 2013 |
| 21 | <p>Mumias Sugar Company</p> <ul style="list-style-type: none"> - Western | <ul style="list-style-type: none"> - Largest sugar processing company in Kenya - Targets to uplift the living standards of cane farmers. - Company interested in partnering with financial institutions to provide financial services to cane farmers to diversify to dairy farming | None | <ul style="list-style-type: none"> - Develop a strategy for agribusiness lending, - Product development and capacity building for cane farmers with interest in dairy farming. | May 2013 |
| 22 | <p>Kenya Livestock finance Trust (KLIFT)</p> <ul style="list-style-type: none"> - Countrywide | <ul style="list-style-type: none"> - Financial services company - Over 300 members - Loan portfolio of \$400,000 - Targets veterinarians, livestock | None | <ul style="list-style-type: none"> - Develop a strategy business plan - Develop and refine products for the microenterprises | June- July 2013 |

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| | | traders, producers to provide working capital | | they are working with | |
| 23 | Rafiki DTM - Countrywide | <ul style="list-style-type: none"> - DTM (over 30,000 clients) - Key financier youth in business - Plans to grow capital base, create a critical youth brand proposition and to increase its overall market share through sound strategic expansion while meeting relevant community social needs | Development of a strategic business | <ul style="list-style-type: none"> - Develop an ICT strategy that will create efficient and effective systems and processes - Develop training manuals and deliver TOT for staff and management. - Explore financing opportunities in the agricultural sector | |
| 24 | Credit Factory for DTM and MFI - Countrywide | <ul style="list-style-type: none"> - FIRM's idea to establish a fund to reduce overall cost of credit, and make finance more affordable for rural microenterprises. - To push accessible and affordable credit to rural smallholder farmer groups across various value chains | None | <ul style="list-style-type: none"> - To develop credit factory aimed at making credit affordable | March 2013 – ongoing |
| 25 | Credit Scoring for DTMs - Countrywide | <ul style="list-style-type: none"> - FIRM's idea to establish a credit scoring, to enable DTMS to make credit decisions easily - Will enable full utilization of CRB scores and at the same time make credit affordable | None | <ul style="list-style-type: none"> - Hold a Risk Management and Credit Scoring workshop for DTMs - Develop and introduce credit scoring toolkits to DTMs, the aim is to make credit reports and scores an integral part of credit and risk decisions and pricing | |
| 26 | Jamii Bora Bank - Countrywide | <ul style="list-style-type: none"> - A local commercial bank - Dedicated customer base of > 300,000 - 41 outlets countrywide, of which 11 are already fully-fledged CBK- | None | <ul style="list-style-type: none"> - Develop an agriculture SME finance strategy that will identify viable financing opportunities in selected | May 2013 |

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| | | <p>approved branches.</p> <ul style="list-style-type: none"> - Aims to become middle tier by the end of 2013 and to eventually become a Pan-African micro financier - plans to build on agriculture and SME sectors as its key pillars for growth | | <p>commodities and areas of interest include dairy, cereals (sorghum), and horticulture</p> | |
| 27 | <p>REMU DTM</p> <ul style="list-style-type: none"> - Eastern Rift Valley - Nairobi | <ul style="list-style-type: none"> - DTM (customer base of 5,000) - Asset base of \$ 2.1 Million and a deposit base of \$ 0.23Million), a loan portfolio of \$ 0.81Million) - Credit offered through both individual and group lending methodologies. - Mission to provide unique and innovative financial services in a manner that adds value to all stakeholders - Interested in diversifying products range and building the capacity of board and staff to deliver services | None | <ul style="list-style-type: none"> - Designing and delivering market led products and services; - Capacity building – the board of directors, staff and customers; | June 2013 |
| 28 | <p>Value Chain Finance Centre (VCFC)</p> <ul style="list-style-type: none"> - Countrywide | <ul style="list-style-type: none"> - Joint partnership between Kenya FIRM and Financial Sector Deepening (FSD) - Established to strengthen agricultural value chains by developing appropriate and sustainable finance | <ul style="list-style-type: none"> - Dairy value chain finance research | <ul style="list-style-type: none"> - Review embedded technical assistance to Kenya Commercial Bank’s dairy lending - Cotton value chain study to identify financial gaps and recommendations for financial products development for actors in the chain. | Oct – Dec 2012 |
| 29 | <p>M-lab East Africa</p> <ul style="list-style-type: none"> - Countrywide | <ul style="list-style-type: none"> - Regional mobile applications laboratory for East Africa - Services to mobile entrepreneurs in the region include business incubation, | <ul style="list-style-type: none"> - 2012 - Supported six forums | <ul style="list-style-type: none"> - USAID FIRM to sponsor three M- Lab events in this calendar year | June – Sept 2013 |

