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FINAL REPORT

KENYA RURAL PRIVATE ENTERPRISE PROJECT (RPE)

MAY 1991

A PROJECT FUNDED BY THE U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT

PRIME CONTRACTOR: DELOITTE & TOUCHE
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May 30, 1991

Mr. Richard J. Womack
Contracting Officer
United States Agency for International
Development
REDSO/ESA
Nairobi, Kenya

Dear Mr. Womack,

Re: Contract No. 615-0220-C-004004-00

I am pleased to forward to you two copies of the Rural Private Enterprise (RPE) Project Final Report (Contract Number 615-0220-C-00400). The Report seeks to synthesize the lessons learned over the course of the project and their implications for the future. It is suitable for wider distribution.

You are welcome to contact me should you have any questions.

Thank you for your guidance, cooperation, and support in implementing the project.

Yours sincerely,

Robert J. McPhail
Principal

cc: John Westley
Director
USAID/Kenya

Eric Zallman
Deputy Director
USAID/Kenya

Holly Wise
Chief, Private Enterprise Office
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✓ Center for Development Information and Evaluation
Bureau for Program and Policy
Co-ordination (PPC/CDK/DI)

R.J.

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FINAL REPORT

OF THE

KENYA RURAL PRIVATE ENTERPRISE PROJECT (RPE)

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Abbreviations
and
Clarification of terms

AMEG	-	American Manufacturers Export Group
BAS	-	Business Advisory Services Office of KCB
BBK	-	Barclays Bank of Kenya
CBK	-	Central Bank of Kenya
DHS	-	Deloitte Haskins and Sells
DHS/A	-	Deloitte Haskins & Sells/Africa
DMA	-	Direct Management Assistance
D&T	-	Deloitte and Touche
GOK	-	Government of Kenya
IESC	-	International Executive Service Corps
IPC	-	Investment Promotion Centre
KCB	-	Kenya Commercial Bank
KCFC	-	Kenya Commercial Finance Company
KNCC	-	Kenya National Chamber of Commerce
MIS	-	Management Information Systems
RPE	-	Rural Private Enterprise
SBU	-	Small Business Unit of BBK
SCB	-	Standard Chartered Bank
USA	-	United States of America
USAID	-	United States Agency for International Development
VE	-	Volunteer Executive
WEI	-	World Education Inc.
WEREP	-	World Education Rural Enterprise Program

Jua Kali - the Informal sector
Sub-borrower - an enterprise having an RPE loan

PROJECT MANAGER'S FOREWORD

Eric Zallman, USAID/Kenya Deputy Director, said during his presentation on April 18 1991, to the American Business Association that the USAID RPE Project has accomplished the almost miraculous task of lending \$19 million during 1990/91, the last year of the project. He was acknowledging the enormous desire of Kenyans to achieve a greater degree of prosperity and the work that had gone into creating an environment and providing the services necessary to allow Kenyan bankers and entrepreneurs to take advantage of training and credit made available through development assistance.

It was a gratifying acknowledgement.

To write the Final Report of a project that has had many players and a relatively long life span gives special responsibilities and provides special opportunities. Many have contributed in full measure to the legacy of the Rural Private Enterprise Project as Deloitte & Touche finalizes its involvement. If we are to talk about a handing over, it is primarily to the hundred plus sub-borrowers who have RPE loans and to the branch managers, small business units and training managers in the participating banks. The repayments, the continuing interaction, a focus on the need to lend money on the basis of the viability of the project and not on security alone will be the measure of the sustainability of medium term lending in relation to the RPE project.

The challenge will lie in continuing the momentum and satisfying the demand that RPE has helped to create for longer term loan funds to initiate small and medium sized enterprises. The challenge must be met in several ways:

- By implementation of Government of Kenya policy decisions,
- With funds to make an RPE Revolving Fund a realistic option,
- With other donor assisted credit schemes that provide the first step for those who would otherwise have no access to credit,
- By initiatives within banks and viable financial institutions,
- And primarily by the continued initiative, creativity, enterprise, optimism and hard work of individuals who are willing and eager to invest and produce and do business in Kenya today and in the future.

The final report deals with the small corner of this challenge tackled by the technical assistance rendered through the Rural Private Enterprise Project since 1983.

I thank all of the people who worked with dedication to achieve full utilization of the RPE loan funds and to increase awareness of good business practices and the role of medium term credit in enterprise development. The support and encouragement of the Director of USAID/Kenya and the Office of Projects, individuals in the Government of Kenya, the Central Bank of Kenya Chief Banking Manager and his staff, committed commercial bank staff at headquarters and branch level, sub-borrowers whose entire livelihood is linked to the businesses started or expanded through an RPE loan and my colleagues at Deloitte & Touche/Deloitte Haskins & Sells, especially those in the management unit, have inspired me. Justus Omolo from USAID, with whom I worked closely, is remembered and missed.

A special thanks goes to Holly Wise, Chief Private Enterprise Officer, USAID/Kenya, who supported RPE throughout.

Thanks also to Robin McPhail who hired me, and to Andrew Waidie and Jayne Booker, the Field and Project Directors respectively, who provided guidance and support.

The enormous number of requests that continue to pour in for RPE loans demonstrate the continuing need. RPE can today be identified as a forerunner for the kinds of development needed to stimulate economic growth and improve living standards in the 1990's. The contribution and the impact are unmistakable.

Barbara Robin Steenstrup
Project Manager
March 1990 - April 1991

I. INTRODUCTION

The contract between USAID and Deloitte & Touche for support services to the USAID Rural Private Enterprise (RPE) Project ended on March 31, 1991. Disbursement of loans approved by that date and reimbursement from USAID can take place until December 31, 1991.

The Agreement between the Government of Kenya and the United States of America was signed on August 25, 1983 and has been amended by Project Implementation Letters between GOK and USAID. The contract between USAID and Deloitte & Touche was signed on May 1, 1984 and has subsequently had six amendments including two extensions of one year each. Four sub-contractors, Deloitte Haskins & Sells, International Executive Service Corps (IESC), American Manufacturers Export Groups (AMEG) and Technoserve, have carried out work under the prime contract.

The final report and its appendices will primarily focus on the lessons learned through the accomplishments of this project, how constraints were dealt with, methods of work and recommendations for the future. For ease of reference, the chapters follow the format for the project workplans and monthly reports. Recommendations are included both in the body of the report and summarized separately in Chapter 14. Emphasis is placed on the activities of the period April 1, 1990 - March 31, 1991 as previous years have been covered by earlier annual reports.

Data for this report has been compiled by the RPE Management Unit consisting of:

Barbara Robin Steenstrup, Project Manager, Deloitte & Touche/Washington, Kimani C. Njeroge, Assistant Project Manager, Deloitte Haskins & Sells/Africa and Ruth Gathoo, Administrative Assistant, Deloitte Haskins & Sells/Africa. The report has been written by Barbara Robin Steenstrup and reviewed by the Project and Field Directors.

This report may be distributed without any restrictions while the special studies, pipeline reports, feasibility studies and other papers prepared for individual banks or sub-borrowers remain confidential in accordance with good banking and business practice.

Our appreciation goes to all those with whom we have worked over the years for their cooperation which facilitated the implementation of the Project.

Kenya

Rural Private Enterprise Project (RPE)

Providing long-term loans and technical assistance to rural private enterprises in Kenya

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FINAL REPORT

EXECUTIVE SUMMARY

MAY 1991

A project funded by U.S. Agency for International Development

Implemented by Deloitte & Touche, USA,

with assistance from Deloitte Haskins & Sells, Nairobi, International Executive Service Corps and American Manufacturers Export Group, Inc

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RURAL PRIVATE ENTERPRISE (RPE) PROJECT

FINAL REPORT

2. EXECUTIVE SUMMARY

This Executive Summary is more comprehensive than is usual for a chapter of this nature. It is meant for those who are primarily interested in the lessons learned from RPE. It deals with the information and issues that we have found to be most significant to the implementation and ultimate success of the project. Over the last six months, as it became clear that RPE would come to an end, bankers, development workers and organizations that hope to learn from the RPE experience have requested this information in a variety of ways.

The chapter is organized as follows:

Project Description**Major Issues and Lessons Learned****Main Achievements****Implications for the Future.**2.1 Project Description

The Rural Private Enterprise Project (RPE) was established in 1983 under an Agreement between the Government of Kenya and the Government of the United States of America represented by the United States Agency for International Development (USAID). The Agency provided US\$ 24 million for on lending to entrepreneurs. Initially a loan to GOK, the funds were channeled via Kenya's Ministry of Finance (Treasury) to the Central Bank of Kenya (CBK) and lent to participating commercial banks at a rate of 12%. Each loan consisted of a 2/3 contribution from USAID funds and 1/3 from the participating bank.

The participating banks were Barclays Bank of Kenya (BBK), Kenya Commercial Bank/Kenya Commercial Finance Company (KCB/KCFC) and Standard Chartered Bank (SCB). They were allocated \$8 million, \$12 million and \$4 million respectively.

USAID also allocated over the entire term of the project, including the two one-year extensions, the amount of US\$ 3.9 million for management and support services.

After conclusion of the project contract on March 31, 1991, the repayment funds are to form a reflow fund for continued lending. It will be sometime before there is a significant build up of these funds. The \$24 million constitute part of the debt relief package currently being implemented by the United States' Government.

2.1.1 Objectives

The design of the project was based on the awareness by GOK and USAID that the private sector is the best means of attaining many development objectives. The RPE objectives were as follows:

- . To institutionalize longer term lending in Kenya's financial sector for the purpose of giving businesses time to become established before facing debts and liquidity crises;
- . To offer the widest number of rural borrowers credit for establishment or expansion of off-farm enterprises and to provide them with management and technical services;
- . To increase employment;
- . To encourage export or import substitution;
- . To contribute to rural/urban balance in Kenya's development.

2.1.2 Target groups

RPE is targeted to off farm enterprises based outside Nairobi and Mombasa. In addition to the administrative and economic feasibility requirements normally applied to loan applications by banks, to qualify for RPE assistance a business must meet at least one of the following criteria:

- . create employment;
- . be export oriented and/or for import substitution;
- . provide more markets, inputs, processing or services for agricultural or other rural production based on locally available inputs.

As exceptions, the following projects can be assisted anywhere in Kenya:

- . enterprises engaged in agri-business
- . projects with strong linkage to rural areas.

As a pre-condition, borrowers must be eligible to borrow under Exchange Control No. 19, and Kenya citizens must have managerial control.

The RPE Project at its inception in 1983 noted that women should benefit from the project. At that time increased employment of women under the loan criteria of job creation was mainly implied. Statistics on the number of women employed by sub-borrowers as a direct result of their RPE loans have been kept.

As understanding of women's importance to the economy has grown, there has been an effort to encourage women entrepreneurs to make use of RPE funds, training and management assistance. In addition, the participating commercial banks are being encouraged to make their managers and credit staff aware of women as potential borrowers.

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2.1.3 Support services

Support services were provided through a Management Unit established by Deloitte & Touche as prime contractor and Deloitte Haskins and Sells/Africa (DHS/A), International Executive Service Corps (IESC), the American Manufacturers Export Group (AMEG) and Technoserve were sub-contractors.

These services comprised:

- . Assistance to banks
- . Promotion
- . Feasibility studies
- . Direct management assistance (DMA) to borrowers
- . Training of bank staff and sub-borrowers
- . Monitoring
- . Procurement of equipment
- . Management information systems (MIS)
- . Special studies
- . Management unit support to the project as a whole.

2.1.4 Participating Banks

To ensure that the financial intermediaries had the capacity to realize the goals of RPE, selection of participating banks was based on:

- . demonstration of financial and administrative soundness
- . ability to lend or the willingness and capacity to develop the ability to lend to rural borrowers
- . ability to provide business advisory services to sub-borrowers

BBK, SCB, KCB and KCFC were selected because they had networks of at least 15 rural branches. Their commitment to lend to rural areas was demonstrated by the geographical distribution of the sub-loans, and the fact that they contributed one third of the total RPE credit to the sub-borrowers.

KCB now has a fully fledged Business Advisory Services (BAS) unit that undertakes feasibility studies and provides a range of services to the target group. BBK has developed a Small Business Unit that co-ordinates all RPE activities and other targeted development credit programs. Although SCB has not yet developed a similar Unit, the office of the Senior Credit Control Manager operates as a focal point for RPE loans.

2.1.5 Lending Statistics

Total Loans Approved

The total number of loans approved under the program was 113 and can be summarized in sectors as follows:

<u>Sector</u>	<u>Number of Loans</u>	<u>% (rounded)</u>
Agri Business	54	47.79
Manufacturing	32	28.32
Service Industry	11	9.73
Tourism/Hotels	11	9.73
Mining and quarry	4	3.54
Building and construction	1	0.88
Total	113	100.00

Average loan size Kshs 7.25 million

Breakdown by Eligibility Criteria

A	Job creation	79
B	Forex earnings	38
C	Market Development/Agri business	60

Note: Loans can qualify on basis of more than one criterion.

Number of loans by size

<u>Size (KShs)</u>	<u>No</u>	<u>Loan amounts KShs '000</u>	<u>Value of % total</u>
Loans up to 350,000	19	3,949	0.5%
0.35m + - 1m	17	10,907	1.3%
1m (+) - 3m	24	42,270	5.1%
3m + - 10m	29	152,056	18.6%
10m + - 20m	12	187,138	22.8%
Over 20m	12	423,315	53.1%
	113	819,635	100%

Largest loan KSh 60 million

Smallest loan Ksh 92,000

Total (USAID and Bank) Kshs 819,635,000

Employment creation

Total number of jobs created is 5,568 of which 993 jobs are reported to have gone to women. The figures are not complete in that many sub-borrowers did not reply to our request for gender disaggregated data.

2.2 Major Issues and Lessons Learned

2.2.1 There were a number of major issues, problems and constraints that affected the pace of project implementation. The lessons learned from dealing with these issues can provide a basis for planning, designing and implementing credit schemes in the future.

The issues linked to development assistance as a whole and are covered first.

2.2.1.1 Utilization of RPE funds was initially slow because:

- Rural sector assistance is long term in nature.
- Beneficiaries were not involved in project design.

That assistance to the rural sector is long term in nature is a development axiom. RPE was initially to have been a five year project, which in this context is relatively short. Processing loans under RPE or even making potential sub-borrowers aware of the existence of the RPE option for lending required attitude changes on the part of bank staff. It required their examining the content and quality of a business venture closely and not just ascertaining that there was adequate security in case of default. The loans were considered high risk, and the bank bore the full credit risk under RPE. Initially, the respective headquarters were not enthusiastic, and lending under the project was not actively promoted by branch staff.

Much of the time during the first three years of the project involved establishing systems at the Central Bank for tracking loans and in planning and designing training for bank staff. Little was done to inform potential sub-borrowers about RPE directly.

2.2.1.2 Dialogue with government should focus on the economic environment.

Even more basic was the fact that the beneficiaries were not involved in project design and planning. The project was designed in a dialog between Governments. The specifics of the project were then presented to the banks for implementation. Neither they nor business people had been consulted as to their needs and preferences for credit.

2.2.1.3 Government fixed interest rates and credit ceilings have been constraints.

Initially the rate was fixed at two percent under the commercial lending rate. The banks felt that RPE was not profitable. They borrowed the money from the Central Bank at a rate of seven percent and were to on lend at a rate of twelve percent initially. The spread of five percent was not attractive enough to justify the additional administration time and the perceived risk involved.

After some delay, lending at current market rates, i.e. presently 19% for long term loans, was sanctioned from January 1990. The banks thereafter also borrowed at the market rate from CBK, currently 12%, giving a spread of seven percent. The effect was dramatic. There was greater enthusiasm to lend under RPE. It had become profitable for the banks.

Similarly, GOK credit ceilings, imposed to meet IMF conditions, which require banks to deposit on non interest bearing accounts at the Central Bank, 20 percent of any amount lent over set limits, hampered RPE for some time. A number of attempts were made to exempt loans made under RPE from the ceilings, but formal exemption was never forthcoming.

2.2.1.4 Incentives had little impact, and the overseas procurement facility was not attractive.

There were two aspects of RPE which do not seem to have had much impact on its success. The first was an incentive payment to bank branches that made small loans. Incentive payments were made on loans under the Kenya shilling value of US \$75,000. The incentive payment was 10% of the value of the loan, up to a maximum of Kshs 35,000. The amount was credited to the income of the particular branch. This incentive did not seem to play any particular role in increasing the enthusiasm of staff to make small loans. With hindsight it would have been more effective to reward individuals who processed many RPE loans. These incentives could have taken the form of recognition and career advancement.

The second aspect was the overseas procurement facility. Described as time consuming, difficult to administer and bureaucratic, only nine loans out of the total were used in this manner. Many loans were used to procure equipment of foreign origin, but the sub-borrowers preferred to buy on the local market in Kenya shillings.

This facility also affected the way in which the funds had been allocated, reserving a certain amount in US dollars for this procurement. It was thanks to last minute efforts by the USAID Project Officer in Nairobi that those funds were released for lending in Kenya shillings. If this had not been the case, the project would have had several million dollars less for lending.

2.2.1.5 Banks are commercial not social institutions.

Finally, in respect of basic lessons, it must be stated that banks are commercial, not social, institutions. Just as the interest charged had to be high enough to make RPE profitable so loans had to be based on sound business ventures and adequate security tendered.

That said, however, the banks, especially through the services of their Small Business Units and Business Advisory Services have increasingly demonstrated a sense of corporate responsibility to improving the economy of the nation by assisting the small scale enterprise sector. They administer a number of different credit schemes funded by development assistance donor organizations and are more and more willing to cooperate on schemes that target first time users of commercial credit. When asked their motivation, the reply has been that it is an investment in the future, in building up good will and in cultivating a new category of customers.

