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EVALUATION OF
THE KENYA COMMERCIAL BANK
INFORMAL SECTOR
"JUA KALI" LOAN PROGRAM

(A Pilot Scheme)

Evaluation Report No. :
February-March, 1988

Submitted by:
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PROJECT IDENTIFICATION DATA

1. COUNTRY: Kenya

2. PROJECT TITLE: Kenya Commercial Bank (KCB) Informal Sector "Jua Kali" Loan Program

3. PROJECT NUMBER: 615-0227 Program Grant Agreement between KCB and the Ministry of Finance under Local Currency Programming

4. PROJECT DATES:

   a. Signing of Grant Agreement: December 1986
   b. Jua Kali Account Established: January 1987
   c. Targeted Project Activity Completion Date: December 1989 or until funds are fully utilized

5. PROJECT FUNDING:

   a. USAID Bilateral Funding: None
   b. Kenya Commercial Bank: Covers 2% of portfolio losses under the project, the 8% interest on the Jua Kali Account, and uses its own funds for lending up to Kshs 2.5 million (equal to the loan guarantee part of the Jua Kali Account).
   c. Other Major Donors: None
   d. Host Country Counterpart Funds: Kshs. 5.0 million grant to Jua Kali Account of which:
      * Kshs. 2.5 million for loan guarantee (98%)
      * Kshs. 2.5 million for administrative costs

   <u>Total Funding</u> Grant: Kshs. 5.0 million

6. MODE OF IMPLEMENTATION: Implementation by KCB with oversight responsibility accorded to their Business Advisory Services Division. The Investment Promotion Center (IPC) of the Ministry of Finance performs duties assigned to the Treasury under the Grant Agreement as their appointed agent for execution of the Project.

7. PROJECT DESIGN: The Investment Promotion Center with Mission assistance.

8. RESPONSIBLE OFFICIALS:
   a. Project Officer: Doug Kline
   b. Mission Director: Steven W. Sinding

9. PREVIOUS EVALUATION AND REVIEWS: None

10. COST OF PRESENT EVALUATION: None, as it was conducted internally by a representative from the Office of Projects in the Kenya USAID Mission and a representative from the Investment Promotion Center of the Kenya Ministry of Finance.

Evaluation of the Kenya Commercial Bank (KCB) Informal Sector "Jua Kali" Loan Program

I. EXECUTIVE SUMMARY

A. INTRODUCTION AND PURPOSE OF PROJECT

The informal sector in Kenya has been receiving increasing attention in recent years from the GOK, non-governmental organizations, and donors alike. Not only is it seen to provide employment opportunities at an extremely low level of investment per job, but it is also an excellent breeding ground for indigenous entrepreneurs. Informal sector activities have demonstrated considerable potential for employment creation because of their labor intensity and, consequently, the development of this sector in Kenya is playing an increasingly important role in absorbing a growing proportion of the labor force.

Parallel to this development, however, is the growing belief that the informal sector will be unable to sustain past performance unless assistance is provided to overcome constraints imposed on it and to improve the operation of its enterprises. The principal constraints currently facing informal sector entrepreneurs are lack of financial and physical capital combined with poor access to credit (see the ILO publication, "Informal Sector Employment in Kenya"). Most of these entreprenuers have little or no security and, therefore, cannot be considered for loans by formal financial institutions. Consequently, they either can not borrow the money they need to improve their businesses or they must rely on informal sources of credit which are usually accompanied by prohibitive interest rates ranging to more than 100%/month.

Although several government and non-government organizations in Kenya are now beginning to assist the informal sector with their own credit programs, their early results have been generally disappointing. Default rates have often been very high and administrative costs exorbitant.

These conditions provided the basis for the design of this pilot project: to develop a loan program within a formal financial institution which would target the informal sector without jeopardizing the financing institution's profits. The purpose of the Jua Kali Loan Program at Kenya Commercial Bank is fourfold:

1) to assist in the expansion and growth of informal sector enterprises through loans to individual entrepreneurs;

2) to support the initiation of new jua kali enterprises by Kenyans in fields relevant to their abilities and experience;

3) to train informal sector entrepreneurs in the skills necessary to become successfully run and expand their operations; and

4) to test the feasibility of providing credit and training to jua kali entrepreneurs through the formal commercial banking system.

B. USAID ASSISTANCE

In December 1986, an agreement was signed between the Kenya Commercial Bank, Limited (KCB) and the Government of Kenya, as represented by the Ministry of Finance, to place Kshs. 5.0 million in local currency funds generated by USAID program assistance into a Jua Kali Account. Kshs. 2.5 million was to be used as a 98% guarantee of the loans provided to informal sector entrepreneurs, and the remaining 2,5 million was to cover the costs of implementing and administering the program. This included entrepreneur selection and training, extension and advisory services, and loan supervision.

The project was designed to test the hypothesis that commercial banks can be used effectively to provide credit to informal sector entrepreneurs without collateral, provided there are some incentives in the form of loan guarantees and support of administrative costs to ensure a no loss situation for the bank.

C. PURPOSE OF THE EVALUATION

This evaluation, conducted during February-March 1988, is the first evaluation of the Kshs 5.0 million pilot project. Although this only represents the first year of a three-year project, it has been observed that most of the targets will have been reached by mid-term of the project. The purpose of this evaluation is to evaluate the current status of the Jua Kali Loan Program with the objective of utilizing the information and lessons learned in designing a possible second phase. It is anticipated that if it is found to be successful, or with sufficient potential to become so, additional counterpart funds may be devoted to its expansion.

The findings and recommendations found in this report are the result of a two week period of interviews with the following: a random selection of thirteen Jua Kali clients at their business sites; five out of ten participating Branch Managers and their respective Advances Officers; all three of the participating training organizations; each member of the Business Advisory Services staff participating in the program; the KCB Head Office Credit Division Manager; the Chief Manager of Marketing and Credit; and the KCB General Manager. Further details are found in the attached Scope of Work (Appendix A).

D. OVERALL FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Based on the findings listed below, the principal conclusion of this evaluation is that the pilot program has generally proven successful and deserves consideration for expansion. Our recommendation is that the program be expanded considerably, from Kshs. 5.0 million to Kshs. 50.0 million, provided that the necessary staffing can be provided accordingly and that the recommendations listed below are carefully considered in designing the expanded program.

The principal justifications for this conclusion fall into three categories. First, the demand for the program has been so overwhelming that KCB is not only a year and a half ahead of schedule in loan processing, but it has also been obliged to put a hold on the processing of any new loan requests for lack of loan funds and staff to process applications. Moreover, although the pilot program was focused only on the Nairobi area, numerous informal sector entrepreneurs in the rural areas have inquired as to the possible expansion of the program into the provinces.

Second, the repayment rate on the loans has been better than anticipated (particularly better than the bank's predictions) and certainly comparable to normal bank loans. It was presumed in the design of the project that because banks provide credit as a business, they would not only have better credit risk analysts, but they would also assess loans in a more cost effective manner than other organizations. To date, KCB's relative performance and caution in lending has proven this assumption correct.

Finally, the development of the informal sector continues to be a primary emphasis of the Government of Kenya. The Ministry of Finance and the President himself have provided consistent support and initiative in singling out the Jua Kali area as a target for employment generation and the development of the Kenyan economy.

It is, therefore, proposed that an additional Kshs. 50.0 million in local currency funding generated by USAID program assistance to the GOK be utilized in the following manner: (for a more detailed explanation of the expansion, refer to Appendix B)

1) The expanded Phase II of the program should operate over a period of three years.

2) The program should expand on a phased basis into three or four provincial capitals, the selection of which should be based on consultation with relevant KCB staff. We tentatively propose Kisumu, Nyeri, Eldoret and Mombasa as initial targets.

3) The Nairobi program should begin expansion during the 3rd quarter of 1988, while expansion into the first provincial capital should begin in the first quarter of 1989.

4) Bank administrative and training costs devoted to the program will continue to be covered by the Account. It is estimated that the 8% interest, paid annually over a period of three years on the Kshs. 50 million, will cover Kshs. 11.5 million of the administrative costs (estimated at Kshs. 25.0 million). The remainder should be covered by the Account. A tentative project budget is presented in Appendix B

5) The remaining amount is proposed to be allocated on an annual basis as 98% loan guarantees: Kshs. 5.0 million to Nairobi, Kshs. 2.5 million to each provincial capital as it is phased in to the program. In its first year of the expanded program, however, each provincial capital branch is expected to lend Kshs. 1.0 million and build up its lending to Kshs. 2.5 million per annum from the second year.

6) The loan ceiling should be raised from Kshs. 20,000 to Kshs. 50,000. Those who have successfully repaid their first loans under the Jua Kali Program will now be eligible for loans up to Kshs. 100,000.

Although the Jua Kali Loan Program is not and will likely never be self-sustainable because of the inclusion of training and certain inherently excessive administrative costs, it is the conclusion of this evaluation that the costs of running such a program are lower than originally anticipated and will diminish over time. It has been demonstrated that, as KCB staff gain experience in processing informal sector loans and gain confidence in their own ability to assess the risks, less staff time will be necessary to administer the program. Moreover, with an expanded program, approxima half of the administrative and training costs will be covered by the interest paid on the Jua Kali Account. Because the program is designed such that the bank should incur no overall loss on lending while it lends the Jua Kali Account funds at higher rates than it pays into the Account, it is clear that an expanded program can be commercially viable for KCB.

II. SPECIFIC FINDINGS AND RECOMMENDATIONS

A. OVERALL PERFORMANCE (Refer to Appendix C)

1. The demand for the program is enormous, far exceeding predictions made during the design of the project: KCB received well over 1000 applications within the first year of the project, representing over Kshs. 40 million in loan requests, although the project was designed to provide only 100-150 loans over a period of 3-5 years. KCB has currently decided to put a halt on the processing of any new applications until further notice is given on the expansion of the program.

Recommendation: The expansion of the Nairobi part of the Jua Kali Program should begin before moving the program out to the provincial capitals. This would allow the program to resume its original pace, removing the halt on further processing. It is suggested that Nairobi begin using the new funds in the third quarter of 1988.

(NOTE: If the Bank were to allow leveraging of the guarantee money in the Account at an estimated default rate of 20%, it would be able to increase its lending power fivefold. This, however, would require external support for administrative costs to increase substantially until such time as margin profits on outstanding loans cover a higher percentage of these administrative costs.)

It is apparent from the significant demand that promotion of the expanded program in Nairobi will require minimal efforts. Use of press, radio and television by participation in press conferences should be sufficient.

2. Of the 1000 applicants, 170 entrepreneurs have completed training, 76 applications have been approved, and 44 loans have been disbursed. The discrepancy between those who have been trained and those who have received loans is due primarily to the length of time it takes to process the loans and not to attrition or rejection by the bank (Appendix C-3 and C-4).

3. BAS estimates that approximately 200 applicants will be receiving loans by August 1988 (based on the number of applicants that have been trained and evaluated): This exceeds the target of 100-150 loans over three to five years by one and a half years and 50 loans. This can be attributed in part to the fact that the program focused on only one of the three categories of loans originally designed for the program.

This figure, however, does not correspond with the amount of guarantee funds available in the Account (Kshs. 2.5 million) and the average size of loans to date (Kshs. 19,000). 200 loans at Kshs. 19,000 would total Kshs. 3.6 million, exceeding the amount available under the program for guaranteeing the loans.

Recommendation: Either KCB should lower its estimates for loan disbursal or it should lower the size of loans it is making to reach an average of Kshs. 12,000. If the program is expanded, the excess anticipated borrowers could be absorbed by the new guarantee funds. In our estimates for future lending, we assumed an average loan size of Kshs. 20,000, based upon historical evidence to date.

4. Although too early to draw definitive conclusions, the rate of delinquency (accounts in arrears) of the program appears comparable to normal lending (appx. 20%) and the default rate is currently at 2%. When compared to similar lending programs through Non-Bank Financial Institutions and Non-Governmental Organizations, these results are excellent (Appendix C-7 and C-8).