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| | | <p>developer training, application testing, ecosystem building and market research</p> <ul style="list-style-type: none"> - M-Lab organizes wireless Wednesdays, to showcase the region's mobile entrepreneurship progress and to advocate for the growth of the sector - Events are held after every alternate month - Forums provide a platform for growth of developers and identification of critical success factors for their applications | | | |
| 30 | <p>Mobipay Agrlife platform</p> <ul style="list-style-type: none"> - Countywide | <ul style="list-style-type: none"> - An innovative mobile money platform - Working with 4,000 farmer groups - Designed to enable farmers run cashless transactions while creating visibility by creation of retractable statements. - Platform enables farmers to receive their product proceeds (such as dairy) via mobile money and can make payments via Points of Sale (POS) with their various service providers | None | <ul style="list-style-type: none"> - Develop an expansion strategy for Agrilife - Link Mobipay to FIRM's financial service provider to increase access to finance for various underserved agricultural value chains | July – Sep 2013 |
| 31 | <p>Sokoshambani</p> <ul style="list-style-type: none"> - Rift Valley | <ul style="list-style-type: none"> - Mobile solution - Developed by Zevan Technologies - Designed to assist smallholder potato farmers to access markets mainly processors and restaurants. - Interested in financial linkages | None | <ul style="list-style-type: none"> - Ensure financial model is well refined for effective pilot - Link group to financial partner and a processor or restaurant(s) | Mar - Apr 2012 |
| Clean and Renewable Energy | | | | | |
| 32 | KWFT DTM | - DTM (over 600,000 clients | - Development of | - Refine existing | Feb – Mar 2012 |

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| | <ul style="list-style-type: none"> - Countrywide - 225 branches - Has presence in every district in the country - covers all major towns in Kenya | <ul style="list-style-type: none"> - Premier deposit-taking microfinance institution in Kenya - Focused on providing financial services to women to create wealth and build assets - Fully compliant with CBK's associated guidelines and regulations. - Target to increase profitability twofold and add multiple products within a three-year timeframe. - | <ul style="list-style-type: none"> clean/renewable energy strategy - Development of clean/renewable energy prototypes | <ul style="list-style-type: none"> clean/renewable energy products, - Develop, pilot test and roll-out new products developed in the process. | |
| 33 | <p>Small and Micro Enterprise Programme (SMEP DTM)</p> <ul style="list-style-type: none"> - nationwide - 36 branches - 29 marketing units - covers all major towns in Kenya | <ul style="list-style-type: none"> - DTM (over 160,000 clients and portfolio of \$100M) - Key financier in clean and renewable energy - Wants to further explore opportunities in the clean/renewable energy sector | <ul style="list-style-type: none"> - 2012 - Agribusiness finance strategy | <ul style="list-style-type: none"> - Conduct market needs assessment - Develop and roll-out clean/renewable products to enhance access of these products to small-scale renewable energy users. - | May - June 2013 |
| 34 | <p>Micro Africa</p> <ul style="list-style-type: none"> - Eastern - Rift Valley - Central | <ul style="list-style-type: none"> - MFI - Client base of 16,000 clients, - Portfolio of \$5.5 Million - Portfolio at risk (PAR) 30 days of 3.54%. - Clean/renewable energy portfolio contributes 0.5% of Micro Africa's portfolio and they are interested in improving this to 10% of the total portfolio by the end of 2013. | <ul style="list-style-type: none"> - 2012 - Development of horticulture strategy | <ul style="list-style-type: none"> - Conduct market assessment to identify financing opportunities - Develop and refine clean/renewable energy products - Scale-up bio-gas product by collaborating with KENBIP, a program providing subsidy for installation of the biogas plant | June - July 2013 |