2.2.2 The second category of issues, problems and constraints are those specific to the RPE Project. All were dealt with and most of them remedied in light of experience.

2.2.2.1 The effect of larger loans has been under discussion.

Interview responses during the November 1990 Review on the Possible Establishment of an RPE Revolving Fund showed that most of the larger enterprises, i.e. the 24 loans over Ksh 10 million each, could most likely have borrowed on their own.

It must be stressed, nevertheless, that these loans also fulfilled one or more of the criteria for borrowing under RPE and that they were responsible for creating at least 3,556 jobs, according to our less than complete statistics.

The RPE Revolving Fund Review recommended, that loans from the future Fund should be maximum Ksh 10 million in order to assist smaller enterprises and not deplete the Fund.

The enormous number of applications for loans to small scale enterprises that could not be accommodated when time and money ran out amply demonstrates that the larger loans were not crucial to full disbursement.

2.2.2.2 Higher lending risk must be shared.

The perceived risk in lending under RPE was a problem. Lending to new undertakings or to borrowers without a clear track record was considered risky. One hundred percent of the risk is borne by the bank in that repayment has to be made to the Central Bank regardless of whether or not the sub-borrower repays the loan. On the other hand, banks have not eased normal security requirements. The risk element that seems to have had a greater effect was the reluctance of branch managers to approve loans that may have reflected badly on their balance sheet or their judgement. When, for example, BBK's Small Business Unit began to assess loans together with the branch, the willingness of branch staff to handle RPE loan applications improved.

2.2.2.3 Because understanding longer term lending was a gradual process, training contributed to COMMITMENT in lending.

At the beginning of the project, longer term lending was not understood. The benefits of the grace period and repayment over a greater number of years which allowed businesses time to get established and cope with liquidity problems before being faced with debts appear obvious. But it was only gradually, through training and discussions with the RPE Management Unit during monitoring visits to individual projects that bank staff became dedicated to benefitting their clients through RPE.

Under the RPE Project 36 training courses for 550 bank staff were carried out. All staff interviewed during the Revolving Fund Review had participated in at least one RPE training activity and many in more. They all described the training as valuable.

Training of bank staff concentrated on the principles of term lending, loan monitoring, financial analysis, analysis of business plans, marketing, customer relations, time management and in some cases computer training. The training staff of each of the banks participated in tailoring the curriculum to the particular needs of its own bank.

In June 1990, a workshop for headquarter's staff was held on sensitivity to women as borrowers. The workshop was facilitated by Chloe O'gara, Deputy Director of USAID's Office for Women in Development. Deloitte's Women in Management courses were thus inspired. Women Managers of the bank are now regularly trained at these courses.

Encouraging the attitude changes necessary to ensure dealing with clients on the basis of the soundness of their proposals and their track record is an on-going and long term undertaking. The skills needed are different from those needed in traditional banking that has been collateral oriented. As new staff are promoted or recruited and the financial market changes, continued training and follow-up will be required. Bank staff will also need to be encouraged through recognition and career development.

2.2.2.4 Responsibility for special programs must be pinpointed.

Closely linked to change of attitude are the issues of momentum and commitment. Initially, most potential sub-borrowers were unfamiliar with RPE. They didn't ask about it, they were unaware of why it could benefit them, and they were not informed by their bank.

Internally in the banks, there was no single department or individual responsible for RPE or other donor funded credit programs. With grant funds for equipment under RPE, the banks were able to develop and strengthen departments aimed at assisting the small scale entrepreneur. The Small Business Unit at BBK and Business Advisory Services at KCB have played a major role in promoting RPE while the Credit Control Manager at SCB has played a similar role.

2.2.2.5 Promotion was important in creating MOMENTUM. It was important to reach business people directly, and special target groups needed targetted information.

Early promotion activity was aimed primarily at bank staff. For broader consumption, there had been a little press coverage, and brochures for each bank were printed. In 1990, the RPE Management Unit emphasized publicizing RPE in a targetted manner. There were articles and interviews in periodicals such as the Journal of the Kenya National Chamber of Commerce (KNCC), the Investment Promotion Center (IPC) Newsletter and the Journal of Trade and Industry. RPE was featured in a radio broadcast that was one of a weekly series aimed at encouraging enterprise development. Similarly, the Project Manager spoke about RPE at seminars and courses, such as a seminar for women exporters sponsored by the Women's Bureau and Kenya Polytechnic.

Promotion was also targeted to individuals through training and counselling. Regionally located, short courses in management, accounting and good business practices were held for sub-borrowers and potential sub-borrowers, who participated at their own expense. They were typically the owners of a smaller businesses, had limited formal business training and limited trained staff. A special effort was made to encourage the participation of women, and they comprised 10 percent of the total participants.

Business Clinics were held at bank branches in many places in the country. They focused on the prerequisites for a successful business. Part of both promotion and training, Business Clinics were intended to assist entrepreneurs with potentially good business ideas to articulate them and put their thoughts on paper. The concept was developed by the RPE Management Unit to guide small scale entrepreneurs in preparing loan applications. The clinics were offered as a service of the RPE project and carried out jointly with credit officers from the individual branches of participating banks.

Clinics were announced about two weeks before the event through posters prominently displayed in the branch and leaflets, in Swahili and English, explaining the purpose of the clinic, details of how to apply and where to attend.

Each one day clinic consisted of two sessions, the first attended by all participants, dealt with general issues related to preparation of business plans and the importance of developing a business idea fully before approaching the bank manager for a loan. Questions related to RPE and of a general nature were also answered. The second session was designed for business people with partially developed ideas wanting assistance on how to put them on paper. These individual sessions were held in confidence.

Business clinics also served as on-the-job training for bank staff to help them understand the broader dimensions of the projects in question and to improve their skill in appraising them. They learned how to conduct business clinics on their own, subsequently increasing their ability to assess projects which have a good probability of success.

Ninety-three clinics were held for SCB and BBK with a total of 144 participants. A number of loan applications were forthcoming. The banks and individuals continued to request business clinics up to the end of the project.

2.2.2.6 RPE became a core around which banks could build their services to a new group of customers.

Through the activities of RPE, enthusiasm grew. The response, in terms of letters, phone calls and visits to the banks, USAID and the Management Unit, was overwhelming.

As stated on March 22, 1991, by Josphat Murage, Manager of BBK's Small Business Unit, at the RPE final meeting,

With the benefit of hindsight, it now appears that the initial promotion of the scheme had serious shortcomings and these, no doubt, delayed an early take-off of the scheme. Judging from the latest experiences, a combination of advertisements in leading business journals, discussion of the programme in open business workshops in addition to business clinics' would have been more effective ways of promoting the scheme.

2.2.2.7 The BRANCH NETWORK and COMMITTED bank staff are essential.

Finally, the question of whether or not a branch network was essential to carrying out a program like RPE has been a recurring issue. Our clear response is that it is. Intimate knowledge of the prevailing economic, business and political conditions in a region are a prerequisite as well as knowledge of the individual customer. Loan monitoring requires being close enough to the project to visit it regularly, to identify potential problems and seek solutions together with the entrepreneur.

2.3 Main Achievements

It is our opinion that with continued high demand from borrowers and given continued high priority by the banks, RPE type lending is sustainable and replicable in Kenya. Providing the loan funds was, of course, the nucleus for the project, but the main achievements have more to do with the strengthening of infrastructure and development of new attitudes.

- 2.3.1 Changing of attitudes in connection with the introduction of a new credit concept has been central. Not only limited to RPE, bank staff have been encouraged to focus on a broader range of issues and to think in terms of providing new products or services to new categories of customers. Many branch managers have learned the value of spending more time monitoring the businesses that receive loans.
- 2.3.2 Demonstrating the value of training of sub-borrowers in the basics of good business practices has been an essential ingredient in the success of RPE. In many cases credit alone can do more harm than good. It is only when credit is coupled with good management that it can be used properly.
- 2.3.3 Building momentum through internal promotion in the banks and promotion directly to business people has had a catalytic effect that made the demand for RPE funds outstrip the supply. Although RPE has been only a small part of what the participating banks do, we believe that that momentum will benefit other development credit programs and the banks and their customers as a whole.
- 2.3.4 The Project has succeeded in introducing new procedures for appraising loans. More emphasis has been put on project viability and monitoring and less on collateral.

- 2.3.5 Very importantly, the Project has raised the priority given to support to small business by the participating banks by helping them to institutionalize special departments for that purpose. The grant funds made available to each bank contributed to the acquisition of computers, vehicles and other equipment and training materials around which these departments could be built. The support service in terms of training and support to banks prepared bank staff for new responsibilities.
- 2.3.6 The project, through the monitoring process, has succeeded in demonstrating the importance of a branch network that can be in close touch with local people and businesses in working successfully for the economic development of rural/urban growth centers.
- 2.3.7 RPE became a core around which banks could build their services to a new group of customers. It needs to be emphasized, however, that RPE has only provided a jump start. Policy changes and practical support will continue to be essential to the process of enterprise development.

2.4 Implications for the Future

Although USAID's support for the RPE Project has ended, continued need for RPE type funds has been demonstrated. While the revolving fund exists in principle, it will be at least two years before there are adequate repayments to make future lending viable unless the banks, GOK or other donors contribute.

A continuing policy dialogue with the Government of Kenya on the economic environment required for enterprise development is essential. Steps must be taken to create that environment if longer term lending is to be a permanent reality.

Maintaining the MOMENTUM created by RPE is crucial to determining whether or not RPE will have lasting effect.

Kenya Rural Private Enterprise Project (RPE)

Providing long-term loans and technical assistance to rural private enterprises in Kenya

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MAIN REPORT

A project funded by U.S. Agency for International Development

Implemented by Deloitte & Touche, USA,

with assistance from Deloitte Haskins & Sells, Nairobi, International Executive Service Corps and American Manufacturers Export Group, Inc.

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3. PROJECT DESCRIPTION

The project description is found on pages one - five of the EXECUTIVE SUMMARY and in the individual chapters as support services.

4. ASSISTANCE TO BANKS

Assistance to banks extended to both the Central Bank of Kenya (CBK), as the agent of the GOK, and the commercial banks participating in RPE. CBK support has primarily consisted of the design and implementation of a computer system for tracking and monitoring RPE loans, preparing reports for the Ministry of Finance and USAID and training CBK staff to carryout these activities.

The commercial banks, BBK, SCB and KCB/KCFC had primary responsibility for implementing RPE. The RPE Management Unit, through the technical assistance components of the Project, have assisted with training, feasibility studies, monitoring, portfolio management, promotion, grant funds and a continuing formal and informal dialogue.

4.1 CBK

4.1.1 The objective of support to CBK has been to assist CBK's RPE unit with information management in order to administer and track the USAID contribution to the RPE portfolio. A computer was provided on a grant basis to the unit, and DHS/A information and technology staff designed and put into use a loan tracking and monitoring program (using DBase III). CBK staff was trained to provide monthly reports to the Ministry of Finance and USAID RPE I and II forms, which the commercial banks complete for each sub-borrower loan, are the information base from which CBK works. (Appendix I, Sample RPE I and II forms).

Initially, there were problems in receiving accurate and timely reports. Some revisions were made in the system; the RPE Management Unit Administrative Assistant made weekly visits to CBK for several months, and the computer printer was replaced. For a time, regular monthly meetings were held with the CBK Chief Banking Manager and the Head of the CBK RPE Unit.

The RPE Unit at CBK has for the last six months taken full responsibility for preparing reports, and they appear to be of satisfactory quality.

4.1.2 In addition, Mr Jamasai Onyango, Head of the Unit, has played an active role in the design of the RPE revolving fund. He has shown dedication to full disbursement during the project and to ensuring that a revolving fund becomes viable. (Appendix II, Introduction, Executive Summary, Economic Environment and Logical Framework from A Review of the Possible Establishment of an RPE Revolving Fund and an Assessment of the Financial Sector in Kenya, November 1990).

CBK has invited the participating commercial banks to a number of meetings in the last few months to hear their views on medium term lending and support to small and medium scale enterprises.

4.2 Commercial Banks

The inter-action with BBK, SCB and KCB/KCFC staff at headquarters and the branches has been central to the success of the project. The RPE Management Unit supplied support services to the commercial banks and facilitated a dialogue between the banks and GOK and USAID.

Promotion, feasibility studies, training and monitoring are dealt with under separate chapters.

4.2.1 Strengthening the banks ability to carry out enterprise assessment and to give support to borrowers has been the primary aim of the technical assistance. During the start-up phase of the project, grant funds were allocated to each bank to purchase equipment to assist in implementing RPE. The amounts available were as follows:

BBK	\$ 160,000
SCB	\$ 80,000
KCB/KCFC	\$ 240,000

The funds were used to strengthen the ability of the banks to serve customers and potential customers who have small and medium sized enterprises. Vehicles for monitoring visits, computers to facilitate keeping track of loans, books and other training materials for bank training centres have encouraged the banks to institutionalize these services and reserve staff specifically for this purpose.

4.2.2 Portfolio management describes specific advice on individual loans as well as the on going dialogue between bank staff and the RPE Management Unit. It is difficult to quantify the value of this support, but it appears that this dialogue has helped to motivate staff and to find solutions to potential problems. The banks have been actively sought out, both informally and in workshops and meetings with representatives of all institutions, to discuss constraints and needs. These activities have been the basis for designing training, promotion and monitoring services for the banks.

4.2.3 It is also primarily through the banks that the RPE Management Unit has been able to assist sub-borrowers. Business clinics, which are described in the chapter on Promotion, were carried out as a joint effort with bank branches. Whenever a sub-borrower approached the Management Unit or USAID directly, he/she were given a general orientation and then directed to the banks.

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5. PROMOTION

Promotional activities under the RPE Project were mainly aimed at creating awareness of the availability of the RPE funds and of the purposes for which they could be utilized. Especially Business Clinics held in 1990-91 and one day promotional seminars for bank managers held in 1989 effectively raised awareness of and interest in the possibilities offered under RPE.

5.1 The project printed brochures about RPE for each of the participating banks to distribute. Easily understandable flyers for potential sub-borrowers were also written in addition to the official RPE pamphlet which was primarily useful for bank staff and financially sophisticated sub-borrowers (Appendix III, RPE brochures and information material).

5.2 From 1990, the RPE Management Unit emphasised publicising RPE in a targetted manner. It is our opinion that this was a primary reason for the increased momentum in lending. Initially most potential sub-borrowers were unfamiliar with RPE. They did not ask about it, they were unaware of why it could benefit them and they were not informed by their bank. Increasing sub-borrower awareness was in focus during the last year of the project.

5.3 There were articles and interviews in business oriented periodicals, such as the Journal of the Kenya National Chamber of Commerce (KNCC), the Investment Promotion Center (IPC) Newsletter and the Journal of Trade and Industry (Appendix IV, RPE in the press). RPE was also featured in a radio broadcast that was one of a weekly series aimed at encouraging enterprise development.

The staff of the Management Unit spoke about RPE at seminars and courses, such as a seminar for women exporters sponsored by the Women's Bureau and Kenya Polytechnic.

Promotion was also, targetted to individuals through training and counselling. Sub-borrower courses are described in Chapter 7, TRAINING.

5.4 Part of both promotion and training were Business Clinics which were intended to assist entrepreneurs with potentially good business ideas to articulate them and put their thoughts on paper. The concept was developed by the RPE Management Unit to guide small scale entrepreneurs in preparing loan applications. The clinics were offered as a service of the RPE project and carried out jointly with credit officers from the individual branches of participating banks.

Business Clinics were held at bank branches in many places in the country. They focused on the prerequisites for a successful business.

Clinics were announced about two weeks before the event through posters prominently displayed in the branch and leaflets, in Swahili and English, explaining the purpose of the clinic, details of how to apply and where to attend.

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Each one day clinic consisted of two sessions, the first attended by all participants, dealt with general issues related to preparation of business plans and the importance of developing a business idea fully before approaching the bank manager for a loan. Questions related to RPE and of a general nature were also answered. The second session was designed for business people with partially developed ideas and who would like assistance on how to put them on paper. These individual sessions were held in confidence. (Appendix V, Detailed descriptions, Business Clinic leaflets, topics and list of clinics held).

As covered in Chapter 7, Business Clinics also served as on-the-job training for bank staff.

Ninety-three clinics were held for SCB and BBK with a total of 144 participants. A number of loan applications were forthcoming. The banks and individuals continued to request business clinics up to the end of the project.

- 5.5 Through these promotional efforts RPE became a core around which banks could build their services to a new group of customers. The response, in terms of letters, phone calls and visits to the banks, USAID and the management Unit, was overwhelming. A substantial need for credit of this type had been uncovered. Building momentum through internal promotion in the banks and promotion directly to business people has had a catalytic effect that made the demand for RPE funds outstrip the supply.

As stated on March 22, 1991, by Josphat Murage, Manager of BBK's Small Business Unit, at the RPE final meeting:

"With the benefit of hindsight, it now appears that the initial promotion of the scheme had serious shortcomings and these, no doubt, delayed an early take-off of the scheme. Judging from the latest experiences, a combination of advertisements in leading business journals, discussion of the programme in open business workshops in addition to 'business clinics' would have been more effective ways of promoting the scheme." (Appendix VI, Full text).

6. FEASIBILITY STUDIES

Feasibility studies, while not a requirement for sufficiently well documented loan applications, were carried out at the request of the banks. Normally, RPE financed 50% of the cost, while the potential sub-borrower financed the rest. In a few cases, RPE financed up to ninety percent. A total of sixteen feasibility studies were carried out by DHS/A consultants.

In addition, the Management Unit assisted with interpreting the data in feasibility studies carried out independently of the project. Bank staff were also trained in interpreting feasibility studies.