5. The loans have reached part of the target group, that is, those who are established informal sector entrepreneurs. The branches have been cautious, however, and have actually avoided lending to start-up enterprises and to entrepreneurs which have the least "security" (e.g: chattel mortgages, established business premises, existing machinery, etc.). The result has been that while many worthy small entrepreneurs have been assisted through the program, very few start-up/no security Jua Kali entrepreneurs have been reached (those who have no shelter, no machines and often need only working capital).

Recommendation:

Option 1: BAS should make a new push during the Phase II of the Jua Kali Program to get those Branches who have already participated in the program to begin to target the slightly riskier groups (eg. some start-up operators drawn from polytechnic graduates). Although it is currently not bank policy to do so, it could be argued that, given the successful performance to date and given the 6% spread the bank should be willing to take greater risks on the start-up/no security Jua Kali applicants..

(NOTE: While broadening the focus of the program is an important development objective, KCB should carefully balance this objective with that of expanding presence in rural areas. Simultaneous rural expansion and broadening the focus to include start-up entreprises may jeopardize the program. Hence, a staged approach emphasizing the rural expansion first would appear most logical.)

Option 2: As the advisors of the program, BAS should write up a list of alternatives for the Branches in judging the risk of a Jua Kali client who will be using no chattel mortgages and/or has no physical place of business. This will provide the branches with some guidance and an underlying vote of confidence from the Head Office to go ahead and take greater risks.

6. The number of applicants to the program have been predominantly Kikuyu (53%), Luo (28%), and Luhya (8%), while the distribution between sexes has been 71% male and 29% female. Of the approved loans these last percentages change to 66% male and 34% female. There has been no predominant trade among the applicants, although of the approved loans, tailors made up 24%, mechanics 21% and tinsmiths 15% (Appendix C).

7. The most frequently applied-for loan amount is between Kshs. 10,000 and 20,000, whereas the majority are under Kshs. 50,000 (81%). The average loan size applied for is Kshs. 41,000, while the average size of an approved loan is Kshs. 19,000 (Appendix C-1 and C-4).

Recommendation: The loan ceiling should be raised form Kshs. 20,000 to Kshs, 50,000 to incorporate some of the more diverse needs of the clients. Extreme caution should be taken, however, to ensure the viability of loans over Kshs. 20,000, particularly in the rural areas. Those who will have successfully repaid their first loans under the program should then be eligible for loans up to Kshs. 100,000.

B. MANAGEMENT AND ADMINISTRATION (See Appendix D)

1. The burden of initial processing of each of the applicants was too great for BAS: It was obliged to allocate the applicants to ten Nairobi area Branches for initial screening. Even with this allocation, however, the burden of subsequent processing remained excessive and consumed more staff time than was envisaged in the project design.

Recommendation: Although it is very early to determine whether or not the current steps required to process loans are too excessive, there are a number of minor modifications that could be made immediately. These suggestions are provided in Appendix D. It is also recommended that a second evaluation take place in September 1989, after which the program could begin experimenting with giving more authority to the Branches. This would cut down considerably on the processing steps and BAS staff time devoted to program administration, but presents too much risk at present.

2. <u>Although the initial Grant Agreement provides for the employment of two full-time consultants</u>, one to work at BAS and the other at the single Branch designated for the program in the design, <u>only one such consultant has been administering the program</u>. Consequently, this single BAS staffer has been extremely overburdened with the very high administrative requirements of processing and monitoring the loans (essentially due to larger than anticipated volumes of applicants). It should be noted, however, that this staffer was supported by the efforts of the Branch staff on a regular basis and by other BAS staff, particularly in the start-up phase of the Program.

<u>Recommendation</u>: If the program is expanded, two additional full-time consultants should be hired to help cover the Nairobi program. It is further recommended that one KCB staffer be hired to cover the Jua Kali Program in each rural Branch included in the expansion. Each of these new people should undergo training in Nairobi with the current Jua Kali Officer before being assigned to their respective branches. In all, it is estimated that, by the end of the expansion phase, there will be five to six new people employed by KCB and devoted to the Jua Kali Loan Program.

The pros and cons of employing the additional staff on contractual or regular terms should be carefully considered. It is our suggestion that most of the new staff be hired as regular KCB personnel and then be provided with informal sector training. Our reasoning is that KCB staff will be trained as bankers and it is this qualification which appears to have contributed to the current success of the program. If the recruiting process proves too difficult for KCB, a private consulting firm could be hired to do a search and the Jua Kali Account could provide funding for the appropriate training.

3. Currently <u>there is only one secretary in the BAS office to take care of all BAS activities</u> including the Jua Kali Program, the Loan Guarantee Scheme and all other consulting responsibilities. Consequently, the current Jua Kali Officer spends an inordinate amount of time entering data into the computer, typing schedules and letters, and is unable to do more important activities (like the final selection of loan applicants) in a timely manner.

<u>Recommendation</u>: If the program is to be expanded, an additional clerk should be hired to cover Jua Kali activities <u>only</u>. In addition to relieving the clerical burden from the Jua Kali Officer(s), this would contribute to the overall efficiency of the office by allowing the other secretary to concentrate on BAS's other activities.

4. BAS has not yet worked out a regular system to monitor the numbers and amounts of loans disbursed from the Branches from the Head Office (although each individual branch maintains its own records in a satisfactory manner). In order for BAS to obtain this information, it must reach each individual branch separately. The Grant Agreement provided 3 forms (Annexures 6, 7 and 8) to be sent to each branch to fill out on a monthly basis, but it was decided unilaterally by BAS that these forms were too complicated and placed an undue burden on the branches that they did not have with "normal" loans.

Recommendation

Option 1: Upon consultation with the branch users, redesign, if necessary, the forms in Annexures 6, 7 and 8 in such a way that branches will be able to complete them as rapidly and easily as possible. Send the forms to the branches immediately and indicate that they are required to complete them on a monthly basis.

(Comment: This will require a constant monitoring effort from BAS and contribute to the already extensive "paper burden" generated by the program).

Option 2: Establish a system through KCB's central computer whereby the branches are required to enter a code for each Jua Kali Loan they make. This would allow the Information Processing Dept (IPD) to print out Jua Kali Loans separately from the regular loans on a weekly or monthly basis. This option will only partly alleviate the need for completing the forms mentioned above. The information necessary to prepare debits to the Jua Kali guarantee Account will still be lacking.

(Comment: The Manager of BAS, has already presented this idea to IPD and they appeared very willing to cooperate. A problem arises, however, with the fact that this suggestion can be easily implemented for loans but not for overdrafts. Consequently, a separate system must be devised to monitor overdrafts until that point in time when the new, more comprehensive computer system is installed).

5. There is no reward or award system set up to recognize those branches who are going above and beyond the call of duty in the Jua Kali program. The only motivation for the scheme seems to be the knowledge that they are helping the "little man" and that the program has shown very positive returns to date.

Recommendation: 1) Branches who perform exceptionally should be recognized either through a personal letter from the Chairman commending their efforts or through an article in the Ken-Com Digest describing their achievements.

2) Branches should be selectively assigned credit authority for approval of Jua Kali loans as recognition for superior performance.

6. Many of those interviewed have said that if it were not for the dedication and effort of the principal BAS officer for the program, the Jua Kali Loan Program, from the BAS standpoint, would collapse. Most of the others at BAS are extremely occupied with their own projects and have little time or motivation to work on Jua Kali; no one's job description specifically includes the Jua Kali Program and no one's overall job performance will be judged on the basis of the performance of the program.

Recommendation: If the program is expanded, one person (suggest the current BAS staffer working on Jua Kali) should be given responsibility as Officer in Charge of Jua Kali, answering to the BAS Manager. It should be explicitly understood that this person will have no other BAS responsibilities and/or distractions other than those of administering the program. In addition, this person will have authority over one (or two, depending on the extent of expansion) administrative assistant(s) and at least one secretary/clerk. If possible, this person's contract should include the targets of the program and the schedule to meet them. In addition, it should be made clear by KCB management that evaluation of job performance will be based on those criteria and that job responsibility will be adequately considered in grading the job.

7. Various branches have expressed frustration with the amount of time it takes to process a loan once they have given their recommendation to BAS. They also feel that they must refer to BAS if any changes are to be made in a loan once it has been recommended.

Recommendation: See Appendix D for detailed suggestions.

C. FINANCIAL (See Appendix B)

1. There is no system set up to calculate the administrative costs of the Jua Kali Program from the perspective of person-hours devoted to the scheme. Consequently, no money has been debited from the Account for these costs and there is no official way of estimating what the potential administrative costs under an expanded program might be. Some tentative estimates are possible and are provided in Appendix B.

Recommendation: Either BAS should design such a system themselves or, if time and work constraints are such that this cannot be completed before the proposed expansion, BAS could hire an outside accounting firm for a one-time assessment and implementation of a system which could estimate the direct administrative costs accurately and on flexible enough to meet whatever level of program requirements are deemed necessary in the future. The costs of this assessment should be covered by the Jua Kali Account. The reports of such a firm would be for internal use only at KCB. Both overall and individual branch "profit center" accounting statistics should be obtainable from the system.

2. Our tentative estimates of administrative costs suggest that actual costs are somewhat lower than those budgeted in the original project design. This, in part, reflects the fact that the design budgeted two full-time consultants to the Jua Kali Program, one for BAS and one for the sole branch targeted in the project design. In practice, KCB only used one consultant and targeted 10 branches. The actual cost estimates also reflect that gaining experience in this type of program gradually reduces administrative costs over time and that the original estimates were somewhat high.

Recommendation: KCB should use the estimates in this report, with whatever modifications they deem necessary (in consultation with the USAID/Treasury evaluation team), to claim reimbursement on the pilot project (Phase I) from the Account. If the program is expanded, however, KCB should wait for an auditor's costing system to be in place before USAID/Treasury can agree to debits to the Account.

3. KCB has not yet resolved the issue of leveraging the funds in the Jua Kali Account. It is Bank policy to leverage no loans which have no security, but this does not take into consideration that the Account provides a 98% guarantee on all portfolio losses in Jua Kali lending. By leveraging the Account on the assumption of a 20% default rate, the amount of funds available for lending could increase fivefold.

Recommendation: The issue of leveraging the Account should be seriously considered by KCB management in order to take full advantage of the funds available for Jua Kali lending. If it can be agreed that the 98% guarantee on all Jua Kali loans is sufficient to allow leveraging of the Account, the proposal should then be cleared with Treasury.

D. CLIENT RELATIONS AND TRAINING

1. The length of time to process a Jua Kali client from the time of the initial application to the point at which he/she receives the first installment of a loan is too long (anywhere up to one year).

Recommendation: Each of the various steps involved in processing a Jua Kali loan (approximately 15) should be carefully reviewed by BAS to reduce the process time wherever possible. It may even be possible to eliminate certain relatively redundant steps. Some suggestions are provided in Appendix D which contains a detailed outline of all the steps involved. It should be noted that as KCB has gained experience in processing these loans, the amount of processing time has gradually decreased, and that both decentralized loan evaluation and increased staffing will help in this regard.

2. Although the two institutions (Undugu Society and Vintage) which have been training the Jua Kali applicants to date have been doing a satisfactory job, the fact remains that the International Labor Organization (ILO) can provide a similar program for about one half the cost. Currently the ILO provides two training sessions per year, but BAS is not kept aware or is not in regular contact with them.

Recommendation: BAS should approach the ILO with the suggestion of a continuous joint effort in providing training for the Jua Kali Program. Even if the ILO will only provide 2 or 3 training programs per year, the cost savings could be very great. While increased utilization of the ILO program is cost effective, however, development of private initiative such as that of Vintage is commendable and it is recommended that all three training groups continue to be utilized in an evenly distributed manner.

3. All the clients interviewed responded very positively to the training they received from the Jua Kali courses. However, the scope of this evaluation did not permit a thorough comparison of the three training groups, nor was a complete analysis of the real benefits of the training possible.

Recommendation: Although the competition generated by using three organizations to provide training is healthy and should be continued, BAS should also further the development of the training program by combining the positive aspects of existing programs and obtaining modifications from each according to the results.