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| 35 | Kenya Renewable Energy Association (KEREAA) -Countrywide | <ul style="list-style-type: none"> - Non-profit association - Umbrella organization of renewable energy providers - Dedicated to facilitating growth and development of renewable energy business in Kenya - Involved in building capacity of stakeholders in solar, wind and hydro - Collaborates with the ministry of energy, ERC to set policy regulations in the sector - Interested in building the capacity of providers of clean and renewable energy | None | <ul style="list-style-type: none"> - Build the capacity of technicians in solar, wind and hydro in 10 technical institutions in Kenya. | June - July 2013 |
| 36 | Viability Africa -Countrywide | <ul style="list-style-type: none"> - Business service provider in clean/renewable energy | None | <ul style="list-style-type: none"> - TA to implement clean/and renewable energy projects in wind, hydro and biomass in areas that are not connected to the grid. | June – Sept 2013 |
| Financial Regulatory and Market Infrastructure Reforms | | | | | |
| 37 | Kenya Credit Information Sharing Initiative (KCISI) - Countrywide | <ul style="list-style-type: none"> - A partnership between FIRM, CBK, FSD, FLSTAP - Objective is to underscore importance of credit information sharing amongst all credit providers and motivate affordable financial inclusion for good borrowers | <ul style="list-style-type: none"> - 2012 - Capacity assessment of DTMs and Credit only MFIs to participate in credit information sharing - Pilot for 13 MFIs on credit information submission to CRBs - Supported four forums to sensitize credit providers on information sharing - Supported production of | <ul style="list-style-type: none"> - TA to develop a communication strategy for KCISI to outline how proposed dissemination channels such as a newsletter and the website will be used. - Support registration of the Association of Credit Providers of Kenya - to serve as the umbrella body for all credit providers in | <p>Oct 2012</p> <p>August 2013</p> <p>April 2013</p> |

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| | | | KCISI quarterly newsletter with milestones in credit information sharing | Kenya such as Banks, DTMs, Credit only MFIs, Saccos, DFIs, utility companies, telcos, AFC, HELB etc. | August 2013 |
| 38 | National Economic and Social Council (NESC) - Countrywide | - Created by the president in 2008 - Aims improve the socioeconomic development environment through addressing policy issues in line with vision 2030. | - 2012 - Needs assessment desk reviews and interviews on the need for credit guarantee schemes within the country. - Empirical analysis of questionnaire to six sectors on the need for credit guarantees, the sectors were: women, youth, construction, exporters, banks and government bodies. | - Support analysis of data and validation workshop - Develop a credit guarantee policy and bill for the government of Kenya | Oct – Nov 2012 May – June 2013 |

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| 39 | Association of Microfinance Professionals of Kenya (AMPK) - Countrywide - | - An Association - Registered in June 2008 - Operates under Section 10 of the Societies Act of the Republic of Kenya. - Works in partnership with other financial sector players, - Strives to professionalize the microfinance sector by creating high professional standards - Interested in building capacity of its members to attain set objectives | - 2012 - Supported two workshops sensitize members on association goals and to develop common lobbying platform | - Build capacity of AMPK members - Develop strategic business plan for the association | May 2013 |
| 40 | Central Bank of Kenya - Countrywide | - Kenya's central bank | - Anti-money laundering and terrorist financing - Customer Due Diligence and Record Keeping - Suspicious Transaction Reporting - Assisting on credit information sharing initiatives | - Support workshop on anti-money laundering. - Support credit Information sharing workshop - Support workshop on prudential guidelines for the microfinance sector - Capacity building for staff | Oct 2012 – June 2013 |

IV. PARTNERSHIPS WITH OTHER USAID-FUNDED PROJECTS

FIRM has partnered with other USAID-funded projects to create financial linkages and financial models within various value chains. In the past FY, FIRM has recorded significant progress in value chain financing through partnerships with two key ABEO projects:

Kenya Horticulture Competitiveness Project (KHCP)

The Kenya Horticulture Competitiveness Project (KHCP) is a USAID initiative helping small farmers and allied agribusinesses take advantage of local, regional, and global market opportunities. Designed on the premise that the horticulture industry can be transformative for rural income, employment generation, and food security, USAID-KHCP focuses on enhanced productivity, increased value-addition, improved value-chain coordination, marketing, and trade promotion, improved business environment, and institutional capacity.