To preserve bank confidentiality no list of feasibility studies is provided in this report.

7. TRAINING

Under the RPE Project 36 training courses for 550 participants were carried out for the staff of participating banks. Headquarters staff, branch managers and credit officers and accountants were targetted for training (Appendix VII. Training Courses for Participating Banks).

All bank staff interviewed during the RPE Revolving Fund Review in November 1990, had participated in at least one RPE training activity and many in more. They all described the training as valuable.

- 7.1 Bank staff training concentrated on the principles of term lending, loan monitoring, financial analysis, analysis of business plans, marketing, customer relations, time management and in some cases computer training. The training staff from each of the banks participated in the tailoring of the curriculum to the particular needs of its own bank.

In June 1990, a workshop for headquarter's staff was held on sensitivity to women as borrowers. The workshop was facilitated by Chloe O'gara, Deputy Director of USAID's Office for Women in Development (Appendix VIII, RPE and Women).

- 7.2 For sub-borrowers and potential sub-borrowers, regionally located, short courses in management, accounting and good business practices were held. The participants were typically the owners of the smaller businesses who had limited formal business training and limited trained staff (Appendix IX, Description and Content of RPE Sub-Borrowers Course and a list of courses held).

Business clinics, designed by the RPE Management Unit, were intended to assist entrepreneurs with potentially good business ideas to articulate them and put their thoughts on paper. The clinics served both promotion and training purposes and are described in detail in Chapter 5, PROMOTION. They provided on-the-job training for bank staff to help them to understand the broader dimensions of projects and to improve their skill in appraising them. They also learned how to conduct business clinics on their own, subsequently increasing their ability to assess projects which have a good probability of success.

- 7.3 Training was a critical element in the successful implementation of RPE. It contributed in large measure to creating receptive attitudes for RPE lending. It is our recommendation, on the basis of experience, that no credit scheme for new users of credit be attempted without carefully planned and targetted training at various levels.

8. DIRECT MANAGEMENT ASSISTANCE

The objective of direct management assistance (DMA) was to provide assistance in terms of basic bookkeeping, accounting and control, inventory management and other management tools directly to sub-borrowers in order to maximize the success rate for investments.

Consultants from DHS/A and Volunteer Executives (VE), retired senior advisers recruited through the sub-contract with IESC, carried out the DMA assignments.

The RPE Management Unit identified recipients, primarily through field monitoring visits and bank contacts. DMA normally consisted of short term assistance with periodic follow-up. IESC's Volunteer Executives assisted for periods of one - three months.

Most of the costs of DMA were borne under the contract with the sub-borrower contribution limited to transport, meals and accommodation. For IESC assistance, the sub-borrower's contribution was Ksh. 800 per day or equivalent room and board.

Courses for sub-borrowers were a vehicle for carrying out DMA on a regional basis to reach a greater number of individuals and to learn from discussing mutual problems. Chapter 7, TRAINING covers sub-borrower courses in detail.

In several cases, sub-borrowers had to be convinced of their need for DMA. Subsequently, most found it valuable. Seven sub-borrowers were assisted through individual DMA. The only review of the impact of DMA has been carried out through follow-up field monitoring visits. More time will have to elapse before lasting effects can be measured.

As was the case in Chapter 6, FEASIBILITY STUDIES, for the sake of confidentiality no list of sub-borrowers who received DMA is provided.

9. MONITORING

Monitoring has been one of the primary activities under the contract. The RPE Management Unit has regularly monitored sub-borrowers projects and written monitoring reports for the banks and USAID. The purposes have been to follow the progress made in utilization of the loan, to identify problems and suggest solutions and most importantly to demonstrate to bank staff the value of regular monitoring (Appendix X. Monitoring report questionnaire).

Seven monitoring reports have been produced. During each period of field monitoring, new and problem projects were visited and the written reports submitted to the banks and USAID. In consultation with the sub-borrower and bank staff, problem analysis was carried out. Where appropriate, direct management assistance was arranged for. The summaries of the monitoring reports also provide the most comprehensive data on the loan portfolio overall. In connection with the Seventh and final Monitoring Report, a questionnaire was distributed to all sub-borrowers. The analysis of the responses comprises part of the Monitoring Report. (Appendix XI, Baseline data questionnaire). (Appendix XII, Seventh Monitoring Report edited Summary).

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Auditors from DHS/A were used in the monitoring process during the last six months of the project.

Ideally, monitoring should be done by field staff at bank branches. With a heavy work load, branch staff have little time for monitoring. Nevertheless, those managers and credit officers who have been most active and committed to the principles of RPE have monitored adequately.

It is necessary for monitoring to continue and to remain part and parcel of branch operations. The role of monitoring in averting problems cannot be overemphasized.

10. PROCUREMENT

Through the off-shore procurement facility of RPE, foreign exchange could be made available for importation of goods and services at no risk of fluctuating exchange rates to the sub-borrower.

The import items under RPE, the sub-borrower had to obtain three quotations, one of which had to be from the USA was available, a statement to that effect had to be obtained.

The Management Unit assisted in obtaining quotations from the USA through the sub-contract with AMEG a Texas based search and referral company. Information on equipment needed was faxed to AMEG. AMEG obtained quotations or negative responses and forwarded the information to the Management Unit for the sub-borrower.

A total of nine projects utilized the import facility of RPE in the amount of U.S.\$4,396,806. More attempted to do so, but the rules were complicated, and frequently wrong procedures were followed. A number of sub-borrowers found it easier to import under the normal GOK procedures, and others bought imported equipment on the Kenyan market.

The USAID Project Officer Alfred Brewer provided valuable assistance in obtaining the use in Kenya shillings of the dollar funds, which had originally been tied to overseas procurement. These funds would otherwise have been lost of Kenyan sub-borrowers.

11. MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems (MIS) services of RPE encompassed three main areas:

- CBK RPE system
- Pipeline reports
- RPE forms 1 and 2

11.1 The objective of the CBK RPE system was to assist CBK's RPE Unit to administer and monitor the USAID contribution to the RPE loan portfolio. DHS/A designed and revised a loan tracking and monitoring program (using DBase III).

An amortization schedule was designed in 1990 to assist CBK to track the RPE reflows.

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There were initial difficulties with CBK's implementation of the systems. For several months, the Administrative Assistant of the Management Unit, spent half a day per week assisting CBK in preparing its reports. In most recent months, CBK has satisfactorily produced the reports on its own.

Continued accurate and timely tracking of the reflows is a prerequisite to the successful functioning of a revolving fund.

CBK was supplied with a computer on a grant basis at the inception of the project. A new printer was purchased with project funds in 1991 in order to increase the speed with which reports could be produced.

- 11.2 The purpose of the Pipeline Report was to consolidate and summarize loan portfolio data at each stage in the lending cycle on a bank by bank basis. The Report format, designed by DHS/A, permitted analysis by bank, branch, activity sector and segregated bank and USAID components of individual loans. Both bank and CBK input was required. The report was also designed to serve as a basis for the CBK projection of USAID funding requirements, i.e. dollar drawdowns.

Pipeline reports, at first prepared quarterly, were prepared monthly and later weekly, and in March 1991 almost on a daily basis. While most information was obtained from bank headquarters, the Management Unit was frequently in touch with the branches as well. Kenya shilling amounts were converted to US dollars at the rate of exchange on the date of disbursement of the loan.

The banks received copies of the parts of the report specific to the individual bank. CBK and USAID received the complete report (Appendix XIII, Latest RPE Pipeline Report Summary).

- 11.3 RPE forms 1 and 2 were designed to facilitate processing the USAID contribution to each individual loan. RPE-1 is completed at the branch level and submitted through bank headquarters to the CBK and copied to the Management Unit. Bank staff were given training in completing the forms. RPE-1 notified CBK that a loan had been approved and that future reimbursement requests would be forthcoming. RPE-2 was the vehicle for claiming reimbursement and for registering use of the overseas procurement facility, if any.

In addition, the forms provided statistical data required by USAID and processed through the summaries of the respective Pipeline Reports (Appendix I).

Original RPE 1 and 2 forms should be saved as baseline data for any future evaluation of the impact of RPE.

12. SPECIAL STUDIES

The following special studies have been carried out in the course of the project:

- | | |
|---------------------------------|---|
| 1984 - 85 | Two studies to provide further research material from which to refine or expand USAID's RPE development programme |
| May 1985 | Special study on Co-operatives carried out by Technoserve |
| September 1985 | Agribusiness sector definition and review |
| November 1989 | Training Performance Review |
| December 1989 | CBK System Review |
| November 1990 | A Review of the Possible Establishment of a Rural Private Enterprise Revolving Fund and an Assessment of the Financial Sector in Kenya Appendix II), (Executive Summary, etc) |
| November 1990/
February 1991 | An Assessment of the Financial Sector in Kenya (Appendix II) |

13. MANAGEMENT

The full time staff of Management Unit consisted of a Project Manager, Assistant Project Manager, Administrative Assistant and Driver. Offices were located at the DHS building in Westlands, Nairobi. The Managing Director of the DHS Management Consultancy was the RPE Field Director. The Project Director was stationed at Deloitte & Touche in Washington, D.C. Consultant and office support services were provided by DHS/A.

In March 1990, the new Project Manager was told that the measure of success of the project would be whether or not all of the USAID \$24 million were committed by March 31, 1991. At that time about U.S. \$19 million were still uncommitted.

Full commitment of the funds was achieved. And the need for more was clear.

There is no doubt that the Management Unit played a catalytic role. Through promotion targeted at the potential sub-borrowers, a continuing dialogue with bank staff and an intense training program, the goal was reached.

The conditions that made this possible were created in the period prior to 1990. In 1987-90 the Management Unit focussed on making RPE commercially worthwhile for the banks. With the help of USAID, GOK was convinced that interest on loans needed to be charged at market rates. Tracking systems were implemented at the Central Bank. Promotional activities aimed at bank staff were carried out. Brochures for each bank were designed and printed.

From 1984-87, the Project was in its start-up phase. Systems and manuals were prepared. The foundation was laid.

Throughout, the RPE Management Unit organized and coordinated the support services of the project. It was responsible for management, monitoring, training, direct management assistance including feasibility studies, assistance to participating banks and CBK and promotion. (Appendix XIV, RPE management activities and their distribution to the clients of RPE.)

The Management Unit reported to USAID and the banks through regular Pipeline Reports and monitoring reports. A monthly status report and an annual report (semi-annual during the first years of the project) were prepared for USAID, the Field Director and the Project Director. In addition, bi-monthly progress meetings were held with the USAID Project Officer and others from the Office of Projects as needed.

Requests for opinions or advice from the Management Unit were often forthcoming from both banks and USAID. Whether or not a particular project met the criteria for lending in borderline cases would be first asked of the Management Unit. When questions of principle were involved, they were referred to USAID for decision on the basis of the recommendations of the Unit.

At the request of USAID, the Management Unit also contributed to the dialogue on support to Kenya's private sector development. In January 1991, a session on the Lessons Learned from RPE was held to launch a new donor forum in this area.

Finally, under the contract, the project working through the DHS/A Audit Manager was responsible for carrying out audit activities for the World Education Rural Enterprise Project (WEREP), originally known as World Education Incorporated (WEI). From January - March 1991, a structural analysis of WEREP was also funded under the contract.

RPE was implemented under contract to USAID by the firm of Deloitte & Touche, Washington and through sub-contracts with DHS/A, IESC, AMEG and during the first years of the contract, Technoserve.

Formally, these services came to an end at the expiry of the contract on March 31, 1991, but supplying of data and final reporting have been carried out after that date. The staff of the Management Unit continue to share their experience with the banks and donor organizations and to reply to the inquiries of potential sub-borrowers.

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14. RECOMMENDATIONS FOR THE FUTURE

JSAID requested that this chapter be included in the Final Report.

First, the impact of RPE should be evaluated in five years' time. The repayment rate, an active revolving fund, the perceived value of DMA, the availability of term credit, the services for small scale enterprise provided by banks, the expansion of the businesses that have had RPE loans and the number of people employed will provide relevant measures of the degree of sustainability. Information on the RPE 1 and 2 forms, and pipeline and monitoring reports will provide baseline data.

Second, the main recommendation is to provide more of the same. The benefits of RPE were just beginning to be recognized when the project came to an end. Those who originally conceived of and designed the project must be complemented as to their foresight.

RPE has proved to be a forerunner of support to small and medium sized enterprises. The stated policies of the GOK, the private sector strategies for the 90's and the support programs for the private sector being implemented and in the pipeline basically have the same objectives as RPE.

Many struggling entrepreneurs in Kenya show amazing dedication and ingenuity in the face of difficult conditions.

The need for term lending and for management training will grow. Graduates' from the jua kali sector, those trying their hand at untraditional exports (Appendix XV, RPE Loans to enterprises that can generate foreign exchange or provide import substitution) and entrepreneurs with good track records but limited collateral such as women will continue to need support. They will also need a grace period to help provide adequate cash flow and liquidity.

The need for further creation of employment opportunities for the growing population is obvious.

Banks in Kenya are adopting new ways. They continue to need a catalyst in the process of learning to provide relevant services for new categories of customers.

The RPE Project developed successfully by overcoming initial constraints and learning from experience. The EXECUTIVE SUMMARY covers in depth the lessons learned, and it is important that these lessons be incorporated into the design and planning of future credit programs.

Kenya

Rural Private Enterprise Project (RPE)

Providing long-term loans and technical assistance to rural private enterprises in Kenya

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APPENDICIES

A project funded by U.S. Agency for International Development

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with assistance from Deloitte Haskins & Sells, Nairobi, International Executive Service Corps and American Manufacturers Export Group, Inc.

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RPE Form-1 - Loan Application

Date:
RPE Form-1 New Amended

RPE FORM-1

RURAL PRIVATE ENTERPRISE LOAN QUESTIONNAIRE
(Required for each new loan and each amendment to a loan)

Project:
Bank and Branch:
Contact Person:

LOAN DESCRIPTION

Amount: Rate of Interest:
Date Approved:
Loan Duration:
Repayment period (months):
Grace Period (months):
Security collateral provided and value:

Borrower relationship New Existing

Eligibility criteria met:

- Labour intensive
..... Potential to increase foreign exchange
..... Increase rural markets/production

PROJECT COST/FINANCING PLAN

Table with 5 columns: Cost Category, Bank RPE, U S A I D Foreign, U S A I D Local, Total RPE. Rows include Land, Site Development, Building, Machinery/Equipment, Pre-Operation Exp., Contingencies, Other Costs, Working Capital, Total.

Total Owner Contribution KShs
Bank Non-RPE Contribution KShs

Table with 4 columns: Machinery/Other Goods, Cost, Source, Origin. Rows of dotted lines for data entry.

Handwritten mark resembling '35'

BORROWER INFORMATION

Name: Mr/Mrs/Ms/Dr
Title in Business:
Name of Business:
Location of Business (area, town, district):
Postal Address:
Telephone Number:

Name and Title of Principal Officers:
Mr/Mrs/Ms/Dr
Mr/Mrs/Ms/Dr
Mr/Mrs/Ms/Dr

Name of Principal Equity Holders	% Equity	Nationality
.....
.....
.....

Nature of Enterprise: New..... Expansion

Estimated start-up date:

Describe business activity:

Type of Products:

Target Market (region, city, export)

Legal form of Enterprise (tick one)

- Sole Proprietorship
- Partnership
- Limited Liability Company
- Company Limited by Guarantee (NGO's, etc)
- Cooperative

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PRODUCT INFORMATION

Business Sector (tick one)

- Agribusiness
- Mining and Quarry
- Manufacturing
- Electricity and Water
- Building and Construction
- Transportation/Communications
- Trade (Retail and Wholesale)
- Trade (Food and Lodging)
- Trade (Crafts and Repair)
- Tourism
- Financial/Business Services
- Community Personal Services

Size of Enterprise

Annual Sales Volume: KShs
of which % for export % domestic
Projected sales: KShs
of which % for export % domestic

Number of Employees:	Current		Increase	
	Men	Women	Men	Women
Full Time
Part Time/Seasonal
Non-paid
Total
Total Assets (in KShs):			

- (Tick one) Micro Enterprise 0 - 100,000
- Small-Scale Enterprise: 100,000 - 3 million
- Medium-Scale Enterprise: 3 to 50 million
- Large-Scale Enterprise: 50 million and over

Debt/Equity Ratio (Gearing):

Input - Source:

Raw Materials	Domestic	..... %	Imported %
Semi-finished goods	Domestic	..... %	Imported %

Linkage to Non-Urban Areas: (tick as many as applicable)

Raw Materials (non-agriculture) %
Labour %
Agricultural Inputs %
Products %

What percentage of products are inputs to other industries? %
Signature

A REVIEW OF THE POSSIBLE ESTABLISHMENT OF
A RURAL PRIVATE ENTERPRISE REVOLVING
FUND AND AN ASSESSMENT OF THE
FINANCIAL SECTOR

IN KENYA

NOVEMBER 5-27, 1990

2. EXECUTIVE SUMMARY

2.1 Brief project description

The RPE Project Agreement was signed on August 25, 1983. The Project provides financing to targetted productive private enterprises. Its primary objective is to increase rural production, employment and income in line with Sessional Paper No. 1 of 1986.

The design of the project is based on the awareness by GOK and USAID that the private sector is the best means of attaining many development objectives and it aims to institutionalize term lending in Kenya's commercial banking sector. Under the RPE Project USAID has provided USD 24 Mill. Which amount has been augmented 1:2 by funds from participating banks namely KCB, BBK and SCB. The participating banks have carried the full lending risk. USAID, in addition, provided grant funds for equipment for each of the participating banks to facilitate their work with RPE. A computer for tracking RPE funds was located at the Central Bank of Kenya (CBK). Finally, USAID has financed an RPE Management Unit through grant funds. The RPE Management Unit has provided support services to both participating banks and target groups.