4. For first-time applicants, KCB has designed a very simple form to provide the branches and BAS with baseline information. Although the form is very complete, KCB has discovered that it is also important to know the level of education of an applicant in order to provide him with the proper level of training. In addition, the form does not provide for a telephone number where the applicant can be reached. Although many of the applicants do not have their own phones, they often know someone who does.

Recommendation: Redesign the simple form to include a space for education level and telephone number where an applicant can be contacted. In addition, the form should be arranged in such a way as to correspond with current computer readout organization (This would include adding a space for sex of applicant). Finally, for additional analytical purposes, it would be useful to include an indication of the size of the business (eg: number of employees and approximate value of business assets).

5. The Jua Kali Loan Program currently allows no grace period for clients to pay their first installment; they must pay within a month of the loan disbursement. Although this does not present a problem for all clients, many of those who have bought machines with the loan in order to increase their production have felt that one month is too soon to expect returns on their investment. Those who are not buying machines often end up paying the loan off with the same money they borrowed.

Recommendation: The branches should be given the flexibility to determine whether or not a client needs a certain grace period before being required to pay the fist installment. A maximum of three months' grace period may be allowed.

6. Many of the branches are requiring the client to purchase insurance on the machines they are obtaining under the loan as a form of "security" or guarantee on the loan. Some clients have had to pay as much as 1500/= on loans as small as 10,000/=. The insurance money must be paid out of their own pockets.

Recommendation:

Option 1: BAS should negotiate a contract with an insurance company (eg. Kenya Assurance Company) similar to that which they have maintained with their lawyers, that is, to give a reduced rate for Jua Kali in return for exclusive business rights on the Jua Kali program.

Option 2: The price of insurance should be covered in the loan so as not to force the client to pay out of pocket.

Option 3: If the cost of insurance is too high as compared with the protection offered to KCB, insurance requirements may be waived.

E. FOLLOW UP ACTIVITIES

1. Credit supervision and management assistance are virtually absent in the program process, although these were only intended for 'C' type loans in the original Project Agreement. While early record of repayments has been highly commendable, potentially large bad debts may have remained undetected due to lack of supervision and information on these loans. Moreover, because of limited time/staff and high administrative costs, there has been very little follow-up done on training results and no additional training.

Recommendation: While it is expensive in terms of administrative costs to supervise small loans, the tradeoff may yet prove to favor supervised loans. Branches with more than ten loans should organize post disbursement visits with monthly frequency for the first three months and quarterly visits thereafter. Activity in the client's current account should be regularly monitored to judge business activity. Observations should be briefly but regularly noted in each individual client's file.

With respect to management assistance, although some additional follow-up activities may be provided by the new BAS staff, the high administrative costs may not permit BAS to pursue them to the extent necessary. Consequently, IPC, USAID and KCB should discuss the desired focus of the program -- providing credit to the target group vs. general development of the target group -- and incorporate the conclusions into the expanded program's design.

III. CONCLUSION

Based on the findings of this report and the continued support by the Government of Kenya for the development of the informal sector, it is recommended that the current pilot phase of the Jua Kali Loan Program be expanded tenfold. Discussions between USAID and the Ministry of Finance in March 1988 have already indicated that both are willing to commit Kshs. 50 million in local currency funds to the expansion of the program.

If actual results are extrapolated, it is anticipated that Phase II could provide from 1300 to 1700 new loans to the informal sector in five regions of the country over the next three years. At the end of that period, we have estimated that a total of Kshs. 40,000,000 will remain in the Jua Kali Account (assuming a 20% default rate and 8% interest per annum paid to the Account by KCB, see Appendix B). These funds could be utilized in a number of ways to continue to develop the informal sector, although it is expected that the program's continued success will justify a Phase III.

A tentative design of Phase II is included in this report in Appendix B along with the assumptions used in calculating budget estimates. If KCB agrees to expand the program, this draft will be used as a basis for drawing up a final project follow-on agreement with KCB, the Treasury, and USAID. The proposal for expansion has already been introduced to the General Manager of KCB, Mr. Hamilton, as well as other senior bank staff, all of whom have tacitly agreed to the concept. It is suggested that the final design of Phase II be completed by end of May 1988.

APPENDIX A

SCOPE OF WORK

Evaluation of the USAID Counterpart-Funded "Jua Kali" Loan Program at the Kenya Commercial Bank

I. Objective:

To evaluate the current status of the Kenya Commercial Bank Informal Sector (or "Jua Kali") Loan Program with the purpose of utilizing the information and lessons learned in designing a possible second stage. The current Ksh 5.0 million program is a pilot project and it is anticipated that if the program is found to be successful or with sufficient potential to become so, additional counterpart funds may be devoted to its expansion.

II. Background:

In December 1986, an agreement was signed between the Kenya Commercial Bank Limited (KCB) and the Government of Kenya as represented by the Ministry of Finance (MOF) to place Ksh 5.0 million in local currency funds generated by USAID program assistance into a Jua Kali Account. This account was established to fund an informal sector loan program at KCB which would provide financial and technical assistance to Kenyans engaged in commercial and industrial activities in the informal sector.

The purpose of the program is to assist in the expansion and growth of informal sector enterprises, support initiation of new enterprises by Kenyans in fields relevant to their abilities and experience, and to train these self-employed entrepreneurs in the skills necessary to become self-reliant through commercially viable activities.

An initial funding of Ksh 5.0 million was budgeted to provide training, financial support and management assistance to approximately 100 to 150 entrepreneurs over an estimated period of three to five years or until the grant funds were fully utilized. The program was to be concentrated in and around Nairobi in its pilot phase because of constraints of manpower.

Ksh 2.5 million was to be devoted to the making of loans with technical assistance provided by the KCB Business Advisory Services (BAS) or other consultants contracted by KCB for this purpose. The fee of the consultants/BAS and the salary of a credit officer were to be paid from the Account along with the additional tasks of promotion, entrepreneur selection and training, extension services and loan supervision.

Discussions are currently underway between USAID and the GOK with respect to the programming of additional counterpart funds for the Jua Kali Loan Program. Before allocating any of these funds under a new grant agreement, however, it has been established that an evaluation of the current pilot program is of primary importance.

III. Specific Tasks

A. PROCESS

The evaluation team will consist of one representative from the Investment Promotion Center and one from USAID who will conduct the evaluation during the last two weeks of February, 1988. The team shall assess and report on the adequacy and appropriateness of the systems in place, the program compliance with the grant agreement provisions, and the degree to which program implementation matches the written policies and procedures. Because this program is a pilot scheme, the results of this evaluation will determine the extent to which the program may be expanded and the appropriate modifications which may be necessary for that expansion.

The evaluation will be conducted through the following channels:

1. Review systems and questionnaires involved in client selection and screening, including loan application forms and any reports on approving loans.

2. Interview members of the BAS staff involved in the Jua Kali Loan program, both as a group and on an individual basis.

3. Interview branch managers or other bank staff who have been asked to assist BAS in the Jua Kali Loan Program.

4. Interview clients who have received loans with the aim of assessing their response to the loan process, the training program, and the management assistance.

5. Interview clients who have already defaulted on the payment of loans at least once.

6. Conduct a financial review of funds expended to date from the grant. Particularly review accounting records; payment procedures from the Jua Kali Loan Account to BAS, the training consultants, the loans and clients themselves; and the reasonableness of costs for purchases of supplies and services.

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7. Interview KCB management to assess their views of the Jua Kali Program within the broader scope of bank activities.

8. Review documentation of approved loans, training programs, repayment rates, and disbursed loans.

B. SUBJECTS TO BE ADDRESSED

The specific areas to be investigated, assessed and reported on as necessary by the evaluation fall into the following categories:

1. OVERALL PERFORMANCE

a) General Statistics of the Program

- Total number of applicants (breakdowns by branches trade, sex, location size of enterprise, age), total shilling amount of loan applications, total number of applications approved (breakdown by trade, sex, etc.), total amount of loans approved (breakdown by trade), sex, etc.), total number/amount of loans disbursed.

- Number of Jua Kali trained (breakdown of number who began training and number who completed as well as by trade, sex, etc), training costs, number of Jua Kali receiving management assistance.

- Largest/smallest loan approved, distribution of loan sizes, average loan size, smallest overdraft, longest repayment period, shortest repayment period.

b) Program Targets vs. Actual Achievements:

- Compare the actual achievements of the program with those targets which were stated in the project document/grant agreement. Include each of the above categories as well as funding breakdowns between administrative, training, management assistance, and other costs. If there is a discrepancy, state reasons why. What areas should be modified, as a result, in the future?

2. CLIENT INTERACTION: Examine the various process modules that have been adopted in practice in each of the following categories and compare them to the process described in the project document/grant agreement.

a) Selection of Clients:

o What criteria is used in the selection of the Jua Kali clients? Who establishes criteria an who evaluates?

What types of questionnaires are utilized? What types of interviews, site visits or other forms of contact are there? Are these techniques viewed as sufficient by the staff? Cumbersome? What changes, if any could be made to make them more tailored to the needs of the bank staff and those of the clients?

o What hurdles, unnecessary steps, or prejudices, does a Jua Kali client initially face when applying for a loan under the Program?

o How has the Jua Kali client found out about the Program? Does he/she go on her/his own initiative? Do the branches have enough information for them or must they go to the central office?

o What are the specific stages of screening? Where do they take place (i.e. in the branch offices, in BAS, etc.)? Are they adequate? What is the KCB staff's opinion of them?

Is the workbook adequate? Is there too much/too little information asked of the clients? What modifications should be made to the current forms? What training has been given the branch staff in terms of what types of questions should be asked to Jua Kali clients? Is there a questionnaire that all interviewers follow? Which questionnaires are given at what time?

b) Training:

o How many Jua Kalis began training and how many actually completed? Why is there a difference? What problems were encountered during the training sessions? Is there enough staff for this type of training? Are they adequately prepared? Do they have the necessary materials, environment and location?

o How is the client response measured? Do the clients feel the training was helpful? If not, what are the reasons? What is the relationship between training and borrowing? Who is responsible for training?

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- What is the breakdown of training costs in terms of the consultant, the housing, the food, the training site, etc.? How are the consultants selected and by whom? Is this done on a competitive basis? What is their cost? What is the KCB staff opinion of the consultants which have been used to date? What are the advantages and disadvantages of using them?

- What is the impact of training on the clients? Did all the clients actually need the training? If not, why? What is the screening process for training? Could other organizations do the training less expensively or more effectively?

c) Credit authorization and supervision

- Who approves credit? Why were they selected to do so? What criteria are used to approve or disapprove a potential Jua Kali client? How is information obtained from the client to fulfil this criteria? How is the final credit decision intimated to the client (letter of commitment, verbal exchange, etc.)?

- How long does it take for the client to get approved? How are the disbursements recorded? How long does it take for the client to actually receive money? What is the average length of time between the beginning of training and the time when the client actually receives the loan?

- What is the follow-up on collection of payments? Are visits made to customers? Are loan cards reviewed periodically? By whom? Has it become necessary to seek outside help to trace a delinquent customer? What kind of attitude is taken towards recovery by the bank staff? By the clients?

- Are Jua Kali loans seen by the branches as their own risk or as grant money that is not their responsibility? Do the clients perceive the credit as commercial or as a handout? Have the branches assigned the Jua Kali responsibility to one person or is it done on an and hoc basis? What kind of experience do these people have in credit collection? Do they put in as much effort as they would normally with regular loans?

d) Management Assistance:

o How many Jua Kalis have received management assistance in their enterprises from BAS? How many have received outside assistance? What has been their response? How is that response measured? How is the need for management assistance determined? Is there adequate staff for this task? Do they have adequate preparation and time for this? Who is responsible for management assistance?

MANAGEMENT

A) Administrative Performance and Costs:

o What is the breakdown of administrative costs? Where can costs be trimmed in the future? Will.these costs be diminished once the program has been firmly established?

o What is contained in the quarterly reports? Have they been completed on time? What problems have been encountered in completing them?

o What are the start-up costs of the program as compared to the operational costs?

o What are the person-hour costs of keeping records and statistics and in administering the program?

o What are the travel requirements under the current program? What problems have been encountered?

b) Personnel:

o Are current staff levels, benefits, and qualifications appropriate? Are they adequate? What needs are expressed by the staff? Is there a need for staff training in any area of the program?

c) Bank Relations:

o What is the relationship between the Business Advisory Services and the Bank? Has this relationship changed since the Agreement? Why? How does the Bank Administration perceive the Jua Kali Program? Are there any plans to modify the BAS/Bank relationship? How?