FIRM has successfully developed and implemented financial models for USAID-KHCP farmer groups – a case example is Earthoil's farmer groups. FIRM plans to further engage with more KHCP horticulture farmer groups in Bomet and Meru to either replicate the financial models or design and develop products that will enable smallholder horticulture groups across the access affordable financial services.

As a result FIRM will seek to design and develop financial products that will link the groups to affordable credit.

Kenya Drylands Livestock Development Program

The Kenya Dry lands Livestock Development Program (KDLDP) is helping pastoralist households in northeast Kenya overcome the many existing obstacles to achieving both economic and food security in the region. In an area where the livestock industry provides work for 90% of the labor force and contributing to as much as 95% of family incomes, problems include limited access to financial services, poor access to inputs like seeds and water, unsatisfactory disease control measures, lack of price transparency, poor linkages between producers and markets, and – most immediately – drought due to climate change.

FIRM worked with KDLDP to set up a Community Owned Finance Institution (COFI) which is a Shariah-compliant savings and credit cooperative. It is the first of its kind to be offered in Kenya and is a remarkable breakthrough for pastoralists, SME's and the Muslim community. The COFI SACCO's goal is to enable pastoralists and lower-income individuals and groups access adequate financial services and promote a dynamic development of these economic sectors. FIRM will build the capacity of the COFI board and staff in June 2013 to facilitate delivery of services to their members.

FIRM is also exploring partnerships with other USAID-funded programs and ABEO projects working in FTF zones and the ASALs.

V. CROSS-CUTTING ISSUES: GENDER AND YOUTH & ICT

Over the last two years, FIRM worked with women, youth and marginalized groups in rural Kenya to increase access to credit, savings, insurance and mobile money transfer services. FIRM's objective in working with this target group is to strengthen the overall financial system by assisting financial institutions to develop appropriate strategies and market-led products. FIRM has on-going assignments with four financial institutions that have put a special emphasis on youth, women and marginalized groups. They include KWFT DTM, the premier microfinance institution in Kenya serving over 700 clients who are all women; Rafiki DTM who specialize in empowering the youth to run their own enterprises/businesses successfully; Youth Enterprise Program (YEP) which is a government-funded project that ensures the youth are able to access credit; and Banking on Change project, spearheaded by Barclays Bank Kenya and Care Kenya, to facilitate financial linkages between community saving groups (whose primary clientele is youth and women) and the financial institution using a mobile banking platform.

In the third year, FIRM's approach will include continued support to the four partners to escalate and upgrade their operations to reach more rural enterprises in this segment and to explore partnerships with other financial and non-financial institutions serving the segment in order to facilitate development of products to reach lower markets, that includes, but is not exclusive to, women and the youth.

VI. ENVIRONMENTAL ISSUES

The key USAID environmental compliance requirements are:

- Potential environmental impacts must be considered and "mitigation measures" or design changes incorporated.
- No funds may be obligated or activities implemented without approved Reg. 216 environmental documentation.
- Any resulting mitigation and monitoring conditions must be written into procurement instruments, implemented and monitored
- Activities that have potentially adverse effects on the environment and human wellbeing are not allowed, or may require extensive impact assessment.
- Environmental compliance must be assessed in annual reports by implementing partners and USAID.
- Environmental compliance documentation must be maintained.

Therefore in Year 3, FIRM will:

- Carry out environmental due diligence on selected partners to identify environmental risks and institutional needs to ensure compliance

- Develop an exclusion list – like in all DCA guarantee agreements - of activities that may not be financed by FIRM partners as a result of our technical assistance
- Outline environmental and sustainability considerations in FIRM manuals and policies and include a section on environmental compliance in MOUs with partners
- Facilitate training in environmental reviews of credit applications and projects by partner financial institutions and link our partners to environmental business service providers; distribute environmental best-practices information to meet GOK, USAID and DCA requirements
- Monitor environmental progress to help strengthen each institution and report environmental actions and progress

FIRM's activity on Financial Regulatory and Market Infrastructure Reform has no requirement for environmental mitigation. It has been "categorically excluded." However, FIRM will take this opportunity to address issues of gender, youth, ICT, environment and renewable energy during activity reviews, trainings and studies with partners.

ATTACHMENTS

Attachment 1: FIRM Workplan Gantt chart

Attachment 2: FIRM Stakeholder Engagement Directory (FIRM Partners' List)