The participating banks were selected on the basis that they had extensive branch networks and demonstrated financial and administrative soundness. Due to various constraints, the disbursements did not commence until late 1987, but pending loans amounting to some KShs 183 Mill (of which RPE portion is KShs 122 Mill) clearly demonstrate the momentum now achieved.

2.2 Overview

On one hand, the term lending of the RPE Project has made an impact on the awareness of bank staff of the role of term lending. On the other hand, the time allotted for the Project has been far too short to talk of institutionalization and to ensure a permanent change of attitude and behavior in loan granting procedures or monitoring.

Experience has shown that it is unrealistic to try to implement long term goals through short term development projects. Making an impact on lasting change in the rural sector is long term in nature. While GOK and USAID should be commended in their foresight in developing the RPE Project, they would have done better to have agreed on a ten year period with built in flexible criteria and with the possibility of project renewal for five year periods thereafter. An adequately funded RPE Revolving Fund will go some way to filling the need for a long term commitment.

Having carefully considered the alternative uses of the RPE reflow funds, the Team is of the opinion that a Revolving Fund should be established as originally stated in the Project Agreement between the Republic of Kenya and the United States of America acting through the Agency for International Development for Rural Private Enterprise Project of 25 August, 1983.

The lack of availability of term funds in Kenya still remains. The RPE momentum built up by the participating banks during the last 12 - 18 months indicates a high demand for term funds and a corresponding willingness of the banks to make their own funds available.

Forecasts for reflows, however, show that due to no predetermined phasing of disbursement of funds under the RPE Project, minimal reflows will be available during 1991 and 1992. The momentum will evaporate if there is a lack of reflows. As a result, the sustainability of the Revolving Fund will be heavily challenged, and perhaps fatally damaged.

In order to achieve the initial objectives, the Team therefore strongly recommends injections of additional funds to secure a steady and significant cash flow for the Revolving Fund.

The following are the more detailed findings and conclusions of the review.

2.2.1 Major findings

The most important findings of the Team are that:

- . Currently there are no equivalent term funds to RPE in Kenya;
- . Cash flow projections for an RPE Revolving Fund show that monies available will temporarily be inadequate at a very early stage;
- . The participating banks have now adjusted their lending activities to promote RPE actively;
- . After a slow start, the momentum essential to the success of the Project exists;
- . Gender is not seen to be an issue by participating banks;
- . The largest loans approved under RPE went to sub-borrowers who could have received credit from other sources.

2.2.2 Lessons Learned

The most important lessons learned by the Team are that:

- . Monies available through the traditional commercial banking system will be concentrated on short term, high yielding projects;
- . Without an injection of more funds, a future RPE Revolving Fund cannot be used as a vehicle for institutionalizing term lending;
- . As far as MOMENTUM is concerned, personal commitment of all bank staff especially at branch level is essential;
- . A well-organized and adequately funded transition period is essential to the success of an RPE Revolving Fund;
- . More effective targeting can be achieved by further limiting the maximum size of the loan.

2.3 Major recommendations

The Team's major recommendations can be summarised as follows:

- . An RPE Revolving Fund be established;
- . USAID to inject additional, local funds of at least KShs 69 Mill in 1991 and KShs 115 Mill in 1992;
- . GOK (in conjunction with USAID) to approach other donors to support RPE Revolving Fund financially;
- . The present RPE criteria will still apply for sub-borrowers under the RPE Revolving Fund limiting, however, the RPE Revolving Fund contribution to a single sub-borrower to maximum KSh 10 Mill;
- . The existing RPE Management Unit to remain in place during a transition period of nine months (until December 31, 1991);
- . USAID to extend the deadline for approval of RPE Project loans during the transition period in order to avoid non-optimal loans;
- . Disbursements of RPE loans until December 31, 1991, to be allowed as at present;

- CBK invites all banks to participate in RPE Revolving Fund subject to satisfaction of CBK criteria;
- The RPE Revolving Fund should actively promote and market to potential women sub-borrowers;
- To maintain a similar independent management capacity as at present, with funds for a management unit to be derived from RPE Revolving Fund;
- Training of bank staff and sub-borrowers be funded mainly by participating banks;
- An annual review and adjustment mechanism should be established;
- An independent evaluation of the RPE Revolving Fund be carried out after five years of operation to determine the impact of the Fund and the need for its continuation.

November 23, 1990

4. ECONOMIC ENVIRONMENT

All the present indications are that the Kenyan economy is in recession. The tight monetary restrictions now imposed upon the private sector by more recent Central Bank of Kenya actions in its liquidity management, have resulted in increased interest rates. Banks are now permitted to charge fees to borrowers upfront, with the inevitable effect upon project costs. This is particularly so when related to the Central Bank of Kenya requirement for any bank exceeding its lending ceilings, to deposit 20% of lendings in excess of its ceiling with Central Bank of Kenya, interest free. Banks are now passing on the opportunity cost of such monies to any would be borrower as an additional upfront funding fee. This has had the effect of increasing average interest rates to an estimated 24% per annum, which are likely to go higher still.

The more recent increase in fuel prices consequent upon the Gulf Crisis will add to the inflation spiral, which at 30th September 1990, on an annualised rate of change and using November 1988 as a base, is estimated at 19% and could now have risen to over 20%. At this level very obviously it has a distorting effect on economic activity.

The shortage of cash and capital within the national economy and the very high number of industrial and agricultural operations which use expensive debt for capital indicate that there will be an inevitable increase in business failures.

The previously very tight position has now been further exaggerated by the introduction in the Finance (2) Bill 1990, of Instalment Tax, requiring companies with year ends on December 31, 1990, to pay Instalment Tax by September 30, 1990, on anticipated profits, which hastens such proportional tax payment by six months.

While on many occasions various Government ministries have spoken of the essential need for fiscal disciplines to be introduced and implemented within Government itself, it is apparent that until the undertakings given in various Structural Agreements, with particular regard to the divestiture and restructuring of the parastatal sector are achieved, there can be little reduction in the total public sector borrowing requirement. The continued funding of that requirement through Central Bank of Kenya by Treasury Bills and similar financial instruments will continue to squeeze the private sector, in addition to providing further inflationary impetus.

The consequence of high interest rates and reduced purchasing power by consumers will be a postponement of investment projects, with an inevitable impact on GDP growth.

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It is reasonable to assume, therefore, that monies available through the traditional commercial banking system for lending, will be concentrated upon short term lending because of the continuous non-availability from internally generated resources, of long term finance.

The continuation, therefore, of the RPE Revolving Fund as a source of term funds into the Rural Private Enterprise sector is critical and particularly as it is totally supportive of Sessional Paper No. 1 of 1986, in the promotion of an improved balance between rural and urban development.

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PROJECT TITLE: RURAL PRIVATE ENTERPRISE REVOLVING FUND

LOGICAL FRAMEWORK

BRIEF PROJECT DESCRIPTION: Provision of term lending through commercial banks to small and medium private enterprises outside Nairobi & Mombasa.

B: REFLAWS WITH ADDITIONAL KSHS. 69 MILLION (USD 3 MILLION) IN 1991, AND ADDITIONAL KSHS. 115 MILLION (USD 5 MILLION) IN 1992

PROJECT STRUCTURE	INDICATORS OF ACHIEVEMENT	HOW INDICATORS CAN BE QUANTIFIED OR ASSESSED	IMPORTANT ASSUMPTIONS (ASSESSMENT OF RISK)
<p>WIDER OBJECTIVES (i.e. sector or national):</p> <ul style="list-style-type: none"> • Employment generation in rural areas and export-oriented activities (according to Sessional Paper No. 1 of 1986) 	<ul style="list-style-type: none"> • Continued progress towards achieving goals 	<ul style="list-style-type: none"> • Annual review & adjustment mechanism 	<ul style="list-style-type: none"> • Economic environment basically unchanged for at least two years • Government of Kenya and donor objectives basically unchanged
<p>IMMEDIATE OBJECTIVES - PROJECT PURPOSE:</p> <ul style="list-style-type: none"> • Continued term lending through commercial banks • Continued support to smaller entrepreneurs 	<ul style="list-style-type: none"> • Increase number of loans fulfilling RPE/Revolving loan criteria • Increase in number of first-time borrowers 	<ul style="list-style-type: none"> • Pipeline reports and Disbursement reports from CBK 	<ul style="list-style-type: none"> • Bank awareness of and commitment to term lending increases • Additional long-term funds not available in deregulated environment • Interest rates approximately unchanged • CBK continues timely reimbursement to banks
<p>OUTPUTS:</p> <ul style="list-style-type: none"> • Establishment of revolving fund • Participation of additional banks • Loans disbursed • Promotional activities carried out • Job creation • Foreign exchange generation • Loans to women 	<p>FIRST YEAR:</p> <ul style="list-style-type: none"> • Project manual written, implemented <p>ANNUALLY:</p> <ul style="list-style-type: none"> • 20% of loans through additional banks • 40% of loans at value below Ksh. 1 million • 60% of loans at value of Ksh. 1-10 million • 40 enquiries generated • 5 business clinics per bank held • 1600-2000 jobs created • 7 foreign-exchange-generating loans disbursed • 20% of loans to women 	<ul style="list-style-type: none"> • Project Monitoring • Monthly reporting (internally to CBK) • Annual report to CBK and possible donors 	<ul style="list-style-type: none"> • Banks continue to accept 100% of risk • Potential borrowers willing to attend training • Banks become sensitised to women as borrowers
<p>INITIATS:</p> <ul style="list-style-type: none"> • Assistance to establish revolving fund • Training of sub-borrowers & bank staff • Direct management assistance to sub-borrowers • Promotional activities • Monitoring of loans • Feasibility studies • Other support activities • 1991 - Ksh. 100 million available • 1992 - Ksh. 240 million available • 1993/4 - Ksh. 150 million available each year • 1995-9 - funds available increased by 10% 	<ul style="list-style-type: none"> • CBK and participating commercial bank statistics 	<ul style="list-style-type: none"> • Annual review • Annual report • Evaluation in mid-1990's 	<ul style="list-style-type: none"> • No allowance made for inflation • Additional funds provided on time for 1991 and 1992.

1/10

RPE Brochures and Information Material

Standard Chartered



KENYA COMMERCIAL BANK LIMITED

LOANS and BUSINESS ASS'

BUSINE

LOANS and BUSINESS ASSISTANCE

thru RURAL PRI

through the RURAL PRIVATE ENTERPRISE PROJECT (RPE)

With funding from the UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT



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ATTENTION: KENYAN BUSINESSMEN AND BUSINESSWOMEN!**INTRODUCING: KENYA RURAL PRIVATE ENTERPRISE (RPE) PROJECT**

RPE is a project funded by the United States Agency for International Development (USAID). USAID has made funds available to three of the major banks in Kenya, enabling them to provide long term loans to Kenyan business people.

WHAT IS THE AIM OF RPE?

To assist small businesses in getting the long term funding they need to grow and develop.

WHO CAN BE HELPED?

Any profit-oriented and privately owned and managed business in Kenya (except Nairobi and Mombasa). RPE will help a wide range of businesses related to manufacturing and agriculture. Projects which have been assisted include:

- Sawmill
- Bakeries
- Metal workshops
- Small holder coffee factories
- Knitwears
- Dry cleaners
- Textile mills
- Fishing Businesses

ANY LIMIT ON THE SIZE OF BUSINESS?

All sizes (small, medium and large) are eligible. They can be sole proprietorships, partnerships or limited liability companies.

WHAT KIND OF HELP IS AVAILABLE?

Small and large loans are available. The RPE Project will provide loans of up to KShs 21 million - US\$1 million equivalent. Loans of over this amount are also available, but are subject to USAID approval. With the loans, you may set up a new business or expand an existing business. Specifically, the loans may be used for:

- Construction of buildings and factories
- Purchase of land and site development
- Purchase and installation of equipment
- Working capital

HOW CAN YOU BENEFIT?:

- The loans are Long Term, up to 8 years
- There is a Grace Period of up to 2 years
- USAID assists you in processing a Foreign Exchange Allocation License
- RPE will help you with a Feasibility Study and USAID will assist with the cost
- The loan is Foreign Exchange Risk Free
- RPE will assist you in bookkeeping, balance sheet preparation and other Business Skills.

WHO TO CONTACT:

Any branch of the following commercial banks:

- Kenya Commercial Bank Limited
- Kenya Commercial Finance Company Limited
- Standard Chartered Bank Limited
- Barclays Bank of Kenya Limited

or

Deloitte Haskins & Sells
RPE Project Office
PO Box 40092, NAIROBI
Telephone: 742121

ENTERPRISE (RPE) PROJECT

...akes funds available to participating banks
...an businessmen and businesswomen.

...d States Agency for International
...banks.

...banks in Kenya. These are:

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EXAMPLE?

...KShs 21 million - US\$1 million equivalent.
...ut are subject to USAID approval. Banks
...small scale enterprises.

...ces or for expansion of existing businesses.
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...usinesses which are related to manufacturing

- of:
 - Manufacture of:
 - building materials
 - animal feeds
 - human foods

...have approved loans of over KShs 200
...Specific projects which have been assisted

...ant

...aking plant

...assistance in installation of an irrigation

...project involved in growing of horticultural

...ing plant

...ater to the tourist industry

...in transportation of agricultural produce

...l for detailed guidelines on the loan criteria,
...it branch of Kenya Commercial Bank Ltd.,
...andard Chartered Bank of Kenya Ltd.

...office, Deloitte Haskins & Sells,
...e: 742121

KENYA RURAL PRIVATE ENTERPRISE (RPE) PROJECT

HOW DO BANKS BENEFIT FROM RPE?

The Rural Private Enterprise (RPE) Project assists banks in several ways:

- RPE makes long term funds available to the participating banks, enabling them to provide term loans to Kenyan business people.
- RPE offers financial incentives to the banks to make small loans with a value of less than KShs 1 million.
- RPE Project offers technical assistance in the form of:

TRAINING

Bank Managers and Credit Officers from many branches have taken courses on long term lending which were organized by the firm of Deloitte Haskins & Sells. More courses will be offered in 1990.

RPE also makes funds available for Bank Officers to train outside their banks, either in the local training institutions or overseas.

FEASIBILITY STUDIES

RPE will assist banks in analyzing the overall feasibility of proposed investments, thus helping banks to make their lending decisions. USAID assists the subborrower by contributing at least 50% of the feasibility study costs.

DIRECT MANAGEMENT ASSISTANCE

Management assistance and training is provided to the subborrowers in the areas of bookkeeping, balance sheet preparation, early problem identification and others. These skills are important to the management of a business and thus help to reduce a bank's exposure to risk.

PROJECT MONITORING

All projects under the RPE Project are closely monitored by Deloitte & Touche at no cost to the banks. The monitoring allows problems to be identified early, appropriate action to be taken and risk exposure of the banks to be reduced.

- Above all, RPE loans are profitable to the banks because they are lent to subborrowers at the prevailing market rates of interest.

WHY ARE THE LOANS ATTRACTIVE TO BORROWERS?

RPE loans are:

- Long Term (repayment of up to 8 years)
- Available with a grace period of up to 2 years
- Any size - small, medium and large loans can be provided through RPE

In addition, RPE will provide the following services to the subborrower:

RPE will provide training and management assistance in bookkeeping, general management, production, marketing and other areas considered vital to a successful business. Assistance can be provided by Deloitte & Touche staff or by experts from the International Executive Service Corps. USAID will pay for all costs of assistance except for food, local travel and accomodation costs incurred by the assisting staff.

RPE staff will monitor subborrower projects and help to identify problems early. Where possible, solutions will be worked out with the subborrower to ensure that the project operates smoothly.

USAID will assist in the processing of Foreign Exchange Allocation License.

Deloitte & Touche helps the subborrower in procurement by obtaining cost quotations from the USA through the American Manufacturers Export Group.

RPE loans are foreign exchange risk free as the Government of Kenya takes the foreign exchange risk. RPE is therefore extremely attractive compared with other lines of credit administered through the development banks.

WHAT BUSINESSES ARE ELIGIBLE?

This project does not assist businesses which are involved in:

- commodity trading
- real estate development
- finance
- insurance
- speculation
- on-farm production

To be eligible, the business must have one or more of the following characteristics:

- Be labor intensive - require no more than KShs 80,000 for each new job created;
- Be export-oriented or be for import substitution;
- Provide more markets, inputs, processing or services for agricultural or other rural production based on locally available inputs.

WHAT ARE THE LOAN TERMS AND CONDITIONS OF RPE?

Interest Rates: RPE loans are lent to the subborrowers at the prevailing market rates of interest and are subject to change depending upon the maximum lending rate fixed by the Central Bank of Kenya.

Repayment Period: Between 3-8 years. Up to a 2 year grace period is possible.

Credit Risk: Although funds for the program are provided by USAID, participating commercial banks bear the entire credit risk. Loans will therefore be made only to those borrowers who are creditworthy.

FOR MORE INFORMATION CONTACT: RPE PROJECT OFFICE, DELOITTE HASKINS & SELLS, PO BOX 40092, NAIROBI. TELEPHONE: 742121

How To Obtain
LOANS
and
BUSINESS ASSISTANCE
through the
RURAL PRIVATE ENTERPRISE PROJECT (RPE)
from

Kenya Commercial Bank Ltd
Barclays Bank of Kenya Ltd
Standard Chartered Bank Kenya Ltd

with funding from the
UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT



Finance

Rural Private Enterprise (RPE) Project

The Rural Private Enterprise (RPE) project provides long-term financing to targeted, productive enterprises in Kenya. Its primary objectives are to increase rural production, employment and income and to institutionalize longer term lending in Kenya's commercial sector.