V0

- o What are the opinions of Branch Mangers on the Jua Kali Program? What is their role in the Program? Is it sufficient or too involved? What are the motivations which exist or should exist to ensure genuine involvement of branch personnel?

4. FINANCIAL

a) Financial Performance:

- o Conduct a financial review of funds expended to date from the grant. Particularly review accounting records; payment procedures from the Jua Kali Account to BAS, the training consultants and courses, the loans and clients themselves; and the targeted breakdown of funds vs. the actual breakdown (i.e. administrative, training, management, loan approval, etc.).

5. FOLLOW UP

a) Documentation:

- o How are the records on the clients kept? What problems have been encountered? Is the existing system viewed as sufficient by the staff?

- o Are files maintained on individual borrowers? What is the difference between branch records and central office records? How much of the documentation is computerized? Is this sufficient?

b) Follow-up Activities:

- o To what extent does the BAS keep in contact with the borrowers once the loans have been disbursed? Is this seen as adequate by the BAS staff? By the Jua Kali client themselves?

IV REPORTING

The evaluation team will submit a draft report to USAID, the IPC, and to the KCB Business Advisory services after the two-week assessment. This report will include findings and recommendations based on the above questions and will attempt to answer the following:

1. If the Jua Kali Loan Program is to be expanded, what should be the extent of that expansion (i.e. time period and amount of funding required) and what modifications should be made to the existing program to make the expansion more effective in terms of reaching the target beneficiaries?

2. How can administrative and training costs be reduced in the future?

3. Can a commercial bank be made a viable institution for implementing this type of informal sector loan program? If not, what would be a better alternative? Program pass to achieve a more profitable, self-sustaining program?

4. Which elements of the program justify concessionality of donor funds and to what extent? Which elements can eventually achieve self-sustainability and how?

A final report, will be submitted to USAID, KCB Business Advisory Services, and the IPC once each of these organizations has had the opportunity to review the draft report and their comments have been taken into account.

FINANCIAL ANALYSIS OF THE JUA KALI LOAN PROGRAM AND ASSUMPTIONS UNDERLYING FUTURE ESTIMATES OF DEBITS TO THE GUARANTEE FUND ACCOUNT

1. Number of Loans

Only category 'A' loans were made under Phase I (1986-88) of the Jua Kali Loan Program as compared with the three different types of loans which had been projected in the project design (i.e. categories 'A', 'B', and 'C'). The reason for the deviation was the huge demand for loans when compared to funds committed to the project. For better distribution of funds among the largest possible number of borrowers, the 'A' loan category was considered to be the appropriate instrument by KCB.

KCB expects a total of 200 loans to be committed by August 1988, although this does not coincide with the average size of loans to date (Kshs19,000) and the amount of money in the Guarantee Account (Kshs 2.5 million). We therefore estimate that approximately 130 loans will be committed by that date and recommend that the remaining applicants be assumed under the proposed Phase II of the project. The original pilot project anticipated 103 'A' loans, 56 'B' loans and 10 'C' loans (for a total of 169 loans) over a period of three and a half years (up to December 1989), while the actual loans will have been committed in one and a half years.

For Phase II of the project, it is suggested that emphasis continue to be placed on the 'A' category of loans, although a few 'C' loans may be made to those borrowers of 'A' loans under Phase I who have successfully repaid their first loan and show a strong promise of expansion. It is projected that the average size of a loan will be Kshs. 20,000 for 'A' category loans (roughly equal to the average size of the loans in Phase I) as compared with the average size of Kshs. 10,000 which was originally projected for Phase I. Finally, we recommend that the capacity of the Nairobi program be doubled to lend Kshs. 5.0 million per annum in view of the large demand evidenced in the pilot project.

We estimate that approximately thirteen 'C' category loans will be made per annum in Phase II of the project. In the original design, the average loan size projected for this category was Kshs. 150,000. In light of KCB experience, however, it has been found that smaller loans allow KCB to reach the target group more effectively. It is therefore suggested that a maximum limit of Kshs. 100,000 be placed on 'C' category loans, and it is anticipated that the average size will be Kshs. 80,000. If thirteen 'C' loans of Kshs. 80,000 are made per annum to absorb Kshs. 1 million, the remainder of project funds for Nairobi (Kshs. 4.0 million) will be available to make approximately 200 'A' category loans.

In addition to expanding the program in Nairobi, we recommend further expansion into four provincial capitals (to be selected in consultation with KCB). The provincial programs could duplicate the Phase I level of the Nairobi pilot program (i.e. Kshs. 2.5 million p.a. for 130-200 'A' category loans). It is assumed that a one year grace period will be necessary for each of the provincial capitals to reach the full level of Kshs. 2.5 million. Consequently, in the first year of any provincial program, only Kshs.1.0 million is projected to be lent (appx. 50-80 loans).

Appendix B-6 to B-20 provides estimates for the overall program loan schedule, the balances outstanding, the average repayment based on a loan life of one to three years, and the default risk costs in each of the three years of Phase II (1988-89, 1989-90, 1990-91).

2. Administrative Costs

2.1 B.A.S. Staff Time:

The estimates of administrative costs during Phase I of the project (see Appendix B-19) were developed from information gathered during interviews with B.A.S. staff. General calculations of time spent on loan evaluation during the pre-disbursement phase of the loan were possible from these interviews and are as follows:

1) Direct staff time spent on administering the program is on average 4.6 days per loan, as compared with a budget of 2.0 days in the original project design. The deviation can be explained by the following:

a. The large number of applications that needed to be processed without necessarily being able to lend to all the applicants because of limited loan funds (Kshs. 2.5 million);

b. The start-up costs involved in gaining experience in a relatively new type of lending and establishing an experimental program;

c. Although the original project design assumed lower days per loan, it nevertheless provided two full-time direct staff for the program to ensure adequate staff commitment. If days per loan had been calculated from the person-hours of two full-time staff, they would far exceed the actual 4.6 days.

d. Extra staff time was made available by overtime put in by the only B.A.S. officer specifically assigned to the program.

Based on the fact that BAS has now gained significant experience in this type of loan program, it is estimated that in Phase II it will be possible to administer and process 'A' category loans on average in 3 days per loan. For the 'C' loans, five days per loan have been projected because of the greater time required for evaluation of enterprise viability. It should also be noted that the Phase II budget provides for a total of three BAS staff to work on the Jua Kali Program in Nairobi and an additional officer for each provincial center.

2) Time spent supervising the B.A.S. Jua Kali Officer is on average 1/2 day per loan as compared with a budget of 1 day per loan in the original project design (See Appendix B-18, supervisory plus Head Office staff time). This reflects better than projected staff quality and can also be explained in part by the greater than expected direct staff time devoted to the program.

In Phase II, it has been estimated that 1/4 day per loan will be sufficient for supervision of direct staff now that BAS has gained experience in administering the program and will have additional staff. This supervision includes the combined efforts of the the BAS Manager and the principal Jua Kali Program Officer. The total amount of time that the Head Office Credit Department will devote to the Jua Kali loans in Phase II is estimated to double as collection problems begin to arise with the maturity of loans.

2.2 <u>Branch Time</u>:

The original budget for Phase I was based on a one branch operation, whereas in practice, ten branches participated in the program because KCB decided that the volume of applications was too great for one branch. Actual branch time devoted to loan processing, then, was greater than projected at 3.5 days per loan (including loan evaluations, site visits, and branch manager time). It should be noted that the branch manager time was not projected in the original budget, although actual experience indicates that approximately 1/5 day was devoted per loan by the branch managers. Actual experience has been extrapolated for Phase II estimates. (See Appendix B-7)

2.3 <u>Overheads</u>:

In our estimates of Phase I costs (Appendix B-7,8,19), a provision has been made for overhead costs, whereas no such provision was made in the original budget. Because Phase I was considered a pilot project, these costs were not included, but any subsequent expansion of the project requires that KCB meet its full costs. Therefore, we recommend that the overhead costs for Phase II be financed under the project budget. These costs consist of office space, depreciation of equipment, etc., and the estimates are provided in the budget for Phase II of the project.

2.4 Training Costs:

The training costs are estimated at Kshs. 485,000 for Phase I as compared with a budget of Kshs. 575,000 (see Appendix B-8). The savings reflect the negotiating skills of KCB and the use of the ILO's subsidized training course "Improve Your Business". The costs of photocopying, stationary supplies and advertising, however, were not included in the original project budget. Actual findings show that they total Kshs. 75,000 for Phase I. Our estimates for Phase II are extrapolated from the actual costs and include the latter under "general costs" (see Appendix B-10).

2.5 Vehicle Running Costs:

The vehicle running costs are based on travel estimates provided through interviews with BAS and Branch staff. The costs for Phase I are estimated at Kshs. 93,200, assuming 50 kilometers per day covering 3 business sites, and Kshs. 8 per kilometer (See Appendix B-18). This constrasts with a budget of Kshs. 420,000 in the original budget, resulting in a substantial savings. For Phase II, the actual costs have been extrapolated and the possibility of purchasing a Jua Kali Program vehicle has been considered.

2.6 Monitoring of Loans

The original project included a provision for monitoring of 'A' loans at a rate of 3 1/2 days per loan. In practice, however, no time has been devoted to monitoring due to the work load imposed by the large volume of loan applications and the relatively encouraging repayment rates to date. In Phase II, we recommend budgeting one day per loan for monitoring 'A' loans and five days per loan for monitoring 'C' loans. The latter require more time because of the greater risk involved in lending larger amounts and the greater complexity of managing the loan from the entreprêneur's standpoint.

One of the reasons for the smaller projected time for 'A' loans in Phase II is that start-up enterprises, which require much more supervision and monitoring, are not being included in our recommendations for expansion. Additionally, the pilot project demonstrated a very encouraging default rate, indicating a smaller need for monitoring and supervision.

3. PROJECT EXPANSION AND FINANCIAL PLAN

A financial plan for the Phase II three-year expansion, beginning September 1988, is depicted in Appendix B-6 through B-19. The plan indicates that an incremental sum of Kshs. 25 million could be used for making loans over a period of three years, as a total of Kshs. 53,575,000 is likely to be available in the Jua Kali Guarantee Account at the beginning of the expansion phase (B-6). This includes Kshs. 3.575 million carried over from the end of Phase I. The balance at the end of Phase I has been estimated by allowing debits of Kshs. 1.8 million for administrative costs (B-7 and B-8) and Kshs. 225,000 as default risk costs (B-6 and B-15).

Default risk costs have been estimated at Kshs. 540,000 for Year 1, Kshs. 1,185,000 for Year 2, and Kshs.1,915,000 for Year 3 by applying the assumptions described in Appendix B-15. Total default risk costs are estimated to be Kshs. 3,640,000 (Kshs. 4,140,000 including Phase I) as described in Appendix B-6.

A total of Kshs. 25,910,000 (Kshs. 27.7 million including Phase I) has been earmarked for administrative costs, of which Kshs. 10,930,000 (Kshs. 11,530,000 including Phase I) can be obtained from the 8% p.a. interest on the Jua Kali deposit account (B-6). This permits KCB to utilize up to Kshs. 14 million directly from the Jua Kali Account to cover administrative costs.

Under these assumptions, it is estimated that Kshs. 34,680,000 will be available in the Jua Kali Account at the end of three years (B-6). Outstanding loans will be more than sufficiently covered by the balances in the deposit account. This indicates that loan losses from default could far exceed the estimated 20% of what falls due, and KCB can continue to be fully covered inspite of these losses.

There are several options for the utilization of these funds at the end of the three-year period of Phase II. They are as follows:

a. Return the funds to the Treasury;
b. Reassign them to a Phase III;
c. Increase lending in Phase II by leveraging the Jua Kali Guarantee Account and allocating higher funds for administration costs; or
d. Absorb the funds in Phase II by expanding into all provincial areas simultaneously in Year I.