The project is funded by the United States Agency for International Development (USAID), and managed by the management consultancy Deloitte and Touche/Deloitte Haskins & Sells. It is based on the awareness by the Government that the private sector is the best means to attain many development objectives. RPE is targeted to agricultural and manufacturing off-term enterprises, primarily capital investments, outside Nairobi and Mombasa.

The project also provides training and technical, financial and managerial assistance to sub-borrowers at the early stages of enterprise implementation.

The participating banks through which the RPE funds are channelled, contribute one third of the total loan amount to the sub-borrowers. The banks are: the Kenya Commercial Bank (KCB) and its sister Company Kenya Commercial Finance Company, the Barclays bank of Kenya and The Standard Chartered Bank.

The basis for selecting these banks was their capacity and willingness to lend to rural borrowers, financial and administrative soundness and ability to provide business advisory services to the sub-borrowers.

At the beginning of the project, each bank received a grant from the project for equipment that could strengthen their services to customers in small businesses.

According to the RPE Project Manager, Mrs. Barbara Robin Steenstrup, the total amount of RPE loans was KSh 494 million as at the end of November, 1990. The money has financed 79 projects ranging from bakeries to floriculture production and cloth manufacturing. To date the smallest loan is KSh 92,000.

Only two business women are sub-borrowers in their own right although a good number have benefited from the RPE funds, training and management assistance. "We would like to see an increase in women's participation, and more training for all business people", says Mrs. Steenstrup. She emphasizes that not all the project funds have been fully utilised by local entrepreneurs. She calls on eligible business people to make use of the RPE project, which is scheduled to end in March 1991. The main advantage of RPE funds is a grace period of up to two years and a long repayment period of up to six years. Interest is at market rates.

Businesses that have received RPE loans are spread over most of the country. Mrs Steenstrup however laments, that no entrepreneur from North Eastern Province has as yet benefited. "We do have a number of enquiries from Garissa and hope that at least one of them will materialise into a viable business with the help of RPE", she says.

Recently a Review Team was set up to look into the future of RPE



**Mrs. Steenstrup,
RPE Project Manager**

reflow funds. The team visited RPE funded businesses and participating bank branches in Western, Nyanza, Rift Valley, Eastern, Central and Coast Provinces. The Team recommended that there should be a revolving fund so that small businesses in rural areas can continue benefiting from longer term lending.

The Team also recommended that any bank in the country have access to the fund, provided the bank has over 15 outlets in rural areas and has a commitment to term lending. The recommendations are presently being studied by USAID and the Government of Kenya policy makers.

Business people interested in more information about RPE funds should contact their local bank manager from one of the participating banks or the Project manager at the following address:

RPE Project Manager,
Deloitte Haskins & Sells,
P O Box 40092,
Nairobi
Telephone: 742121

Business advisory services

KCB's experience in providing financial services to customers has revealed an urgent need to create business advisory services to enhance the management capability of Kenyan businessmen and entrepreneurs both small and large.

This service is now available at KCB through a team of qualified staff in the bank's business advisory services (BAS) division who are pleased to assist by identifying and investigating problems concerned with policy, organisation, management and systems.

They recommend appropriate action and help to implement the recommendations made.

A large number of businesses have already acknowledged the significant benefits gained from these services. BAS has, in the process, grown into one of the leading consulting institutions in the country in matters related to finance, economics and banking.

Since 1977, when the business advisory services was started, KCB together with its subsidiary

Kenya Commercial Finance Company (KCFC) have administered several credit schemes for small and medium scale enterprises.

In recent years, it has been deeply involved in the informal sector. RAS has played a fundamental role in the co-ordination, advisory and implementation of several schemes including foreign lines of credit from the International Finance Corporation (IFC), Oil and Petroleum Exporting Countries Fund (OPEC) and the United States Agency for International Development (USAID); Jua Kali or Informal Sector Credit Programme; ~~Rural Private Enterprise Programme (RPEP) and the Credit Guarantee Scheme~~, the latter a programme meant to finance working capital for small scale enterprises that are faced with the problem of adequate security.

In addition to these specialised schemes, the Bank has continued to assist medium and small scale enterprises through its normal lending.

Deloitte
Haskins+Sells

UPDATE

DEC 1990

THE RURAL PRIVATE ENTERPRISE PROJECT - encouraging rural business

The Rural Private Enterprise (RPE) Project is a special loan programme aimed at encouraging Kenya's rurally based, privately owned businesses to develop and prosper. Additionally, it aims to institutionalise long term lending in Kenya's financial sector.

The United States Agency for International Development (USAID) provides US\$24 million in funds for the programme. This is in addition to the funds contributed by Kenya's three largest commercial banks; Barclays

Bank of Kenya Ltd, Standard Chartered Bank Kenya Ltd, and Kenya Commercial Bank Ltd together with its subsidiary Kenya Commercial Finance Company Ltd. The scheme is administered for USAID by the management consultancy firm of Deloitte & Touche/Deloitte Haskins + Sells.

Any business based outside Nairobi or Mombasa can qualify for a loan, providing it fulfils at least one of the three main criteria. To do so the business must:

- create employment;
- be export oriented or be for import substitution;
- provide for more markets, inputs, processing or services for agricultural or other rural production based on locally available inputs. As an exception, businesses in this last category can be based anywhere in the country, including Nairobi and Mombasa. There is no minimum amount for an RPE loan, and help and advice for those seeking more information is easily obtained from branch managers of participating banks, or the Deloitte contacts listed at the end of this article.

Technical and management assistance is provided for borrowers so that problems can be recognised and solved early, and the banks' risk exposure is controlled. Deloitte has designed and installed a computer system at the Central Bank to permit tracking of the funds.

Since its inception the programme has assisted some 79 Kenyan businesses lending a total so far of some Shs 494 million. These have ranged in scope from the development of a horticultural farm through establishment of a modern bakery to the upgrading of a local hotel to enable it to cater to the tourist industry.

Each of the projects has benefited from a scheme which appreciates that to survive and to grow in a competitive environment, businesses need funding, risk

minimisation and help with otherwise expensive business management and consultancy skills.

Two enterprises which have obtained loans through RPE are Kega Industries, a garment manufacturing operation at Kikuyu, and a coffee processing plant at Embu.

Kega Industries has used funds to construct a new factory and to purchase new machinery, and since moving to new premises and installing the new equipment, production has risen by over 70%. Deloitte Haskins + Sells judged that Kega's success could be further enhanced by assistance in book-keeping and in establishing a stock control system, and so sent a consultant to provide this service earlier this year.

This successful business now employs over 50 people.

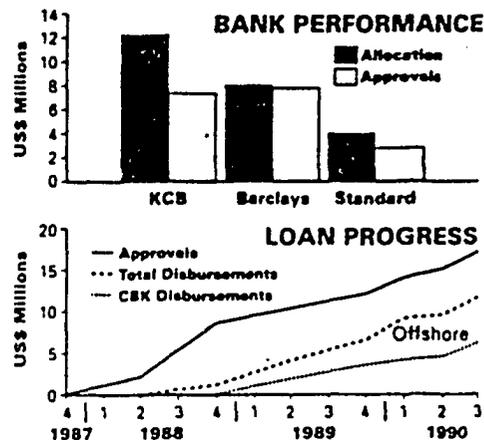
At Gilhumu in Embu, Mr Mwea has used his RPE loan to establish a three disc coffee processing plant, involving the construction of a plant, installation of electricity and machinery including a water pump and water storage tanks. As the owner of several coffee farms in the area, this extension of his business has enabled Mr Mwea to employ a manager to run the factory, a farm manager to run the coffee plantation, and up to 100 people to pick and process coffee as the season demands.

With the slump in the international coffee market Mr Mwea has found the funds and the management skills offered through RPE invaluable, both in the running of the enterprise and in raising additional funds.

In 1991 the RPE project will come to an end in its present form. It has been recommended that funds already repaid from the initial loans be made available for lending through an RPE Revolving Fund. Discussions exploring ideas and key issues concerning this fund are underway between the Government of Kenya, USAID and Kenya's major banks.

Such an approach of prudent and careful planning for the use of RPE resources will help to ensure that the success of this programme continues to benefit Kenyan businessmen and women, and the Kenyan economy, long into the future.

For further information contact one of Deloitte's RPE management team - Barbara Robin Steenstrup, Kimani Njoroge or Ruth Gatheo on 742121.



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LOANS AND BUSINESS ASSISTANCE

KENYA RURAL PRIVATE ENTERPRISE PROJECT

Encouraging rural based business

The Rural Private Enterprise (RPE) Project is a special loan programme aimed at encouraging Kenya's rurally based, privately owned business to develop and prosper. Additionally, it aims to institutions long terms lending in Kenya's financial sector.

US\$24 million of funds for the programme are provided by the United States Agency for International Development (USAID) and by three of Kenya's largest commercial banks; Barclays Bank of Kenya Ltd, Standard Chartered Bank Kenya Ltd, and Kenya Commercial Bank together with its subsidiary Kenya Commercial Finance Company Ltd, and the scheme is administered for USAID by the management consultancy firm of Deloitte & Touche Deloitte Haskins & Sells.

Any business based outside Nairobi or Mombasa can qualify for a loan, providing it fulfils at least one of the three main criteria. To do so the business must:

- create employment;

- be export-oriented or be for import substitution;
- provide more markets, inputs, processing or services for agricultural or other rural production based on locally available inputs. As an exception, business in this last category can be based anywhere in the country, including Nairobi and Mombasa.

There is no minimum amount for an RPE loan, and help and advice for those seeking more information is easily obtained from any of the contacts listed at the end of this article.

Technical and management assistance is provided to borrowers so that problems can be recognised and solved early, and the banks' risk exposure is controlled. Deloitte has designed and installed a computer system at Central Bank to permit tracking of the funds.

Since its inception the programme has assisted some 75 Kenyan businesses. These have ranged in scope from the development of a horticultural farm through

establishment of a modern bakery to the upgrading of a local hotel to enable it to cater to the tourist industry.

Each of these projects has benefited from a scheme which appreciates that to survive and grow in a competitive environment, business need long term funding, risk minimisation and help with otherwise expensive business management and consultancy skills.

Two enterprises which have obtained loans through RPE are Kega Industries, a garment manufacturing operations at Kikuyu, and a coffee processing plant at Embu.

Kega Industries has used the funds to construct a new factory and to purchase new machinery, and since moving to new premises and installing the equipment, production has risen by over 70%. Deloitte Haskins and Sells judged that Kega's success could be further enhanced by assistance in book keeping and in establishing a stock control system, and so sent a consultant to provide

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Exporing ideas about the RPE Revolving Fund.

*Foreground: Kimani C. Njoroge
Assistant Project Mgr.*

this service earlier this year.

This successful business now employs people.

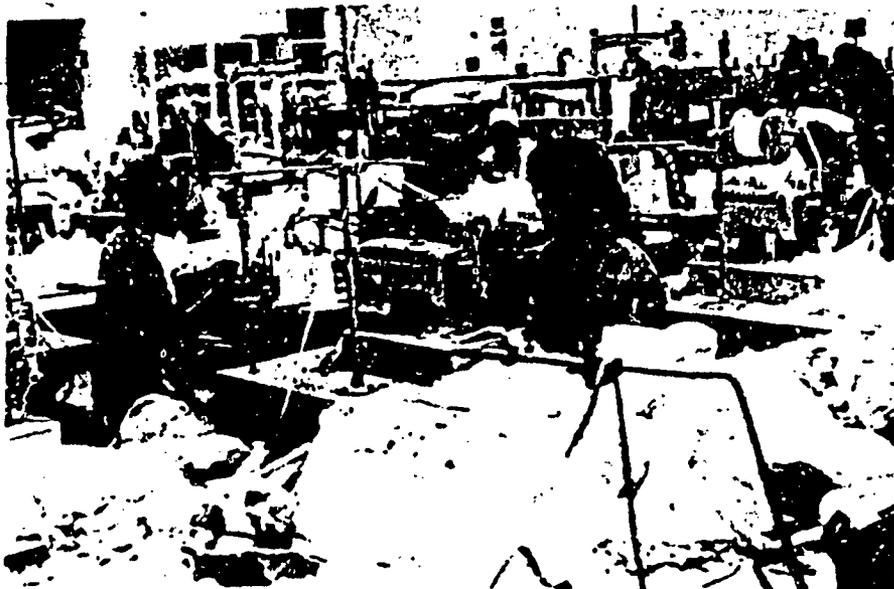
At Githimu in Embu, Mr. Njeru Mwea has used his RPE loan to establish a three disc coffee processing plant, involving the construction of plant, installation of electricity and machinery including a water pump and water storage tanks. As the owner of several coffee farms in the area, this extension of his business has enabled Mr. Mwea to employ a manager to run the factory, a farm manager to run the coffee plantation, and up to 100 people to pick and process coffee as the season demands.

With the slump in the international

coffee market Mr. Mwea has found the funds and management skills offered through RPE invaluable, both in the running of the enterprise and in raising additional funds, from bank overdrafts, for example.

In 1991 the RPE Project will come to an end in its present form. Funds already repaid from the initial loans will however, be made available for lending through an RPE revolving fund. Discussions exploring ideas and key issues concerning this fund are already underway between the Government of Kenya, USAID and Kenya's major banks.

Such an approach of prudent and careful planning for the use of RPE resources will help to ensure that the success of this programme continues to benefit Kenyan businessmen and women, and the Kenyan economy long into the future.



Kega Fashions moved to its new premises Kikuyu this year and expanded production with the help of an RPE loan. More than 50 people are now employed

A quick glance at facts from the RPE fact sheet shows an impressive record. With its aim as to provide the widest number of rural borrowers credit for establishment or expansion off-farm enterprises and to provide them with management and technical services, RPE also has the more important objective of institutionalising long-term lending in Kenya's financial sector.

The total amount of loans approved to date Kshs. 464 million with total of 73 loans which can be summarised in sectors as follows;

LOANS AND BUSINESS ASSISTANCE

Sectors	Number of loans
Agriculture	43
Manufacturing	17
Service industry	12
Quarry	1

Loans under Kshs. 1 million	27
Loans between Kshs. 1 million	35
Kshs. 9,99 million	11
Loans of Kshs. 10 million and over	11

- Expansion of a wheat and maize milling plant
- Establishment of a small building block-making plant
- Rehabilitation of a coffee farm including assistance in installation of an irrigation system and electrification.
- Development of an integrated agricultural project involved in growing of horticultural produce and coffee.
- Rehabilitation of small-scale coffee pulping plant
- Modernization of a textile factory
- Development of a horticultural farm



The owner and manager of Kega Fashions, Mrs. Ruth Kariuki (right) discusses an order with one of her clients.

- Upgrading of a local hotel to enable it to cater to the tourist industry
 - Expansion of transport business involved in transportation of agricultural produce.
 - Establishment of a fishing business
 - Expansion of a metal workshop
 - Rehabilitation of sawmill
 - Establishment of a modern bakery
- Management assistance and training is provided to the sub-borrowers in the areas of book-keeping, balance sheet



IPC

We make the right connections between investors & opportunities.

IPC have all the facts at their fingertips when it comes to advice on the investment opportunities available to both foreign and local investors.

The Investment Promotion Centre was established by an Act of Parliament to promote and facilitate, both local and foreign private investments in Kenya.

With up to the minute information on manufacturing under bond, financing and interested joint venture Partners IPC can provide you with the necessary details for investment in Kenya. All our services are free

of charge.

If you have an investment potential in manufacturing, agro-industry, tourism, building and construction or any other sector and want to make the final connection, write to IPC.

Please state your name, address and telephone number, your present business, the area of investment you are interested in, and your investment capability. If you have any other resources please specify.



INVESTMENT PROMOTION CENTRE
 National Bank Building, 8th Floor, P.O. box 85704, NBI.
 Tel: 21401 KENYA. Telex: 25480 Blackch, NBI.
 Fax: 336683

PROMOTING INVESTMENT IN KENYA.

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The Think tank - a brain - storming session



Exploring ideas about the RPE Revolving Fund.

From Left: Jamasai Onyango, Senior Superitendant, Central Bank.

Palle Heyn Johnsen, Head of Project

Co-op Development Fund, Co-op Bank. Ms. Ruth Gathee, Administrative Assistant (RPE), Deloitte Haskins & Sells. P. I. Khasiani, Advances Officer, Kenya Commercial Finance Company. Justus Omolo, Project Specialist, U.S AID.

preparation, early problem identification and others. These skills are important to the management of a business and thus help to reduce a bank's exposure to risks.

All projects under the RPE Project are closely monitored by Deloitte & Touche at no cost to the banks. The monitoring allows problems to be identified early, appropriate action to be taken and risk exposure of the banks reduced. Above all, RPE loans are profitable to the banks because they are lent to sub-borrowers at the prevailing market rates of interest.

The RPE loans are attractive to borrowers because they are long term - repayment of up to 8 years, they are available with a grace period of upto 2 years and finally any size of business - small, medium and large loans can be provided.

For further information on the Kenya Rural Private Enterprise Project, contact the branch manager of the nearest participating bank - Barclays, Standard Chartered, Kenya Commercial Bank of Kenya Commercial Finance Company - or

any of the following:
Manager, Small Business Unit
Barclays Bank of Kenya
Bank House
Moi Avenue
P.O. Box 30120
Nairobi
Tel: 332230/337485

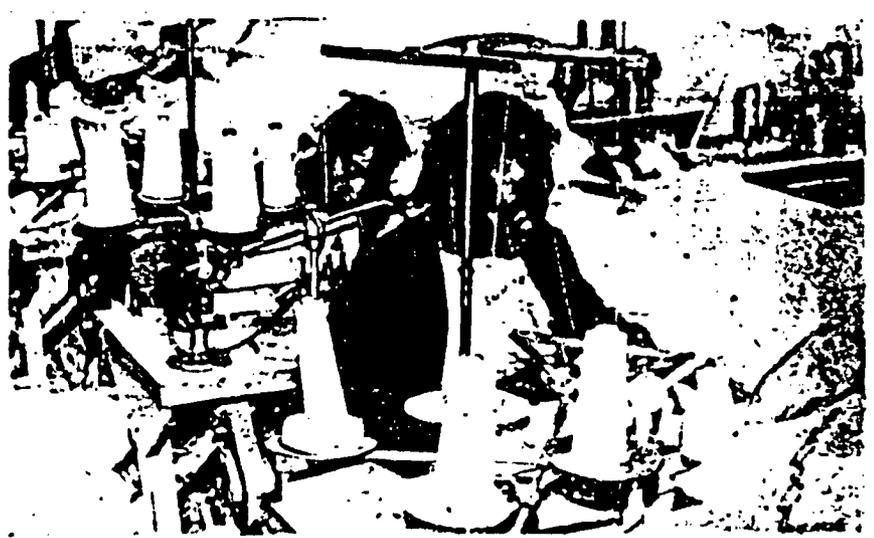
Credit Manager
Kenya Commercial Bank
Head Office
Kencom House
P.O. Box 48400
Nairobi
Tel: 339441

Project Manager
Rural Private Enterprise
Project
Deloitte Haskins & Sells
P.O. Box 40092
Nairobi
Tel: 742121

Mr. Justus Omolo
USAID/Kenya
P.O. Box 30261
Nairobi
Tel: 331160 ext. 228

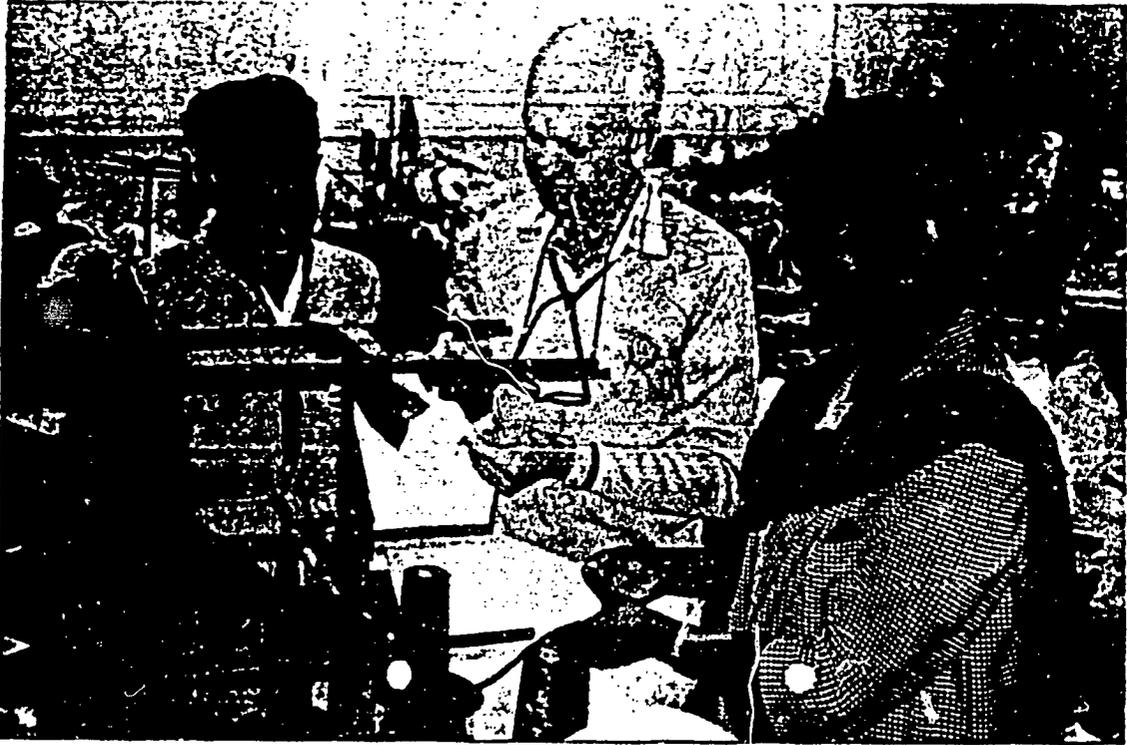
Credit Control Manager
Standard Chartered Bank
Stanbank House
Moi Avenue
P.O. Box 300083
Nairobi
Tel: 330200

Chief Manager
Kenya Commercial Finance
Company Ltd.
Kencom House
P.O. Box 48400
Nairobi
Tel: 339074



A number of Women from Kikuyu assisted through an RPE loan for newly expanded location. Kega was

CLOTHING KENYANS



A Director of Kega, Ruth Karuki, a Volunteer Executive, Jack Swallow, examining a finished garment with one of the employees.

Ruth Karuki, a former civil servant five years ago analysed the extent of her own potential and set about finding out where she could get assistance. Our Correspondent talked to her and has an inspiring story of how she made it.

BESIDE the railroad tracks at Kikuyu Station looms a large, silent godown — the only non-residential building for some distance in the calm rural setting.

It is impossible to tell from the outside whether there is any activity within the imposing structure, and it is only on rapping the bell for attention that the massive metal door swings open, revealing the first signs of life. From within comes the muted sound of sewing machinery operated by several dozen women.

This is Kega fashions, a rural labour-intensive industry, wholly locally owned and operated by women and for women. The people at the sewing machines are churning out ladies undergarments that will eventually find their way to retail outlets all over the republic.

And behind this enterprise is one woman, Ruth Karuki, a former civil servant who five years ago analysed the extent of her own potential and set about finding out where she could get financial assistance and training to start the business rolling.

As her three children were old enough not to require as much of her attention as before, Mrs Karuki realised that she could now devote a lot of her time to a project that would benefit not only her own family but people living in her community as well.

"I had been closely acquainted with some people who were involved in manufacturing ladies' undergarments, and over the years I learned a lot about factory operations," she said.

When the company later closed down, she decided to try her hand at the same thing, going for a course at a city design college and approaching a bank for a loan to buy a piece of land on which to get started. Initially operating from the main Kikuyu town, it soon became necessary to secure more permanent business premises.

"I believe I was really fortunate in the kind of financial assistance I received; and because I lived in rural area I was able to get a loan from the Rural Private Enterprise Programme (RPEP) of DeLoz, Haakum and Selis. With the money I built the godown and bought machinery which enabled us to move from Kikuyu town in January and start operating in our own premises," she said.

TAILORS

Today Mrs Karuki employs a total of 52 people, out of whom 46 are women consisting of designers and tailors.

"I enjoy working with women," she explains. "In a place like this it is common to find that very few women are married but most of them have children; by employing them I am helping them to take care of their children."

One is always sure that women will use their money properly whereas with men it is a different case altogether. My experience with men is that they will often come to work drunk, so where possible avoid them."

To help her cope with such a large staff, the RPEP also sponsored Mrs Karuki to a management seminar and helped in setting up the accounts department.

In a field that is constantly threatened by the flooding of imported items into the market, Mrs Karuki realised that the only way to keep afloat was through consistent high quality. But it has been uphill all the way.

Although trying as hard as possible to use the locally available materials, it has been necessary to import certain unavailable materials such as lace trim-

mings, embroidered fabric and the special stretch lycra fabric and other accessories used for making under-wear.

"The import duty we have to pay for these items is as high as 80 per cent, and it was very difficult to secure the import licence in the first place," she lamented.

But the odds have not kept her from maintaining high standards. It is worth noting that lycra can cost 80 per cent of everything produced at Kega Fashions (the line includes brassieres, slips, nighties, panties and camisoles) is supplied to a well-known reputable family clothing store, Deacons, which has branches throughout the country.

The store has made a good name for itself over the years by placing emphasis on local goods of high quality and innovative design.

Realising that there was still much to be learned to improve her business, Mrs Karuki got in touch with an organisation which helps people like herself to increase their productivity, upgrade their management skills and improve their technology.

The International Executive Service Corps (IESC) came to her aid through its volunteer executive advisory system. From the IESC "skills bank" in the United States, volunteer Jack Swallow was selected to come to Kenya for a two-month stay during which he drew on his previous experience gained from working in the same field to boost Kega's quality and production.

"The time he spent here improved our planning and cutting systems. He also introduced useful techniques and helped us buy specialised attachments for our machines," said Mrs Karuki.

So successful was the consultation that assessment showed production had increased by 40 per cent. "In fact there was so much more he could have

taught us but the time was too short, so we are hoping to have him back next year for another consultation phase."

RETIRED

Based in Stamford, Connecticut in the US, IESC operates worldwide through its volunteers (usually recently retired executives who either owned or held responsible positions in various businesses) helping countries to develop their private industries and with the ultimate aim of fostering self-sufficiency in the world market.

"The IESC has had 400 successful projects in all fields in Kenya since it started operating here in 1963," said IESC Kenya Country Director Marianne Seckircher. "Our emphasis among others is on agriculture, manufacturing rural development, export and women-owned and managed businesses, especially labour-intensive ones which create jobs," she said. This is why Ruth Karuki's rural enterprise in Kikuyu was a high priority project for receiving IESC assistance.

In selecting projects, the IESC volunteer programme serves businesses of almost every size and description, from small private ones with a dozen employees to companies employing several thousands. Herself a former volunteer executive who has successfully carried out several projects in Kenya and elsewhere for the IESC, before being named country director last March, Mrs Seckircher explained that the organisation's volunteers are all people with extensive hands-on experience in their particular fields.

"They are therefore able to transfer their knowledge to the client and at the same time benefit personally from new friendships and exposure to different cultures," she said.

Most volunteers, of whom there are about 14,000 in the skills bank, have worked in developing countries before and are therefore familiar with prevailing business conditions, she explained. The volunteers are not paid, but offer their time and expertise; the cost of their stay is met jointly by the IESC, USAID and other contributors.

The non-profit organisation has been in existence for a quarter of a century and is funded mainly by the United States Agency for International Development (USAID) and grants from other major US organisations.

"We are at present shifting our emphasis to 'umbrella' projects, for instance in cases where one client will not fully utilise the volunteers' expertise, then several clients in the same field can benefit together," said Mrs Seckircher.

VOLUNTEERS

"One area where this is coming in particularly useful is in agriculture where one volunteer can help several farmers to produce export quality food by providing pre- and post-harvesting advice as well as packaging information," she added.

As far as Ruth Karuki is concerned, the deeper she gets into the business of improving her business, the more satisfied she is.

"It is so much more challenging and satisfying to work harder for oneself and achieve one's own goals," she remarked. "I never could have felt so fulfilled if I was still employed. I just did what I was told and went home at the end of the day and thought about my job until the next day. But this is my own show and I feel fortunate that there are people who are there to help me run it effectively and profitably."

Sheikh Abdulkadir, partner in Kadir's Bakery, chairman of the Lamu Branch of the Kenya National Chamber of Commerce and Industry and holder of a United States Agency for International Development (USAID) Rural Private Enterprise (RPE) Project loan recently inspired a business clinic in Lamu.

When the RPE project manager Barbara Robin Steenstrup visited the bakery to monitor its progress, Sheikh Abdulkadir suggested that other business people in the area could benefit from more business information and access to credit. He asked if RPE could help. The answer to his question was a business clinic run by three consultants: Kimani Njoroge, Khadija Shamte and Ravi Ruparel from the management consultancy firm Deloitte,

Business Clinic in Lamu

Haskins + Sells.

Together with George Nzou, the manager of the Lamu Branch of Standard Chartered Bank and his staff, group and individual meetings with local business people were held over a two-day period. The consultants advised individuals and paved the way for a continuing dialogue with the bank and the RPE project. The clinic at Lamu was an outstanding success with almost 40 attendees advised and helped.

This is just one example of the activities undertaken and funded by the RPE project. RPE is a special loan programme aimed at encouraging Kenya's rurally based, privately owned

businesses to develop and prosper. Additionally, it aims to institutionalise longer term lending in Kenya's financial sector.

USAID has provided US\$24 million in funds for the programme. This is in addition to the loan funds of Kenya's three largest commercial banks; Barclays Bank of Kenya Ltd., Standard Chartered Bank Kenya Ltd. and Kenya Commercial Bank together with its subsidiary Kenya Commercial Finance Company Ltd. The scheme is managed for USAID by the firm of Deloitte & Touche/Deloitte Haskins & Sells.

More information on RPE on Page 24

Thika Makes History

THIKA strode into the annals of history by becoming the first branch of the Kenya National Chamber of Commerce and Industry to stage a trade exhibition. Tailored on the lines of the annual New Kenya Trades Exhibition, the Thika Trades Exhibition will however have a wider participation as exhibits will include even farming and livestock.

The Thika exhibition will also differ from the New Kenya Trades Exhibition in that, while the latter displays only those goods that are made in Kenya, the former is open to all. At an inaugural dinner dance which was officiated by the Thika DO 1, branch chairman George Thuo told members and guests that the branch decided to blaze the trail for the other branches because out of Nairobi Thika is the town with the biggest industrial establishment in Kenya.

Mr. Thuo who is also the exhibition



George Thuo

chairman said the exhibition had attracted traders and industrialists from Thika, Nairobi, Murang'a and Naivasha. He considered this a sign that future exhibitions will draw participation from all over the country. "This is very encouraging," said Thuo who was flanked by his vice-chairman, Mr. Cyrus Gichinga, and his secretary, Mr. W. Kimani Kang'ethe, who are also the exhibition co-ordinator and secretary respectively.

According to the branch chairman organising the Thika Trades Exhibition



W. Kimani Kang'ethe

has not been an easy task. He is therefore very grateful to all those who have been assisting the branch especially the national headquarters, the Thika Municipal Council, government departments, and the Thika industrial community which has offered volunteers to help in the organisation.

In addition to the product displays the exhibition will stage fashion shows, traditional dancers, choirs and acrobats. The exhibition will be crowned by a beauty contest where Ms Thika 1990 will be selected.

Assistance for Rural Investors

The United States Agency for International Development (USAID) has a special project to assist investors in the rural areas. The project is being administered through three local banks and a firm of management consultants.

The Rural Private Enterprise Project (RPE) makes funds available to Barclays Bank of Kenya Ltd., Standard Chartered Bank Ltd., Kenya Commercial Bank Ltd. and Kenya Commercial Finance Co. Ltd., which in turn provide loans and other business assistance to Kenyan businessmen and women. Technical and management assistance are available from Deloitte Haskins and Sells and the three participating commercial banks. The loans are to help finance private businesses, mostly in areas outside of Kenya's major cities of Nairobi and Mombasa.

Business assistance is provided in carrying out feasibility studies on the businesses from which loans are requested, with business operations such as book-keeping or problem-solving, and in training in various relevant

skills. Feasibility study costs will be made on a cost sharing basis between USAID and the loan applicant with feasibility study costs not exceeding 2% of proposed investment.

Although funds for the programme are provided by USAID participating commercial banks bear the entire credit risk. Loans will therefore be made only to those borrowers who are credit-worthy. In other words usual lending criteria governing commercial banks will apply.

Firms that can be helped

To apply for assistance firms must be:

- eligible to borrow money in Kenya in accordance with Central Bank of Kenya Exchange Control Notice No. 19;
- privately owned and managed;
- a for-profit business, and
- located outside of Kenya's major cities of Mombasa and Nairobi (except for agri-business which, located in these two cities, may be financed after (USAID) review and approval to ensure very strong links to rural area).

Eligible investments:

To be eligible for loans, investments

must be either for: starting up a new business; or expanding an existing business. Loan funds may only be used: to acquire fixed assets such as land, buildings and machinery; and for related services such as equipment installation.

However, funds for working capital may be obtained under the scheme from a participating bank's matching funds. The goods or services funded may be imported, or purchased locally. Under the RPE project, USAID provides two parts of loan funds for every one part provided by the participating commercial bank. For example, with a KShs. 3 million RPE loan, KShs. 2 million is provided by USAID and 1 million by the bank.

RPE as a project ends on 31 March, 1991. After that date, loans will be available through a revolving fund.

What qualities should the start-up or expansion have?

To be eligible, the business start-up or expansion must have one or more of the following characteristics:

- be labour-intensive, i.e. require no more than KShs. 115,000 (US\$ 5000 equivalent)* for each new job created;
- be export-oriented or be for import substitution, that is, have potential to increase net foreign exchange availability and/or
- provide more markets, inputs, processing or services for agricultural or other rural production based on locally available inputs.

On-farm production activities are excluded unless they are part of a vertically integrated processing or manufacturing business.

Which types of activities might be assisted?

In general, this project will help finance most rural off-farm private enterprise capital investments which are related to agriculture or manufacturing.

A business which is related to agriculture includes vertically integrated farming, fishing or forestry activities. The business might be involved in: processing food or other agricultural



Kega Fashions of Kikuyu is one of the benefactors of the RPE project

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crops; producing farm inputs such as tools, seeds, fertilizer or machinery; producing fishing inputs such as nets, boats, hooks or lines; providing services such as distributing, storing, transporting or retailing agricultural, fishery and forestry products.

Typical businesses which might be assisted are those involved in possessing of: coffee and tea, fruits and vegetables, sisal, fish, edible oils, hides, wood and livestock, others are those involved in the manufacturing of: building materials an equipment, hand tools, animal feed, human foods, consumer goods. This might include bakeries, footwear, soapmaking, wood processing and any other form of manufacturing.

Business activities that cannot be helped:

This program does not assist businesses which are involved in: commodity trading, real estate development, finance, insurance, speculation, or on-farm production. On-farm production activities may only be considered for assistance if they are part of a vertically integrated enterprise whose major activity is processing or manufacturing. (Vertical integration is when a number of processes are linked and each adds value to a raw material for eventual sale. For example, a dairy farm producing milk and then processing the milk on the farm to produce butter or yoghurt and packing it for sale.)