Leveraging of the funds should be considered to expand the lending capacity of the program, but only after receiving better information on default risk costs (Year 2) and on a higher demand for Jua Kali loans which could justify higher lending. The best option at present is to plan to reassign the funds into a Phase III.

APPENDIX B-6

JUA KALI PROGRAM

GUARANTEE DEPOSIT ACCOUNT
PROJECTED DEBITS/BALANCES

(Amounts in Shs 000's)

		YEAR 0	YEAR 1	YEAR 2	YEAR 3	SUB-TOTAL YEAR 1 TO 3	GRAND TOTAL
(a)	Opening Balance	5,000	53,575	51,560	46,535	50,000	55,000
(b)	Debits for Admin. Costs	1,800	5,340	7,510	13,060	25,910	27,710
(c)	Debits for Default risk costs-phase I	225	175	100	-	-	500
(d)	Debits for Default costs-phase II	-	540	1,185	1,915	3,640	3,640
(e)	Sub-total (Debits)	2,025	6,055	8,795	14,975	29,825	31,850
(f)	Interest @ 8% (Credits)	600	4,040	3,770	3,120	10,930	11,530
(g)	Closing Balance	3,575	51,560	46,535	34,680	31,105	34,680
(h)	New Funds Injected	5,000	50,000	-	-	50,000	55,000

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JUA KALI LOAN PROGRAM

ESTIMATES OF HISTORIC COSTS FOR PERIOD JUNE 1986 TO JUNE 1988

A. MANPOWER COSTS

Branch Staff

							Cost Category
1.	Visits	Nos. 700	Days per Visit	1/3	Total Days	233	C
2.	Rejected Applications	Nos. 300	Days per Rejection	1/8	Total Days	40	C
3.	Branch Evaluation	Nos. 150	Days per Accounts	1	Total Days	150	C
4.	Branch Manager	Nos. 130	Days per Account	1/5	Total Days	26	B
5.	Orientation (Start-up)	Nos. 10	Days per Account	1	Total Days	10	B

6. BUSINESS ADVISORY SERVICES (B.A.S.)

a.	No. of direct staff	1			
b.	No. of participatory staff	2 (2 additional at start-up)	Total Days	570	C
c.	No. of Support Staff	1	Total Days	60	C
d.	No. of Supervisory staff	1	Total Days	60	D
e.	No. of Drivers	1.	Total Days	30	B
			Total Days	116	E

7. HEAD OFFICE

a.	Manager credit	1			
b.	Head Office credit officer	1	Total Days	20	B
c.	Chief Manager, Credit	1	Total Days	30	C
			Total Days	5	A

SUMMARY COSTING

Cost Category	Total days	Cost per day*	Total direct costs (Shs)
A	5	1,000	5,000
B	86	800	68,800
C	1,083	600	649,800
D	60	300	18,000
E	116	100	11,600
		Sub-Total	753,200

3. Overheads as related to direct manpower cost @ 50% 376,600

APPENDIX: B-8

A. Total Manpower Costs: Shs.1,129,800

B. TRAINING COSTS:

1. Actual Shs.429,761
2. Additional Till June 1988: Shs. 55,000

No. of Courses: 1	Cost Per Course	Total Cost
	55,000	55,000

3. Total Training cost Shs.485,000 (Approximately)

C. VEHICLE RUNNING COSTS: (Based on 3 visits per day for 700 total visits)

KMS/DAYS	NO. OF DAYS	TOTAL KMS	COST PER KM	TOTAL COST (KSHS)
50	233	11,650	Ksh 8/=**	93,200

D. GENERAL COSTS:

1. Cost of Photocopying Kshs. 50,000

2. Cost of Stationery and Supplies Kshs. 20,000

3. Cost of Advertisement Kshs. 5,000

TOTAL PROGRAM COSTS: Kshs.1,783,000 or Approximately Kshs.1,800,000

* - Based on prevailing KCB salary scale and related costs

** - Appendix B-18

JUA KALI PROGRAM

ESTIMATES OF FUTURE COSTS PER ANNUM FOR PERIOD 1988/89 - 89/90

A. NAIROBI

1. Branch Staff Loans "A"

						Cost category
a)	Visits	Nos. 1000	Days per visits	1/3,	Total days: 333	C
b)	Rejections	Nos. 430	Days per account	1/8,	Total days: 54	C
c)	Evaluation	Nos. 225	Days per account	1,	Total days: 225	C
d)	Branch Manager's Review	Nos. 200	Days per account	1/5,	Total days: 40	B
e)	Monitoring	Nos. 400	Days per account	1,	Total days: 400	C
f)	Loans 'C' Evaluation	Nos. 15	Days per account	5,	Total days: 75	C
g)	Loans 'C' Monitoring	Nos. 12	Days per account.	5,	Total days: 60	C

2. Business Advisory Services (B.A.S.)

a)	No. of direct staff	3	Days per staff p.a	200,	Total days: 600	C
b)	No. of participating staff	2	Days per staff p.a.	15,	Total days: 30	C
c)	No. of supervisory staff	1	Days per staff p.a.	15,	Total days: 15	B
d)	No. of support staff	1	Days per staff p.a.	200,	Total days: 200	D
e)	No. of drivers	1	Days per staff p.a.	200,	Total days: 200	E

3. Head Office

a)	Manager credit & participatory staff	1	Days per staff p.a.	40,	Total days: 40	B
b)	Chief Manager, credit and marketing	1	Days per staff p.a.	5,	Totals days 5	A

SUMMARY COSTING

Cost Category	Total Days	Cost per day	Total Direct Cost (Shs)
A	5	1,000/=	5,000
B	95	800/=	76,000
C	1,782	600/=	1,069,200
D	200	300/=	60,000
E	200	100/=	20,000
		Sub-Total	1,230,200

4. Overhead @ 50% of direct Cost — 615,100
5. Total manpower cost — 1,845,300
6. Training costs:

No. of Courses	Cost per Course	Total Cost
10	Shs.55,000	Shs.550,000

7. Vehicle Running Costs: (includes business visits and monitoring)

KMS/Day	Nos of days	Total KMS	Cost per KMS	Total Cost
50	466	23,300	Shs 8/=	186,400

8. General costs: 100,000/=
9. Total Program Cost for Nairobi: Kshs 2,581,700 or Approximately Kshs.2.6 million p.a.

APPENDIX: B-11

PROVINCIAL CENTER (EACH PER ANNUM)

								Cost Category
1.	Branch Staff Loans 'A'							
a)	Visits	Nos. 700	Days per visit	1/3	Total days	233		C
b)	Rejections	Nos. 300	Days per account	1/8	Total days	40		C
c)	Evaluation	Nos. 150	Days per account	1	Total days	150		C
d)	Branch Manager's Review	Nos. 130	Days per account	1/5	Total days	26		B
e)	Monitoring	Nos. 260	Days per account	1	Total days	260		C
2.	Program Staff							
a)	No. of direct staff	2	Days per staff	200	Total days	400		C
b)	No. of support staff	1	Days per staff	60	Total days	60		D
c)	B.A.S. Nairobi Supervison	1	Days per staff	30	Total days	30		C
3.	Head Office Staff							
a)	Manager Credit	1	Days per staff	20	Total days	20		B
b)	Participatory staff	1	Days per staff	30	Total days	30		C
c)	Chief Manager credit and Marketing	1	Days per staff	5	Total days	5		A

SUMMARY COSTING

Cost Category	Total Days	Cost per Day	Total Cost
A	5	1,000	5,000
B	46	800	36,800
C	1,143	600	685,800
D	60	300	18,600
			745,600

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	Sub Total	745,600
4.	Overheads @ 50% of direct staff costs	372,800
5.	Total Manpower cost	1,118,400

6. Training Costs

Nos. of Courses	Cost per Course Boarding & Lodging	Total Cost
7	Shs.65,000	Shs.455,000

Vehicle Running Costs

KMS/DAY	No. of Days	Total KMS	Cost per KM	Total Cost
50	320	16,000	Shs 8/=	Shs.128,000

8. General Costs Shs.100,000/=

9. TOTAL ANNUAL COST FOR EACH PROVINCIAL CENTRE: Kshs.1,801,400 or Approx. Ksh. 1.8 million p.a.

JUA KALI PROGRAM

PROJECTED LOAN SCHEDULE - PERIOD 1988/89 TO 1990/91

	YEAR 1	YEAR 2	YEAR 3	TOTAL
1. No. of Loans 'A'				
(a) Nairobi	200	200	200	600
(b) Eldoret	-	50	130	180
(c) Kisumu	50	130	130	310
(d) Nyeri	-	-	50	50
(e) Mombasa	-	-	50	50
	350	380	500	1,190
2. Average loans 'A' (Approx. Shs)	20,000	20,000	20,000	20,000
3. Amount of New 'A' loans made (Shs)	5,000,000	7,500,000	11,000,000	23,500,000
4. No. 'C' loans made in Nairobi	12	12	12	36
5. Average size of loan 'C' (shs)	80,000	80,000	80,000	80,000
6. Amount of 'C' loans (Approx. Shs)	1,000,000	1,000,000	1,000,000	3,000,000
7. Total amount of New loans	6,000,000	8,500,000	12,000,000	26,500,000

8. Loans Repaid				
(a) Year 1	2,160,000	1,680,000	960,000	4,800,000
(b) Year 2	-	3,060,000	2,380,000	5,440,000
(c) Year 3	-	-	4,320,000	4,320,000
Sub-total	2,160,000	4,740,000	7,660,000	14,560,000
9. Default Risk Costs				
(a) Year 1 Loans	540,000	420,000	240,000	1,200,000
(b) Year 2 Loans	-	765,000	595,000	1,360,000
(c) Year 3 Loans	-	-	1,080,000	1,080,000
Sub-total	540,000	1,185,000	1,915,000	3,640,000
10. Loans Outstanding END OF THE YEAR				
(a) Year 1 Loans	3,300,000	1,200,000	-	-
(b) Year 2 Loans	-	4,675,000	1,700,000	
(c) Year 3 Loans	-	-	6,600,000	
Sub-total	3,300,000	5,875,000	8,300,000	8,300,000

BASIS OF LOAN REPAYMENTS AND DEFAULT RISK COMPUTATIONS

1. The loans are assumed to have the following maturities.

   (a) 1 year - 20% of loans
   (b) 2 years - 30% of loans
   (c) 3 years - 50% of loans

2. Repayment schedules are assumed as follows:-

	Year 1	Year 2	Year 3
(a) One year loan	20%	-	-
(b) Two year loan	15%	15%	-
(c) Three year loan	10%	20%	20%
	45%	35%	20%

3. Default Risk Costs are estimated at 20% of outstanding loans i.e. as follows:-

	Year 1	Year 2	Year 3
(a) Default Risk Cost	9%	7%	4%
(b) Repayments	36%	28%	16%

JUA KALI PROGRAM

DEFAULT RISK COST ESTIMATES - PHASE: I

(amounts in 000's)

	YEAR 1	YEAR 2	YEAR 3	TOTAL
LOANS OUTSTANDING	2,500	1,375	500	2,500
Repayments	900	.700	400	2,000
Balance	1,375	500	-	-
Default Risk Cost	225	175	100	500

JUA KALI PROGRAM

PROJECTIONS OF ADMINISTRATION COSTS
A CONSOLIDATED STATEMENT
PERIOD: 1988/89 - 1989/90*

	Year 1	Year 2	Year 3	Total
(a) Nairobi	2,860,000	3,150,000	3,460,000	9,470,000
(b) Eldoret	-	2,180,000	2,400,000	4,580,000
(c) Kisumu	1,980,000	2,180,000	2,400,000	6,560,000
(d) Nyeri	-	-	2,400,000	2,400,000
(e) Mombasa	-	-	2,400,000	2,400,000
	4,840,000	7,510,000	13,060,000	25,410,000
Start-up Costs				
(a) Training of New Officers	150,000	-	-	150,000
(b) Purchase of a vehicle	350,000	-	-	350,000
Sub-total	500,000	-	-	500,000
TOTAL	5,340,000	7,510,000	13,060,000	25,910,000

* Annual inflation @ 10%

JUA KALI PROGRAM

ESTIMATES OF COST PER KM FOR TRAVEL

1.	Cost of a car:	Shs.	350,000
2.	Interest @ 14%:		49,000
3.	Insurance Cost:		12,000
4.	Maintenance:		30,000
5.	Sub-total	Shs.	91,000
6.	Estimated Travel in Km. p.a.		12,500
7.	FIXED COST PER KM.		7.28
8.	Petrol Cost:	Shs	8.60 per litre
9.	Mileage per Litre	Shs	11 k.m.
10.	VARIABLE COST PER KM	Shs	0.78
11.	TOTAL TRAVEL COST PER K.M.:	Shs	8.06

JUA KALI PROGRAM

MANPOWER ANALYSIS - HISTORICAL

Loans processed are 170 (may reach a figure of 200) whereas loans possible to make are 130 in view of fund constraint. Analysis is provided below, assuming three different levels of output (130 loans, 170 loans and 200 loans) for the same level of effort as described above.