There is no minimum loan size, and it is unlikely that loans would be made in excess of KShs. 17,250,000 (U.S.\$ 750,000 equivalent). However, loans above KShs. 17,250,000 (U.S.\$ 750,000 equivalent) may still be approved on an exceptional basis if sufficient development impact can be demonstrated. In addition, banks are encouraged through financial incentives to make smaller loans with a value less than KShs. 1,725,000 (U.S.\$ 75,000 equivalent). Repayment period: between 3-8 years and up to a 2 year grace period is possible.

Business assistance:

The program provides some business assistance in the following areas: feasibility studies, management assistance, management and technical training.

(1) Feasibility Studies:

Assistance in analysing the overall feasibility of proposed investments which may include cost/benefit analysis, market analysis, technical production requirements, procurement needs, etc. Feasibility studies are provided on a cost-sharing basis which means that the business man or woman applying for the loan must pay part of the cost of these services. Management assistance and training are provided by USAID through Deloitte Haskins and Sells, also on a cost sharing basis to borrowers.

(2) Management Assistance and Training:

Apart from feasibility studies, the RPE project will provide the following technical assistance to borrowers on a cost sharing basis: Direct management assistance and Training. Management assistance and training management assistance and training may be provided as needed in the areas of bookkeeping, balance sheet preparation, early problem identification, trouble shooting, production or any other service that may be deemed necessary to enhance the success of a project.

In the last three years, the participating banks have approved loans of over KShs. 200 million to Kenyan business men and women. Specific projects which have been assisted are: expansion of a wheat and maize milling plant, establishment of a small building block-making plant, rehabilitation of a coffee farm including assistance in installation of an irrigation system and electrification, development of an integrated agricultural project



RPE project manager

involved in growing of horticultural produce and coffee, rehabilitation of a small-scale coffee pulping plant, modernisation of a textile factory, development of a horticultural farm, upgrading of a local hotel to enable it to cater to the tourist industry, expansion of a transport industry involved in transportation of agricultural produce, establishment of a fishing business, expansion of a metal workshop, rehabilitation of a sawmill, and establishment of a modern bakery.

Details about the programme are available from the branch manager of the nearest bank (Kenya Commercial Bank Ltd., Kenya Commercial Finance Company Ltd., Barclays Bank of Kenya Ltd., or Standard Chartered Bank Kenya Ltd.) or any of the following officers in the box.

Small Business Unit, Manager
Barclays Bank of Kenya
Bank House, Moi Avenue
P.O. Box 30120, Nairobi.
Telephone: 332230/337485

Project Manager
Rural Private Enterprise Project
Deloitte Haskins + Sells
P.O. Box 40092, Nairobi.
Telephone: 742121

Credit Control Manager
Standard Chartered Bank
Stanbank House, Moi Avenue
P.O. Box 30003 Nairobi
Telephone 330200

Credit Manager
Kenya Commercial Bank
Head Office
Kencom House, Moi Avenue
P.O. Box 48400
Telephone 339441

Mr. Justus Omolo
USAID/Kenya
P.O. Box 30261, Nairobi
Telephone: 331160, Ext. 228

Chief Manager
Kenya Commercial Finance Co. Ltd.
P.O. Box 48400, Nairobi
Telephone: 339074

Business Clinics

Business clinics are intended to assist entrepreneurs with potentially good business ideas to articulate them and put their thoughts on paper. The concept of Business Clinic was developed to guide small scale entrepreneurs in preparing loan applications. The clinics were offered as a service of the RPE project and carried out jointly with credit officers from the individual branches of participating banks.

Procedure

The Head Offices of the commercial banks participating in RPE were asked to select branches which have customers who may have good business ideas but who would be likely to have problem in preparing loan proposals. After the branches were selected, the RPE management unit sent promotional materials to the branch. The materials included a large poster, for prominent display in the main banking hall and other visible places in the bank, and leaflets for distribution to the customers. The leaflets explained in Swahili and English the purpose of the clinic, details of how to apply and where to attend. An example of a leaflet is attached.

Each one day clinic consisted of two sessions, the first attended by all participants, dealt with general issues related to preparation of business plans and the importance of developing a business idea fully before approaching the bank manager for a loan. A questionnaire "Putting ideas on Paper" was distributed and used as the tool of instruction (see attached). During this part of the clinic, questions on the RPE project were answered.

The second session was designed for business people with partially developed ideas and who would like assistance on how to put them on paper. These individual sessions were held in confidence. It was the responsibility of the Deloitte consultant to create an environment for free discussion. The consultants role is to facilitate the borrower to expand his/her thinking to all the dimensions of the project, to identify gaps in the business plans whether written or oral and to guide the participant on how to put the ideas on paper in terms of a comprehensive plan.

The credit officers were responsible for continuity and follow-up with the potential borrowers. Business clinics also served as on-the-job training for bank staff to help them to understand the broader dimensions of the projects in question and to improve their skill in appraising them.

Also, they learned how to conduct business clinics on their own, subsequently increasing their ability to assess projects which have a good probability of success.

Business clinics were conducted at the bank branches.

A total of 144 entrepreneurs attended RPE Business Clinics between September 19 1990 and January 23rd 1991. Out of these 93 attended individual sessions. (See the attached list of clinics held).

**Deloitte
Haskins+Sells**



**ATTENTION ALL POTENTIAL BUSINESSMEN
AND WOMEN!
SIKILIZENI WAFANYA BIASHARA WOTE NA
WATAKAOFANYA BIASHARA!**

Business Ideas 'Clinic'

Do you have a business idea but need help in developing it or presenting it to your bank to raise finance?

Free help is at hand!

How? By attending a free business 'clinic'

Where? At this branch

When? See posters for date

Who will be the 'doctor'? A business adviser from the management consultancy firm of Deloitte Haskins + Sells will be there to discuss your project and advise on how to approach the bank to make it a reality.

**'Kliniki' ya Mawazo ya
Kibiashara.**

Jc, una wazo la biashara ambalo unahitaji usaidizi? Wazo hilo ni la kuendeleza biashara au kupeleka wazo kwa benki ili upate fedha?

Utapata usaidizi bila malipo!

Vipi? Kwa kuhudhuria 'kliniki' ya biashara bila malipo

Wapi? Katika tawi hili la benki

Lini? Angalia tangazo kwenye ukutani

Nani atakua daktari? Mshauri wa biashara kutoka kampuni ya wataalamu wa biashara ya Deloitte Haskins + Sells, ambaye atazungumza nawe kuhusu mawazo yako na atakupatia mawaidha juu ya kuenda benki juu ya kuanzisha biashara yako.

How to apply

Just fill in the form below and return it to the bank manager of this branch.
NOW!

Name: _____

Type of business: _____

Address: _____

Telephone: _____

For more details talk to the branch manager.

Utajiandikisha namna gani?

Jaza fomu hii na uirudishe kwa meneja wa tawi la benki hii.
SASA HIVI!

Jina: _____

Aina ya biashara: _____

Anuani: _____

Simu: _____

Muone meneja wa tawi la benki hii kwa maelezo zaidi.

Kenya Rural Private Enterprise Project (RPE)

Providing long-term loans and technical assistance for rural private enterprises in Kenya

STARTING A BUSINESS

Putting Ideas to Paper

- Ask yourself the following questions
- Write down your answers
- Use the answers to do more research and prepare a business proposal/plan

a) Ownership/Management

Who will run the business?

- Do you have the experience?
- Will you have partners?
- What experience do they have?
- Do you need to employ managerial help?

b) The Project

How are you going to make your product?

- What products will you make?
- What equipment is needed?
- What labour skills are needed?
- Where will you get raw materials from?
- What premises will you operate from?

c) The Market

Who will you sell to?

- Who are your potential customers?
- Why would they buy from you?
- How large is the market?
- Who are your competitors?
- How will you distribute your product?
- Will you advertise?

d) Financial Projection

How much money will you make?

- What will be your monthly revenue?
- What will be your monthly costs?
- What are your capital costs?
- How quickly can you collect revenue?
- How soon do you have to pay suppliers?
- How much money do you need to start?

BUSINESS CLINICS

<u>Date</u>	<u>Bank</u>	<u>No. of Participants</u>	<u>No. of Clinics</u>
<u>1990</u>			
Sept 19	SCB, Moi Ave	15	10
Sept 20	SCB, Athi River		
Oct 17	SCB, Lamu	30	17
Oct 19	BBK, Nyeri	4	4
Oct 24	BBK, Thika	4	4
Oct 26	BBK, Nakuru	18	11
Nov 1	BBK, Eldoret	30	16
Nov 2	BBK, Kisumu	26	22
<u>1991</u>			
Jan 10	BBK, Nakuru	14	6
Jan 23	BBK, Nakuru	3	3
		---	--
	Total	144	93
		===	==



BARCLAYS BANK OF KENYA

Head Office

Bank House, Moi Avenue, POBox 30120, Nairobi, Kenya
Telephone 332230

Our Ref: SBU/RPE/JWM

Cables BARCLAHEAD NAIROBI
Telex 22210

March 26, 1991

Mr. Kimani Njoroge,
Assistant Project Manager,
RPE Project,
P. O. Box 40092,
NAIROBI.

Dear Mr. Njoroge,

MEETING TO MARK END OF THE RPE PROGRAMME

During the above meeting held on March 22, 1991 I mentioned to you that I would send you a copy of the paper that I presented at the meeting.

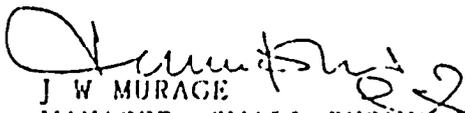
I am glad to attach the paper for your attention and record. In this connection you may recall having asked me whether in my opinion the RPE programme has had any impact on commercial bank lending culture. My feeling is that such a change would normally take time to come through. Our joint promotional strategy involving regional workshops and business clinics launched last year had some positive signs as our staff began to articulate the essence of cashflow lending and the merit for professionalism in such areas as project promotion, evaluation and client counselling.

In addition, RPE had been launched at a time when there was no significant liberalisation of Kenya's highly controlled economic regime which tended to inhibit any significant transformation of the traditional commercial bank lending culture. Nevertheless, the good news is that the banks concerned gained valuable experiences through RPE and managed to undertake internal lending capability building which should enable them to do well in their future endeavours in project lending.

We take this opportunity to thank your RPE Project Team and your parent organisation, Deloitte Haskins & Sells, for the invaluable support extended to us, our branches and our customers during the tenure of the RPE programme.

With regards,

Yours sincerely,


J W MURAGE
MANAGER, SMALL BUSINESS LENDING

Encl:

RURAL PRIVATE ENTERPRISE - A BANKER'S EXPERIENCE

The USAID sponsored Rural Private Enterprise programme commonly known in short as RPE was started in 1984. Three leading commercial banks namely KCB, BBK and SCB were invited by CBK to participate in the programme, each bank having been given a specific allocation of USAID funds - all totalling USD24m. The funds were to be used for promoting off-farm manufacturing and service industries in rural areas outside the boundaries of the main towns of Nairobi and Mombasa. As each of the participating banks was required to provide matching funds of at least half of its allocation of the USAID funds, the programme saw the mobilisation of a total of USD 36m, then equivalent to about K.Shs. 720m, to meet this objective.

At no time during the history of independent Kenya has a donor agency taken such a significant step in resource mobilisation and orientation of the commercial banking sector towards rural industrialisation. However, it is not that commercial banks have not been lending to the rural sector. Nor is the figure referred to here higher than the resources committed over the years by the three banks to the rural areas. But the RPE programme was the first major attempt by a donor agency and GOK towards the promotion of small and medium scale enterprises in rural areas through a well coordinated and purposeful credit scheme involving commercial banks.

We in Barclays Bank of Kenya and, of course, in KCB and SCB are greatly indebted to both the US Government, AID, GOK, CBK, Deloitte Haskins & Sells and the RPE Project Team for our success in meeting the broad objectives that the RPE programme was set to achieve.

As we are drawing to the close of the RPE programme on 31 March 1991, barely a week's time from today, it would normally be appropriate to recount our experiences with the programme and to make proposals for future programmes of this nature. However, given the short time allowed for this presentation it would not be feasible to do so. Furthermore, the donor and CBK, on the one hand, and the participating banks, on the other, have had an opportunity in the past to exchange valuable ideas concerning this important subject. Therefore, it is befitting only to briefly

highlight our main experiences.

We in Barclays Bank found the RPE programme to be not only helpful on account of term finance at a very reasonable interest margin but most of all on account of the support given in form of project promotion and monitoring, client counselling as well as feasibility studies and management assistance to our customers through Deloitte Haskins & Sells. In the bank itself, we were directly assisted through staff training and supply of computers to improve our technical capability.

As mentioned earlier, Barclays Bank and the other two banks involved in the RPE programme, have, over the years, been involved in cashflow-based term financing of projects both in rural and urban areas but such activities were exclusively the responsibility of relatively senior managers in fairly large bank branches situated mainly in Nairobi. However, through the RPE programme, we were encouraged to develop cashflow lending capability at comparatively junior management levels in small and medium size branches situated in rural areas in our effort to promote the programme in such areas. This development would have had far reaching positive results for greater lending in rural areas which have hitherto served mainly as convenient sources of bank deposits if it were not for the limited tenure of the programme.

Despite these favourable developments, we also faced several difficulties. With the benefit of hindsight, it now appears that the initial promotion of the scheme had serious shortcomings and these, no doubt, delayed an early take-off of the scheme. Judging from the latest experiences, a combination of advertisements in leading business journals, discussion of the programme in open business workshops in addition to 'business clinics' would have been more effective ways of promoting the scheme. In our view, a market awareness of the scheme on a large scale did not come through until the sixth year of the scheme in 1990.

The support given to facilitate preparation of feasibility studies was also faced with some difficulties that also tended to undermine the efficacy of the programme.

In particular the fees charged for the studies even after allowing for a substantial subsidy were considerably high and this tended to discourage small scale entrepreneurs from seeking this form of assistance. We feel that the subsidy should have been between 50% - 100% and in accordance with the client's ability to pay. Moreover, the feasibility studies took too long to be completed (i.e. about two to four months).

Most of our customers especially those in the small scale category clearly needed a security back-up to enable them gain access to the RPE credit. The result however was that only the well established and relatively large firms were able to overcome this difficulty. Barclays Bank was nevertheless able to arrange a loan guarantee scheme in 1990 with A.I.D. to assist small scale borrowers but the scheme was not operational until November 1990 - barely four months to the close of the RPE programme.

The requirement for the banks participating in the scheme to provide matching funds was important in facilitating mobilisation of funds for the programme and in obtaining a commitment from such banks. However, as such banks had no term resources of their own, they reacted to this situation by providing loans (under the programme) of much shorter periods than would have been expected and this in itself was a discouraging factor in the promotion of those projects in need of longer repayment periods. In BBK, the average loan repayment period was around seven years including the grace period which varied between 1-2 years.

Foreign procurement of machinery and equipment through RPE funding in foreign currency was another area of major concern. The terms imposed by the programme were very stringent and in some cases caused long delays that tended to undermine the success of the projects concerned. In one such case in BBK, procurement of a sawmill from Finland took more than two years to be finalised and, in the process, caused a cost overrun of about 40% against the original estimate. As a result, some of our customers tended to short-circuit A.I.D.'s foreign procurement procedures by arranging LC's directly with the suppliers. However, this shifted the problem to the bankers who had to plead with USAID/Kenya to ignore the nature of such transactions and to consider local currency funding.

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In the local economic scene the programme was adversely affected by various economic factors such as recession and inflation that started in 1989 and tended to have a negative impact on investment opportunities. Moreover, the programme had also to contend with a highly regulated economic regime characterized by credit and interest rate restrictions which tended to discourage the participating banks from lending as much of the RPE funds as they would have wanted.

In spite of these problems, the RPE scheme has nevertheless helped the participating banks to establish an institutional infrastructure for promoting industries in rural areas. What is now needed is another scheme to replace RPE. The scheme should of course be designed with due regard to the experiences of the RPE programme some of which are listed above.

Finally, we would like to take this opportunity to express our profound gratitude for the unfailing support extended to us by USAID/KENYA, A.I.D. Washington, CBK, Deloitte Haskins & Sells, RPE Project Team and all well wishers, either individually or collectively. We thank them all and look forward to their continued support in our effort to promote Kenya's economic development and growth.

SMALL BUSINESS UNIT
BARCLAYS BANK OF KENYA LTD
HEAD OFFICE
NAIROBI

March 22, 1991

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Kenya Rural Private Enterprise Project (RPE)

Providing long-term loans and technical assistance to rural private enterprises in Kenya

P. O. Box 40092
Nairobi, Kenya
"Kilungu" Ring Road, Westlands
Telephone 742121
Telegrams Dehands, Nairobi
Telex 22965
Fax 254-2-743488

Training

Under the RPE Project, 35 training courses for 526 participants were carried out. All bank staff interviewed during the RPE revolving fund review in November 1990, had participated in at least one RPE training activity and many in more. They all described the training as valuable.

Bank staff training concentrated on the principles of term lending, loan monitoring, financial analysis, analysis of business plans, marketing, customer relations, time management and in some cases computer training. The training staff from each of the banks participated in the tailoring of the curriculum to the particular needs of its own bank.

For potential sub-borrowers, business clinics which focus on the prerequisites for a successful business have proved valuable. The 93 clinics that were held for SCB and BBK had 144 participants. A number of loan applications were forthcoming from them. Requests for business clinics continued to be received up to the end of the project.

Regionally located, short courses in management, accounting and good business practices were held for sub-borrowers. The participants were typically the owners of the smaller businesses who had limited formal business training and limited trained staff.