	130 Loans	170 Loans	200 Loans
1. Branch time per loan (days)	3.5 (449/130)	2.6 (449/170)	2.25 (449/200)
2. B.A.S. time for direct staff (days)	4.6 (600/130)	3.53 (600/170)	3.0 (600/200)
3. Supervisory Time (Mgr. B.A.S., Mgr. Credit and Mgr. Credit & Mktg)	0.56(1/2) (75/130)	0.44(2/5) (75/130)	0.37(1/3) (75/200)
4. Participatory and support staff for B.A.S. as a % of direct staff time	21% (120/570)	21%	21%

JUA KALI PROGRAM

MANPOWER ANALYSIS - BUDGET 1988/89 to 1990/91

(Times in Days per Loan)

A. NAIROBI

1.	Branch Time 'A' Loans:	3.3 days	(652/200)
2.	B.A.S. Direct Staff Time:	3.0 days	(600/200)
3.	Supervisory Time	0.3 days	(60/200)
4.	Loan Monitoring Time:	1.0 day	
5.	Participatory and support staff at B.A.S. as a % of direct staff:	38%	(230/600)
6.	Loan 'C' Evaluation	5 days	
7.	Loan 'C' Monitoring	5 days	

B. PROVINCIAL CENTERS

1.	Branch Time 'A' Loans:	3.5 days	(449/130)
2.	B.A.S. Direct Staff Time: (Program Staff)	3.1 days	(400/130)
3.	Supervisory Staff: (including B.A.S. Nairobi and Head Offices)	0.65 days	(85/130)
4.	Loan Monitoring Time:	1 day	
5.	Participatory and Support Staff for Program Staff	0.15 days	(60/400)

INFORMAL SECTOR PROGRAMME

STATISTICAL EVALUATION

	1986		1987		TOTAL	
1. Number of applicants	623		357		980	
2. Total amount of loans applied for	23,379,506		16,812,301		40,191,807	
Average Loan Size	37,527		47,093		41,012	
3. Applications:	FREQUENCY		FREQUENCY	%	FREQUENCY	%
By Sex						
Males	426	68%	271	76%	697	71%
Females	197	32%	86	24%	283	29%
TOTAL	623	100%	357	100%	980	100%
By Age:						
20 - 30	230	36.92%	80	22.41%	310	32%
31 - 40	234	37.56%	133	37.25%	367	37%
41 - 50	78	12.52%	70	19.61%	148	15%
51 - 60	19	3.05%	23	6.44%	42	4%
60 +	3	0.48%	4	1.12%	7	1%
Undisclosed	59	9.47%	47	13.17%	106	11%
TOTAL	623	100%	357	100%	980	100%
By Loan Amount:						
Upto - 10,000	141	22.63%	12	3.36%	153	16%
10,000 - 20,000	153	24.56%	90	25.21%	243	25%
20,001 - 30,000	86	13.80%	58	16.25%	144	15%
30,001 - 40,000	35	5.62%	38	10.64%	73	7%
40,001 - 50,000	99	15.89%	82	22.97%	181	18%
50,001 - 60,000	24	3.85%	20	5.60%	44	4%
60,001 - 70,000	16	2.57%	6	1.68%	22	2%
70,001 - 80,000	17	2.73%	10	2.80%	27	3%
80,001 - 90,000	6	0.96%	4	1.12%	10	1%
90,001 - 100,000	20	3.21%	12	3.36%	32	3%
100,001 - 110,000	4	0.64%	4	1.12%	8	1%
110,001 - 120,000	3	0.48%	4	1.12%	7	1%
Above - 120,000	19	3.05%	17	4.76%	36	4%
TOTAL	623	100%	357	100%	980	100%

3. Applications:

By Tribe:

	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%
Kikuyu	300	48.15%	222	62.18%	522	53%
Luo	208	33.39%	65	18.21%	273	28%
Luhya	44	7.06%	31	8.68%	75	8%
Kisii	14	2.25%	7	1.96%	21	2%
Kamba	13	2.09%	13	3.64%	26	3%
Suba	20	3.21%			20	2%
Embu	6	0.96%			6	1%
Others	18	2.89%	14	3.92%	32	3%
Undisclosed			5	1.40%	5	1%
TOTAL	623	100%	357	100%	980	100%

By Location:

	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%
Shauri Moyo	85	13.64%			85	9%
Gikomba	74	11.88%	34	9.52%	108	11%
Umoja	45	7.22%	7	1.96%	52	5%
Kibera	28	4.49%	10	2.80%	38	4%
Eastleigh	28	4.49%	21	5.88%	49	5%
Dandora	15	2.41%	49	13.73%	64	7%
Kenyatta Mkt.	15	2.41%			15	2%
Jericho Mkt.	29	4.65%	7	1.96%	36	4%
Industrial Area	15	2.41%			15	2%
Jogoo Road Mkt.	11	1.77%	7	1.96%	18	2%
Kamukunji	71	11.40%			71	7%
Kariobangi	19	3.05%	24	6.72%	43	4%
Kawangware	8	1.28%			8	1%
Kariakor			9	2.52%	9	1%
Huruma			7	1.96%	7	1%
Mathare			9	2.52%	9	1%
Pangani			7	1.96%	7	1%
Uhuru Mkt.			5	1.40%	5	1%
Undisclosed			20	5.60%	20	2%
Others	180	28.89%	141	39.50%	321	33%
TOTAL	623	100%	357	100%	980	100%

By Trade:

	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%
Tailoring	135	22%	66	18%	201	21%
Tinsmiths	52	8%			52	5%
Mechanics	49	8%	45	13%	94	10%
Carpenters	37	6%	32	9%	69	7%
Blacksmiths	31	5%	8	2%	39	4%
Drug Sellers	88	14%			88	9%
Grocers	26	4%	32	9%	58	6%
Metal Works	18	3%	27	8%	45	5%
Printing	10	2%			10	1%
Food Kiosks			23		23	2%
Vegetable Vendors	10	2%			10	1%
Others	167	27%	124	35%	291	30%
TOTAL	623	100%	357	94%	980	100%

	1986	1987		TOTAL
4. Trained Applicants:				
Number of trained applicants		170		
Training costs (Kshs)		407,720		
Trained applicants as percentage of total applicants		17%		
By Location				
Dandora		3	1.76%	
Eastleigh		7	4.12%	
Gikomba		29	17.06%	
Industrial Area		5	2.94%	
Jericho Mkt.		10	5.88%	
Jogoo Road Mkt.		5	2.94%	
Kamukunji		33	19.41%	
Kenyatta Mkt.		6	3.53%	
Kibera		8	4.71%	
River Road		5	2.94%	
Shauri Moyo		4	2.35%	
Uaoja		10	5.88%	
Others		45	26.47%	
TOTAL		170	100%	
By Trade:				
Tailoring		41	24.1%	
Tinsmiths		26	15.3%	
Mechanics		35	20.6%	
Carpenters		7	4.1%	
Blacksmiths		10	5.9%	
Metal Works		10	5.9%	
Electronics		4	2.4%	
Grocers		4	2.4%	
Others		33	19.4%	
TOTAL		170	100%	
By Sex				
Males		121	71%	
Females		49	29%	
TOTAL		170	100%	
By Age:				
20 - 30		44	25.9%	
31 - 40		64	37.6%	
41 - 50		26	15.3%	
51 - 60		3	1.8%	
60 +		1	0.6%	
Undisclosed		32	18.8%	
		170	100%	

	1986	1987	
5. Recommended and Approved Applications:			
Number of applications approved		76	
Approved applications as percentage of total applications		8%	
Approved applications as percentage of trained applicants		45%	
Total amount of loans approved (As at 12th January, 1988) Kshs		1,445,731	
Average size of approved loans (Kshs)		19,023	
Largest loan (Kshs)		61,500	
Smallest loan (Kshs)		7,000	
Total overdrafts approved		207,500	
Largest overdraft (Kshs)		5,000	
Smallest overdraft (Kshs)		2,500	
Approvals by Loan Amount:			
Upto - 10,000		9	11.8%
10,000 - 20,000		39	51.3%
20,001 - 30,000		19	25.0%
Above - 30,000		9	11.8%
TOTAL		76	100%
By Sex			
Males		50	65.8%
Females		26	34.2%
TOTAL		76	100%
By Age:			
20 - 30		16	21.1%
31 - 40		32	42.1%
41 - 50		14	18.4%
51 - 60		1	1.3%
60 +			
Undisclosed		13	17.1%
TOTAL		76	100%
6. Disbursed Loans			
Number of loans disbursed (As at 12th January, 1988)			
Amount of loans disbursed (As at 12th January, 1988) KSHS		862,000	
Average size of loan disbursed (As at 12th January, 1988) KSHS		19,591	
7. Longest repayment period		3 Years	
Shortest repayment period		1 Year	

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A. DISTRIBUTION OF APPLICANTS TO BRANCHES

	1986		1987		TOTAL	
	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%
1 B.A.S	165	26.5%	0	0.0%	165	16.8%
2 City Centre	75	12.0%	51	14.3%	126	12.9%
3 Eastleigh	0	0.0%	56	15.7%	56	5.7%
4 Industrial Area	59	9.5%	11	3.1%	70	7.1%
5 Kenyatta Avenue	30	4.8%	37	10.4%	67	6.8%
6 Kipande House	34	5.5%	40	11.2%	74	7.6%
7 K.I.C.C	13	2.1%	26	7.3%	39	4.0%
8 Mashariki	0	0.0%	27	7.6%	27	2.8%
9 Moi Avenue	122	19.6%	25	7.0%	147	15.0%
10 Muindi Mbingu	12	1.9%	16	4.5%	28	2.9%
11 River Road	48	7.7%	16	4.5%	64	6.5%
12 Sarit Centre	10	1.6%	16	4.5%	26	2.7%
13 Tom Mboya	55	8.8%	36	10.1%	91	9.3%
	623	100.0%	357	100.0%	980	100.0%

B. TRAINED APPLICANTS BY BRANCHES

	Allocations To Branch	Number Trained	Number Trained From Branch As percentage of Total Applicants Trained	Number Trained From Branch As percentage of Applicants allocated To Branch
1 B.A.S	165	50	29.4%	30.3%
2 City Centre	126	21	12.4%	16.7%
3 Eastleigh	56	0	0.0%	0.0%
4 Industrial Area	70	10	5.9%	14.3%
5 Kenyatta Avenue	67	8	4.7%	11.9%
6 Kipande House	74	6	3.5%	8.1%
7 K.I.C.C	39	5	2.9%	12.8%
8 Mashariki	27	0	0.0%	0.0%
9 Moi Avenue	147	34	20.0%	23.1%
10 Muindi Mbingu	28	4	2.4%	14.3%
11 River Road	64	8	4.7%	12.5%
12 Sarit Centre	26	4	2.4%	15.4%
13 Tom Mboya	91	20	11.8%	22.0%
	980	170	100%	17%

INFORMAL SECTOR PROGRAMME

C. APPROVED APPLICATIONS BY BRANCHES

	FREQUENCY	%
1 B.A.S	0	0.0%
2 City Centre	11	14.5%
3 Eastleigh	0	0.0%
4 Industrial Ar	7	9.2%
5 Kenyatta Aven	4	5.3%
6 Kipande House	3	3.9%
7 K.I.C.C	3	3.9%
8 Mashariki	0	0.0%
9 Moi Avenue	22	28.9%
10 Kwindi Mbingu	1	1.3%
11 River Road	7	9.2%
12 Sarit Centre	2	2.6%
13 Tom Mboya	16	21.1%
	76	100%

9 Applicants in arrears

2 Applicants — in arrears — but could be just delayed payment

INFORMAL SECTOR PROGRAMME

LIST OF TRAINED APPLICANTS, APPROVED AND DISBURSED LOANS

NAME	SEX	AGE	TRADE	BUSINESS LOCATION	RECOMMENDING K.C.B BRANCH	LOAN AMOUNT APPROVED (Kshs)	OVERDRAFT (Kshs)	LOAN AMOUNT DISBURSED (Kshs)	LOAN A/C NUMBER	DATE OF DISBURSEMENT	REPAYMENT PER MONTH (Kshs)	REPAYMENT PERIOD (Years)	LOAN BALANCE (Kshs)	ARREARS (Kshs)	OVERDRAFT LIMIT (Kshs)	OVERDRAFT BALANCE (Kshs)
1 Gitau Margaret	F	44	Hair Dresser	Nairobi West	City Centre	22,000	0	22,000.00	240-947-577	19/2/88	760.00	3	22,000.00	0.00	0	0.00
2 Githiesi Julius	M	25	Carpenter	Uhuru Market	City Centre	35,000	0	35,000.00	240-947-233	2/2/88	1,196.00	3	35,000.00	0.00	0	0.00
3 Kimenye Lucy	F	27	Tailor	Gikomba Market	City Centre	12,224	5,000	12,224.00	240-941-029	17/10/87	450.00	3	11,331.30	0.00	(5,000)	(375.00)
4 Mulati Plista	F	35	Fish Monger	Embakasi Market	City Centre	0	5,000	5,000.00	240-945-005	7/1/88	170.00	3	4,871.00	0.00	0	0.00
5 Mwangi Erastus	M	32	Electrical Works	Uhuru Market	City Centre	18,000	0	0.00	Security Documentation							
6 Mwangi Grace	F	43	Food Stall	Uhuru Market	City Centre	21,000	0	21,000.00	240-945-604	15/1/88	717.00	3	21,136.95	0.00	0	0.00
7 Mjaracki Edwin Kjira	M	25	Blacksmith	Eastleigh	City Centre	13,448	0	13,442.00	240-948-317	1/3/88	640.00	3	18,640.00	0.00	0	0.00
8 Mjenga Kennedy	M	42	Mechanic	Jogoo Road	City Centre	17,973	5,000	17,973.00	240-944-537	12/1/88	614.00	3	17,508.79	0.00	(5,000)	0.00
9 Nimeo Michael	M		Tailor	Juja Road	City Centre	20,000	0	20,000.00	240-937-480	24/9/87	1,233.00	1.5	13,903.75	0.06	0	0.00
10 Ochiambo Cecilia	M	29	Tailor	Uhuru Market	City Centre	12,224	5,000	12,224.00	240-943-500	20/11/87	416.00	3	11,735.45	0.00	(5,000)	(3,850.40)
11 Ogal Vitalis	M	45	Carpenter	Gikomba	City Centre	26,550	0	0.00	Letter of offer not yet accepted							
12 Olaado Henry	M		Mechanic	California	City Centre	34,665	0	0.00	Security Documentation							
13 Omondo Patrick	M	40	Mechanic	Kibera	City Centre	14,978	5,000	14,950.95	240-945-672	6/1/88	1,350.00	1	13,791.86	0.00	(5,000)	(5,516.10)
14 Wanjala Wycliffe	M		Cushion Maker	Industrial Area	Industrial Area	21,500	5,000	21,500.00	240-925-714	15/1/88	735.00	3	20,905.20	0.00	(5,000)	(1,262.00)
15 [illegible]	M		Blacksmith	Indust. Area	Indust. Area	23,555	0	[illegible]	239-925-692	21/12/87	2,142.00	1	[illegible]	[illegible]	0	0.00
16 Ismael George	M	47	Carpenter	Jogoo Road	Indust. Area	30,000	0	0.00	Letter of offer not yet accepted							
17 [illegible]	M		Paint Maker	Jogoo Road	Indust. Area	34,000	0	[illegible]	239-925-176	19/3/87	2,675.00	1	[illegible]	[illegible]	0	0.00
18 Oebrasco Karren	F		Tailor	Jogoo Road Mkt.	Indust. Area	12,224	5,000	0.00	Letter of offer not yet accepted - medical reasons							
19 Omondi Bernadetta	F	36	Tailor	Jogoo Road	Indust. Area	12,224	5,000	15,200.00	239-925-926	21-12-87	523.00	3	15,200.00	0.00	(5,000)	0.00
20 Tchre Joseph	M	34	Tailor	Nairobi West	Indust. Area	15,165	5,000	15,164.00	237-925-519	10/11/87	517.00	3	14,543.95	0.00	(5,000)	(5,654.00)
21 Pogure Teresa	F	27	Tailoring	Kenyatta Market	Kenyatta Avenue	15,154	5,000	0.00	Security Documentation							
22 [illegible]	M	40	Cobbler	Kenyatta Market	Kenyatta Avenue	19,530	5,000	[illegible]	230-922-033	13/11/87	668.00	3	[illegible]	[illegible]	(5,000)	(4,870.03)
23 Ochalo Jeanne	F	37	Tailor	Westminster Hse.	Kenyatta Avenue	21,184	5,000	21,184.00	230-922-002	30/11/87	725.00	3	20,241.75	0.00	(5,000)	(1,975.45)
24 Ouath Ryan	M	31	Arts & Crafts	Kibera Gowele	Kenyatta Avenue	7,000	5,000	7,000.00	230-922-076	7/12/87	240.00	3	6,665.75	0.00	(5,000)	(4,963.15)
25 Mutere Richard	M	35	Mechanic	Kibera	Kipande House	16,179	5,000	16,175.00	241-939-406	10/2/88			16,244.65	0.00	(5,000)	0.00
26 Angelo William	M	30	Arts & Craft	Kibera	Kipande House	27,724	5,000									
27 Omondi Agnetta	F		Tailor	Kenyatta Market	Kipande Hse.	15,000	5,000	0.00	Letter of offer not yet accepted - medical reasons							
28 Mwangi Rick	M	38	Mechanic	Dagoretti	K.I.C.C	31,100	0	0.00	Security Documentation							
29 Odongo Alan	M		Mechanic	South B	K.I.C.C	41,000	5,000	41,000.00	233-919-725	7/10/87	1,368.00	3	39,048.00	0.00	(5,000)	(5,226.65)
30 Edera Leonida	F	26	Tailor	Kenyatta Market	K.I.C.C	13,770	5,000	13,770.00	233-519-947	10/2/88	490.00	3	13,633.40	0.00	(5,000)	0.00
31 Bende Manasseh	M	40	Fish Monger	Gikomba	Moi Avenue	12,500	5,000	0.00	Security Documentation							
32 Yala Jincy	M	35	Hand Bag Maker	Jericho Market	Moi Avenue	13,400	5,000	12,400.00	230-925-477	14/10/87	629.00	3	16,635.85	0.00	(5,000)	0.00
33 Kinyanjui Stephen	M	44	Mechanic	Gikomba	Moi Avenue	24,000	0	24,000.00	230-929-374	12/1/88	821.00	3	23,427.53	0.00	0	0.00
34 Mugala Anne Feaunte	F	30	Tailor	Jericho Market	Moi Avenue	18,154	5,000	0.00	Security Documentation							
[illegible]	F		Tailor	Gikomba	Moi Avenue	15,254	5,000	[illegible]	230-926-203	26/10/87	522.00	3	[illegible]	[illegible]	(5,000)	0.00
36 Mwaura Wanyoro Daniel	M	35	Mechanic	Gikomba	Moi Avenue	22,000	0	22,000.00	230-931-379	12/2/88	1,056.00	2	22,000.00	0.00	0	0.00
37 Mwaura John Njoguna	M	31	Blacksmith	Kamukunji	Moi Avenue	19,000	0	0.00	Security Documentation							
38 Nyaki Serina	F	23	Tailor	Jericho Market	Moi Avenue	12,224	2,000	0.00	Security Documentation							
39 Ngugi Francis Kimani	M	27	Mechanic	Gikomba	Moi Avenue	32,575	0	32,575.00	230-910-525	15/2/88	1,125.00	3	32,575.00	0.00	0	0.00
40 Ngutha James Mwangi	M	40	Grocery Kiosk	Dandora	Moi Avenue	7,056	5,000	7,056.00	230-910-737	24/2/88	634.00	1	7,056.00	0.00	(5,000)	0.00
41 Ochang Moses	M	40	Bread Seller	Maringo Estate	Moi Avenue	20,000	0	0.00	Security Documentation							
42 Ogola Nasderias	M	40	Metal Works	Maruma	Moi Avenue	15,000	0	0.00	Security Documentation							
43 Olello Eravels	M	38	Tailor	Gikomba	Moi Avenue	23,125	0	0.00	Security Documentation							
44 Olando Ruth Odongo	F	34	Tailor	Jericho Market	Moi Avenue	0	5,000	0.00	230-740-172	26/10/87	0.00	6	0.00	0.00	(5,000)	4,657.50
45 Ouach Benta	F	35	Metal Works	Gikomba	Moi Avenue	20,000	0	20,000.00	230-910-628	24/2/88	664.00	3	20,000.00	0.00	0	0.00
46 Oyange John Odenye	M	31	Blacksmith	Kamukunji	Moi Avenue	17,549	0	0.00	Security Documentation							
47 Ochanga Esther	F	45	Tailor	Shauri Moyo	Moi Avenue	12,224	5,000	0.00	Withdrew application							
48 [illegible]	F	39	Tailor	[illegible] Market	[illegible]	[illegible]	2,000	0.00	[illegible]							

INFORMAL SECTOR PROGRAMME

Best Available Document

49 Pabalo Jedekia	M	43	Mechanic	Sikoeba	Moi Avenue	20,000	5,000	20,000.00	230-924-371	8/10/87	684.00	3	18,896.20	0.00	(5,000)	
50 Tenda Martha	F	46	Tailor	Jericho Market	Moi Avenue	0	5,000	0.00	230-772-409	7/10/87	0.00	0	0.00	0.00	(5,000)	0.00
51 Waringa Christine	F	44	Tailor	Sikoeba	Moi Avenue	10,425	5,000	10,425.00	230-923-654	23/9/87	257.00	3	10,939.00		(5,000)	
52 Ooida Roseline	F	24	Tailor	Timerman	Moradi Mbingu	0	5,000	0	Awaiting opening of account							
53 Lunch Esther	F	30	Tailor	Farsobangi	River Road	12,224	5,000	12,224.00	242-919-873	8/12/87	418.00	3	11,927.90	0.02	(5,000)	(2,009.03)
54 Mwal. Peter Wachira	M		Watch Repairer	River Road	River Road	15,000	5,000	15,000.00	242-920-006	13/1/88	513.00	3	14,590.53	0.00	(5,000)	(1,749.20)
55 Mwela William	M	36	Barber	River Road	River Road	38,500	0	38,500.00	242-919-852	6/10/87	1,316.00	3	34,917.70	0.00	0	0.00
56 Odhiambo Jeremiah	F	33	Tailor	Tusker House	River Road	17,000	5,000	17,000.00	242-919-864	10/12/87	531.00	3	16,713.50	0.00	(5,000)	(2,711.30)
57 Gioti James	M		Printer	Nyangano Street	River Road	21,200	5,000	21,200.00	242-919-890	21/12/87	1,904.00	1	19,548.10	0.00	(5,000)	(3,034.75)
58 Mahonga James	M	28	Cobbler	Tsavo Road	River Road	13,460	5,000	13,460.00	242-920-035	9/2/88	1,209.00	1	13,460.00	0.00	(5,000)	(2,524.20)
59 [illegible]	M	27	Metal Works	Kawangware	Sarit Centre	20,000	0	[illegible]	200-910-330	15/12/87	830.00	3	[illegible]	[illegible]	(5,000)	(4,421.45)
60 [illegible]	M	30	Mechanic	Museum	Sarit Centre	34,200	0	[illegible]	200-910-296	8/10/87	1,190.00	3	33,665.60	[illegible]	0	0.00
61 Aticmo Jona	M	47	Carpenter	River Road	Tom Mboya	20,000	0	20,000.00	235-909-198	8/7/87	1,500.00	1	11,956.50	0.00	0	0.00
62 Alusere Francis	M	42	Mechanic	Eastleigh	Tom Mboya	26,568	0	36,568.00	235-909-457	22/12/87	912.00	3	26,056.70	0.00	0	0.00
63 [illegible]	M		Carpenter	Rabai Road	Tom Mboya	23,100	0	[illegible]	235-909-327	14/10/87	1,110.00	2	[illegible]	[illegible]	0	0.00
64 Sicenge Malinya	M	49	Metal Engineer	Outer Ring	Tom Mboya	27,200	0	27,200.00	235-909-496	4/12/87	930.00	3	25,930.00	0.00	0	0.00
65 [illegible]	M	46	Metal Works	Sikoeba	Tom Mboya	24,750	0	[illegible]	235-909-379	27/10/87	850.00	3	[illegible]	[illegible]	0	0.00
66 Kenza Stephen	M	39	Carpenter	Sikoeba	Tom Mboya	22,500	0	22,500.00	235-909-335	16/10/87	2,025.00	1	17,275.55	0.00	0	0.00
67 Karega Margaret	F	25	Tailoring	Ngara	Tom Mboya	15,104	5,000	15,104.00	235-909-307	28/10/87	520.00	3	14,026.35	0.00	(5,000)	1,572.50
68 [illegible]	M	51	Metal Works	Eastleigh	Tom Mboya	10,900	5,000	[illegible]	235-909-409	12/11/87	375.00	3	[illegible]	[illegible]	(5,000)	(5,348.10)
69 Kaina Linas	M		Mechanic	Eastleigh	Tom Mboya	24,500	0	24,500.00	235-909-599	26/1/88	340.00	3	24,560.00	0.00	0	0.00
70 [illegible]	M	47	Mechanic	Eastleigh	Tom Mboya	39,549	0	39,549.00	235-909-531	15/12/87	1,355.00	3	[illegible]	[illegible]	0	0.00
71 Nenre Charles	M	34	Grocer	Race Course	Tom Mboya	0	5,000	0.00	235-644-564	8/3/87	0.00	0	0.00	0.00	(5,000)	(4,924.60)
72 Kgigi Cecilia	F	26	Tailor	Nyayo Market	Tom Mboya	16,000	5,000	16,000.00	235-909-604	26/1/88	550.00	3	16,039.45	0.00	(5,000)	(3,818.10)
73 Ojuang Sarrah	F	33	Hair Saloon	Uanja	Tom Mboya	0	5,000	0.00	235-743-276	18/1/88	0.00	0	0.00	0.00	(5,000)	(5,545.00)
74 Gaach Joshua	M	37	Electrical Works	New Pumwani	Tom Mboya	61,500	0	61,500.00	235-909-278	2/10/87	2,105.00	3	55,075.60	2,105.00	0	0.00
75 Onsongo Priscilla	F	25	Grocery	Riruta Satellite	Tom Mboya	15,000	5,000	1,500.00	235-909-[illegible]	27/10/87	1,350.00	1	11,455.75	0.00	(5,000)	(3,331.49)
76 [illegible]	M	37	Metal Works	Makadara	Tom Mboya	8,500	5,000	[illegible]	235-909-610	25/1/88	[illegible]	1	8,620.00	[illegible]	(5,000)	(3,476.60)
					TOTAL	1,445,731	207,500	1,975,9[illegible]			47,524		1,027,735	24,662	(115,000)	(71,740)

PROCESSING OF A JUA KALI LOAN

Stage 1

(a) Present Status

Option 1: Applicant comes to BAS and is asked to fill out the simple one-page form

Option 2: Applicant comes to a given Branch office and is asked to fill out the simple one-page form or is instructed to go to BAS.

- some branches then schedule a time for the applicant to return for an interview,
- some branches send the completed simple form to BAS for "allocation" to the proper Branch
- at present, most of the applicants are either turned away or are told that their applications will not be considered for a long time because of the limits of

(b) Recommendation

Ideally (and what BAS is now considering), the simple forms should be filled out at the branch and processing should begin immediately at that level. A copy of the form should be sent to BAS for centralized information purposes and subsequent monitoring of Branch performance.

Stage 2

(a) Present Status

When BAS initially received the forms from the Branches, they decided to divide them up into rough geographical areas for "allocation" to the Branches. Once the allocation was made, BAS sent each branch a computer printout of the applicants assigned to them, but did not tell them what happened to the total of applicants.

At the same time, BAS sent a letter to each one of the applicants informing them which Branch they should go to for further processing.

(b) Recommendation

1. BAS should update the status of all the applications an circulate the information to the Branches to enable them t
   - be better informed on the applications submitted to BAS;
   - be able to provide the right answers to applicants; and
   - be able to plan future processing of applications.

2. In the future, applications received directly by the branches should be assigned to the branches receiving them. When a change (relocation to a different branch, for example) is considered desireable on the client's request or because of load redistribution, the relevant branch should be promptly informed by BAS.

Stage 3

(a) Present Status

The client comes to the Branch for further processing.
- some branches give them the first questionnaire (Annexure 1) to complete with the instructions to return it to the branch as soon as it is filled out.
- some branches conduct interviews with the clients and then ask them to complete the questionnaire.
- some branches schedule a time for an interview with the client.
- some branches fill out the questionnaire during the interview with the client.

Once the Branch advances officer has reviewed the first questionnaire and has had the opportunity to interview the client, he then decides to visit the business site.
- some branches ask the client to complete the workbook (Annexure 2) before the site visit.
- some branches visit the client and present him/her with the workbook during the site visit in order to assist them with any questions they might have.
- some branches give the workbook only to those clients they deem acceptable after the site visit.

(b) Recommendation

The most effective use of these forms seems to be the following: 1) Give the applicant Annexure 1 immediately following the initial interview if he/she is found acceptable. Ask the applicant to return the questionnaire to the branch as soon as it is completed. When a client is unable to complete the form on his/her own, the branch staff should complete it based on an interview with the client. 2) Following the business visit, if the bank officer feels the need for additional information, s/he may use Annexure 2 as a guide for further questioning. If not, the applicant should only fill out Annexure 2 upon completion of the training course. This will allow the applicant to apply the skills learned during training and will cut down on the current waste of photocopied materials.

Stage 4

(a) Present Status

Once the Branch advances officers have collected and reviewed the questionnaire and the workbook, have completed an initial client interview, and have made a site visit, each client's application packet is passed through the Branch Manager for final selection. Those who are approved by the Branch Manager are then sent to BAS for training selection.

(b) Recommendation

The branches could be given the authority and responsibility to approve the loans and make any changes they deem necessary without referring to BAS. Although this runs the risk of encouraging Branch managers to favor certain types of clients at the expense of others (eg: relatives or tribal preferences), most have indicated a thorough understanding and support of the Jua Kali objectives. This would cut back considerably on the time and administrative costs currently shouldered by BAS and frustrating many of the clients.

The BAS role, then, would be as coordinator of the training programs and as periodic monitor of the individual branches. The BAS role as final decision-maker in all aspects of the program was essential in the program's initial stages and will again be essential if the program is expanded, but once the branches understand the Jua Kali objectives and their own responsibilities, that authority should be dispersed.

Stage 5

(a) Present Status

BAS waits for enough applicants to be compiled in their office to make up a full training session (approximately 20 participants each). Once compiled, BAS then sends letters to each individual applicant informing them of the scheduled training session and asking them to respond. It then arranges for a consulting firm to put on a training session. Responses must be received from a large enough group before the training can be carried out.

(b) Recommendation

Training programs may be scheduled in advance once sufficient response for the program is established in each area. As and when an applicant is selected to be sent for training s/he may be assigned a slot in the earliest training course possible.

Stage 6

(a) Present Status

Clients go to the two-week training course. During the course, many of the clients' businesses are visited by the trainers. Vintage visits each of the participants at their business sites and gives individual recommendations for the improvement of their business. Undugu only visits a few selected participants, but has other participants accompany them so as to solicit their recommendations and comments as well.

At the end of the course, the participants are usually informed of the next step, which is to return to BAS for instructions on obtaining pro-forma invoices, contacting suppliers, and any other steps which will be necessary in obtaining a loan.

(b) Recommendation:

1. Although the competition generated by using three organizations to provide training is healthy and should be continued, BAS should also further the development of the training program by combining the positive aspects of existing programs and obtain modifications from each according to the results.

2. Require each training course to report on each individual participant, as is currently being done by Vintage.

3. The training courses should inform each participant of the need to contact the Branch again for follow-up of their applications and other steps required to obtain the loan.

4. The training course should inform the participants that their participation in the course does not automatically lead to their obtaining loans.

Stage 7

(a) Present Status

Clients must go to BAS and obtain instructions on obtaining all necessary papers and information for purchasing equipment. Once these are collected, they must return them to BAS for examination. If there are any problems with suppliers or the pro-forma invoices, it is usually Ms. Dawa who tries to solve them.

(b) Recommendation

This task will be difficult to reassign to branches, although it would appear that reassignment would be more time and cost effective. In view of its critical importance in the disbursement procedures, this task should be performed by Jua Kali Program staff at BAS or in the provincial capitals, as applicable.

Stage 8

(a) Present Status

Once all the problems have been ironed out in a given training group, the BAS Approval Committee convenes to go over each loan application package (pro-forma invoice, questionnaire, workbook, branch recommendation, training report, et al). At this stage, there are usually two or three applicants who are deferred for various reasons (the supplier didn't provide the right machine, the client has another loan pending, etc.)

(b) Recommendation

The present system should continue until the Branches can be assigned credit authority based on exceptional performance. By assigning credit authority to the Branches, this step could be eliminated. The Branches could then form committees at the Branch level to undertake this task.

Stage 9

(a) Present Status

The application packets are sent to Head Credit Office for final approval. Head Credit Office reexamines all of the above for each applicant and then records its final approval in a central book. It should be noted that there have been no rejections to date of any of the application packets sent to Head Credit Office.

(b) Recommendation

The observations made in Stage 8 are applicable.

Stage 10

(a) Present Status

Application packets are sent back to BAS to then distribute to the respective Branch offices.

Stage 11

(a) Present Status

Branch Offices contact the client to inform them of the approval and explain the terms of the loan.

(b) Recommendation

This step should continue and branches should at this stage explain in detail the commitments the client is entering into -- working of an overdraft account and a loan account. Further steps necessary to complete documentation prior to disbursement should also be explained.

Stage 12

(a) Present Status

Loan documentation is completed with the assistance of internal lawywers. At times, the client is unable to provide a chattels mortgage and the lawyer may delay the preparation of loan documents.

(b) Recommendation

1. As already mentioned earlier in this report, the alternatives to chattels mortgages should be explored at the initial stages of the loan process

2. Any documentation which is standard should be completed internally to save time.

3. For working capital loans, a mere loan agreement may be adequate.

Stage 13

(a) Present Status

The loan is disbursed directly to suppliers wherever possible to ensure that the funds are used for intended purposes.

(b) Recommendation

Present system should be continued.

Stage 14

(a) Present Status

Visits are not generally made to the client's premises after loan disbursement to observe the impact of the loan on sales, capacity, stock levels, employment generation, and availability of equipment financed.

(b) Recommendation

1. At least one visit should be made by the Branch advances officer within three months of disbursement of the loan

2. The client's bank statements should be regularly reviewed by the Branch advances officer. Observations indicating problems should be discussed with the Branch Manager and follow-up action initiated by visiting the client's premises and holding discussions with the client.