A project funded by U S Agency for International Development.

Implemented by Deloitte & Touche, USA,
with assistance from Deloitte Haskins & Sells, Nairobi, International Executive Service Corps and American Manufacturers Export Group, Inc.

RFB TRAINING

BANK COURSES

Date	Course	Bank	No. of Partici- pante
1987/88	LT Lending (9 courses)	KCB) BBK) SCB)	132
<u>1988</u>			
Oct	Advanced Credit	BBK	14
Nov	Advanced Credit	KCB	19
<u>1989</u>			
Sept	Financial Analysis	SCB	4
Sept	Marketing	SCB	8
Sept	Marketing	KCB	32
Oct	LT-Lending	KCB	22
Oct	Financial Analysis	KCB	8
Nov	Marketing	KCB	7
Nov	Financial Analysis	KCB	7
<u>1990</u>			
Jan	Financial Analysis	KCB	10
Jan	Marketing	KCB	21
Feb	LT Lending	KCB	18
Mar/Apr	Financial Analysis	KCB	21
July	Customer Relations	SCB	9
July	Financial Analysis	KCB	9
July/Aug/ Sept	Loan Monitoring	KCB	55
Aug	Time/Work/Self Management	SCB	10
Aug/Sept	Customer Relations	SCB	15
Sept	Loan Monitoring	SCB	13
Oct	Marketing	SCB	12
Nov	Customer Service	KCB	75
<u>1991</u>			
Jan	Small Business Lending	BBK	12
March	Small Business Lending	BBK	12

Total			550
			===

BORROWERS COURSES

Finance for Non-Finance Managers

1990

Dec 4/5	Nakuru	9
Dec 6/7	Nairobi	6
Dec 10/11	Nyeri	6

1991

Jan 29/31	Mombasa	6
Total		27
		==

RPE AND WOMEN

The RPE Project at its inception noted that women should benefit from the project. At that time increased employment of women under the loan criteria of job creation was mainly implied. Statistics on the number of women employed by sub-borrowers as a direct result of their RPE loans have been kept although they are far from accurate because of sparse reporting. From the figures available, a total of 5,568 jobs had been created. Nine hundred and ninety three (993) of these jobs were filled by women as of 31 March 1991.

As understanding of women's importance to the economy has grown, there was an effort to encourage women entrepreneurs to make use of RPE funds, training and management assistance. In addition, the participating commercial banks were encouraged to make their managers and credit staff aware of women as potential borrowers.

Specifically, the RPE Project over the last year held a course on gender issues as related to women and enterprise for the Deloitte consultants who carried out training and gave management assistance for the Project. Similarly, a workshop was held for senior bank staff on women and business.

In September 1990, RPE sponsored seven women who were either bank managers or RPE sub-borrowers to attend a week long course on Women in Management. The Project Manager and Deloitte's Human Resources Director designed the course. Its success was such that even as the first course was carried out, there were a sufficient number of applicants to schedule a second course for January 1991. A third course will be held in June 1991. The RPE participating banks have at their own expense registered some of their women managers for the course.

In November 1990, a Team of consultants carried out a Review on the Possible Establishment of a Revolving Fund for utilizing the RPE reflow funds as well as possible other donor funds. For the Revolving Fund period, women were singled out within the target group with the following justification:

While Sessional Paper No. 1 of 1986 does not mention women specifically, it does stress the need to encourage "domestic investors" to participate fully in Kenya's development. (7.40) and the "the resources available to general rapid economic growth... must be used in the most productive ways possible (1.5.) ensuring that women are able to participate fully in the economy is an important step toward achieving these goals.

The United Nations Convention on the Elimination of All forms of Discrimination Against Women, ratified by Kenya in 1984, states in Article 13 that women should have equal access to loans and credit.

Similarly, The Forward Looking Strategies for the Advancement of Women to the Year 2000 adopted by consensus at the World Conference of the United Nations Decade for Women held in Nairobi in 1985 advocates the encouragement of mechanisms that will provide increased access to credit by women (198).

USAID/Kenya focuses on women in its Private Enterprise Strategy for the 1990s. Growth in employment possibilities is expected through non-traditional export expansion. While USAID will limit the targetting of its private sector assistance to minimize market distortion, it does allow for targetting to "jump start" or catalyze activity in a specific sector or target group. It is in this light that we will recommend both sensitization of bank staff for dealing with women customers and the earmarking of a minimum of 20% of the loans approved annually for women sub-borrowers who will also be instrumental in the management of their businesses.

Finally, in the various RPE promotional activities, focus was always put on women as well as men.

RPE SUBBORROWERS COURSE

FINANCE FOR NON-FINANCE MANAGERS

The RPE sub-borrowers course was held in 4 major towns in between 4th December and 1st February 1991. The course, which covers general aspects of management and basic bookkeeping was developed after a careful evaluation of sub-borrowers needs for appreciation and basic understanding of bookkeeping. The course is for small business and is tailored for the owner manager businessman and woman who has not had previous exposure to bookkeeping.

The sub-borrowers course was developed by the RPE management unit in conjunction with DH&S Training Group. Input was also received from consultants from (the then) Systems Development Group who have provided direct management assistance (DMA) to RPE sub-borrowers. A case study was prepared based on their experience at Kega Fashions and Dagimu Investments.

There were 26 participants who attended the course. They all expressed great satisfaction with the way the course was delivered and gratitude for all the arrangements that were made. This included their accommodation and meals.

The topics covered include:

Business Planning

- definition of business plans
- preparation of business plans
- budgeting and forecasting

Introduction to Basic Bookkeeping

- introduction to the balance sheet equation
- maintaining basic ledgers
- analysis of basic ledgers

Working Capital Management

- definition of working capital
- management of the working capital cycle
- debtors and creditors control

Stock Control

- types of stocks
- stock control techniques

The cash book

- maintenance
- analysis

Income and Expenses

- their effects on the balance sheet

Handout materials will be sent to all participants by 15 February 1991.

The course was held for two days in Nakuru, Nairobi and Nyeri and for three days in Mombasa. Ideally this course should be held for a much longer period and one week should be appropriate. However, the typical small business operator is only to attend activities that take him or her away from his business for only a couple of days.

FINANCE FOR NON-FINANCE MANAGERS COURSE

TIMETABLE

29th January 1991

09:00am	COURSE INTRODUCTION	B Steenstrup
09:15am	DEFREEZING/TEAM BUILDING	K Njoroge
09:35am	BUSINESS PLANNING	K Njoroge
	- What is a Business Plan	
	- Preparing Business Plans	
	- Revising Business Plans	
10:45am	COFFEE BREAK	
11:00am	FORECASTING AND BUDGETTING	S Kimani
	- Sales Forecasting	
	- Production budgets	
	- Capital and Financial budgets	
	- Sales and Administration expenses budgets	
	- Financial Statements	
12:15pm	LUNCH	
02:00pm	FORECASTING AND BUDGETTING (continuation)	S Kimani
03:30pm	TEA BREAK	
03:45pm	DISCUSSIONS AND ADJOURNMENT	

30th January 1991

09:00am INTRODUCTION TO BASIC BOOKKEEPING J Mbae

- The Balance Sheet equation and the definition of a balance sheet
- Definition of assets and liabilities
- Definition of a profit and loss statement
- Income and expenses relationship to the balance sheet

10:45am COFFEE BREAK

11:00am INTRODUCTION TO BASIC BOOKKEEPING J Mbae
(continuation)

- Introduction to Basic Records
- Maintaining Basic Ledgers

12:15pm LUNCH

02:00PM BASIC RECORDS

- The analysis Cash Book
- The Debtors Ledger
- The Creditors Ledger

03:30pm IEA BREAK

03:45pm DISCUSSIONS AND ADJOURNMENT

31 January 1991

09:00am	MANAGING YOUR WORKING CAPITAL	S Kimani
	- Defining Working Capital	
	- The Working Capital Cycle and the need for finance	
	- Managing Debtors and Creditors	
	- Managing Cash	
10:45am	COFFEE BREAK	
11:00am	MANAGING YOUR WORKING CAPITAL (Continuation)	S Kimani
12:24pm	LUNCH	
02:00pm	STOCK CONTROL	J Mbae
	- Types of Stock	
	- What is Stock Control	
	- Holding and ordering costs	
	- The Stock records	
03:30pm	TEA BREAK	
03:45pm	COURSE EVALUATION AND CLOSING	

MONITORING QUESTIONNAIRE

Project: _____

Project Location: _____

Sub-borrower: _____

Bank: _____

Contact: _____

Branch: _____

Date: _____ Visit #: _____

Manager: _____

PROJECT DESCRIPTION

LOAN TERMS

Duration: _____

Approval Date: _____

Grace Period _____

Interest Rate: _____

Security Offered: _____

Disbursement Status: _____

Repayment Status: _____

Comments: _____

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PROJECT COST AND FINANCING PLAN
(KSh 000's)

Cost		Financing	
Land	_____	USAID	_____
Site Development	_____	Bank	_____
|| Building	_____	|| Owners	_____
|| Machinery/Equipment	_____	|| Others	_____
|| Pre-Operating Exp.	_____	||	_____
|| Contingencies	_____	|| TOTAL	_____
|| Other Costs	_____	||	_____
|| Working Capital	_____	||	_____
|| TOTAL	_____	||	_____

PROCUREMENT

Total Cost: _____

Item	Cost (KSh 000's)	Source	Origin
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Selection Criteria: _____

Current Status: _____

Comments: _____

COMPLIANCE INDICATORS

Location: _____

Profit oriented: _____

Source Certificate: _____

ECN No. 19: _____

Markings: _____

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ELIGIBILITY CRITERIA

Jobs:

Forex:

Market Development:

SUB-BORROWER PROFILE

Ownership Structure:

Management Structure:

Previous Experience:

Future Plans:

DEVELOPMENTAL IMPACT

Employment:

Other Economic Effects:

Social Effects:

Environmental Impact:

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COMMENTS ON SITE VISIT

Status of Implementation:

Performance:

Other Comments:

Nature & Extent of DH&S Subcontractor Involvement:

ISSUES AND ACTION POINTS

TA Needs:

Other Issues:

Action Points:

PART I

RPE BASELINE DATA QUESTIONNAIRE

Please fill in the gaps:

NAME: DR/MR/MRS/MISS
(First Name) (Last Name)

POSITION IN THE COMPANY

NAME OF BUSINESS:

LOCATION OF BUSINESS:

Town

Location

Division

District

POSTAL ADDRESS:

P O Box

Town

Telephone Number

List the principal owners or directors of the company.

(Circle as appropriate)	First name	Second Name	Nationality	% of shares
1.	DR/MR/MRS/MISS .....	.....	.....	.....
2.	DR/MR/MRS/MISS .....	.....	.....	.....
3.	DR/MR/MRS/MISS .....	.....	.....	.....
4.	DR/MR/MRS/MISS .....	.....	.....	.....
5.	DR/MR/MRS/MISS .....	.....	.....	.....
6.	DR/MR/MRS/MISS .....	.....	.....	.....

When was your business established?

PART II: TYPE OF BUSINESS

A. What is your main business activity?
(please tick one)

- Manufacturing
- Agriculture
- Hotel
- Transportation
- Tourism
- Mining/quarry
- Trade (Retail/Wholesale)
- Trade (Crafts/Repair)
- Agribusiness
- Building and Construction
- Electricity and Water
- Financial/Business Services
- Community Personal Services
- Other (specify)

B. List the main items (products) produced or sold by your company and their sales value.

Item	Average sales per month (KShs)	Average sales per year (KShs)
1.
2.
3.
4.
5.
6.

C. Summary of sales

What is the current value of your average sales?

- (i) per day KShs
- (ii) per month KShs
- or (iii) per year KShs

When did you obtain an RPE loan?

What was the value of your sales before you obtained the RPE loan?

- (i) per day KShs
- (ii) per month KShs
- or (iii) per year KShs

D. If you export any products, please fill in the following section for those products exported:

Item/product	Country(ies) Sold	Amount per year (KShs)
1.
2.
3.
4.
5.
6.
7.
8.
Total

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PART III - SIZE OF BUSINESS

A. What is the total number of employees in your company?

		Men	Women
Men	..... Full-time	.....	.....
Women	..... Part-time	.....	.....
Total	..... Non-paid	.....	.....
	..... Total	.....	.....

B. How many employees did you have before you obtained the RPE loan?

		Men	Women
Men	..... Full-time	.....	.....
Women	..... Part-time	.....	.....
Total	..... Non-paid	.....	.....
	..... Total	.....	.....

C. If you have not fully implemented your project, answer the following questions:

How many employees will you have after you implement your project fully?

		Men	Women
Men	..... Full-time	.....	.....
Women	..... Part-time	.....	.....
Total	..... Non-paid	.....	.....
	..... Total	.....	.....

D. Type of employees:

Category	Titles	Number of Staff
Management
Technicians
General Labourers
Casual staff
Total	

E. Value of assets (net book value)

Item	Market value KShs
Land
Building
Machinery
Raw materials
Other (Specify)
Total value of assets

F. In the space provided below, please describe how your project has benefitted your community.

.....

.....

.....

G. Have you or your employees received training from RPE?

YES NO

If yes state the number of people trained and their positions in the company.

.....

H. Have you received any technical assistance (i.e setting books of accounts etc)?

YES NO

If yes state the type of assistance.

.....

I. What other assistance has the company received from RPE project or the bank?

.....

.....

RURAL PRIVATE ENTERPRISE PROJECT

Monitoring Report

for the period ending 31 March, 1991

Prepared and Submitted by the

RPE Management Team, under the
direction of Mr K Njoroge

May, 1991

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A EXECUTIVE SUMMARY - Portfolio Profile

Total number of loans (as of 28th March 1991)	113
Percentage Increase from 1st January 1991	26%
Percentage Increase from 1st April 1990	100%
Total value of approved loans (USAID + Bank)	KShs 819.6 million
Smallest loan	KShs 92,000
Largest loan	KShs 60 million
Total number of jobs recorded	4,849

Number of loans by range

Site (KShs)	No	Loan amounts (KShs '000)	% of total value
Under - 350,000	19	3,94	0.5%
0.35m - 1m	17	10,907	1.3%
3m - 5m	24	42,270	5.1%
5m - 10m	29	152,056	18.6%
10m - 20m	12	187,138	22.8%
Over 20m	12	423,315	53.1%
	113	819,635	100%

Breakdown by Eligibility Criteria

A	Job creation
B	Forex earnings
C	Market Development

Note: Loans can qualify on basis of more than one criterion.

Breakdown by Sectors

	Number of Loans
Agribusiness	54
Manufacturing	32
Service	11
Tourism - Hotels	11
Mining and quarry	4
Building and construction	1
	113

B Verification of Sub-loan Activity

We have verified that the sub-borrower loan activity as reported by banks has taken place for all loans that had been approved by the banks by 1st March 1991. We received four RPE Form 1's for loans approved in March 1991.

C Eligibility Criteria

We have advised the participating banks to reverse two loans which have not met RPE conditions as detailed below. All other projects reviewed during the monitoring exercise met the RPE criteria.

D Loan Reversals

We requested one bank to reverse an RPE loan of KShs 400,000 and offer an overdraft facility instead. The entire loan amount would have been used to finance working capital as the sub-borrower had requested assistance to purchase materials for assembling posho (maize grinding) mills.

We have also instructed a bank to remove an RPE loan of KShs 671,000 to a travel agency. The company received a two year loan to purchase a motor vehicle. During the period, a bank reversed a loan to a tourist hotel located in Mombasa.

One loan has been prepaid.

Incentive Payments

A list of all projects which qualify for incentive payments has been prepared by CBK. The Bank has been requested to send a copy to USAID and to advise banks with qualifying projects to request incentive payments.

E Feasibility Studies

During the period 1st January to 31st March 1991, three feasibility studies were completed.

A total of 16 feasibility studies were undertaken during the Project. Six of the projects that were reviewed were successful in obtaining RPE loans while seven studies were being reviewed by the banks as of 28th March 1991. Two loans resulting from the findings of these studies are likely to be funded by banks through their normal lending activities.

F Loans with an Export Component

In this section, a breakdown of loans that have an export component or a considerable import substitution element is provided. There are five broad categories as follows:

Category I:

Projects involved in traditional export, including coffee and tea factories, sisal mills and coffee roasting facilities:

	RPE LOAN (000's)	ACTIVITY SECTOR	TYPE*
1.	145	Agribusiness	A
2.	350	Agribusiness	A
3.	300	Agribusiness	A
4.	7,500	Agribusiness	A
5.	540	Agribusiness	A
6.	500	Agribusiness	A
7.	300	Agribusiness	A
8.	2,000	Agribusiness	A
9.	625	Agribusiness	A
10.	120	Agribusiness	A
11.	30,000	Agribusiness	A
12.	7,200	Agribusiness	A
13.	695	Agribusiness	A
14.	800	Agribusiness	A
15.	15,000	Agribusiness	A
16.	500	Agribusiness	A
	66,575		

Category 2

Companies which will manufacture products which are currently imported e.g. ceramic tiles:

Companies which will manufacture products which are currently imported e.g. ceramic tiles:

<u>PROJECT</u>	<u>000's)</u>	<u>RPE LOAN SECTOR</u>	<u>TYPE*</u>
1.	5,000	Manufacturing	B
2.	18,000	Agribusiness	B
3.	30,490	Manufacturing	B.
Sub-Total	89,490		

Category 3

Companies manufacturing for export e.g. leather processing:

<u>PROJECT</u>	<u>000's)</u>	<u>RPE LOAN SECTOR</u>	<u>TYPE*</u>
1.	15,000	Manufacturing	C
2.	33,000	Manufacturing	C
3.	28,375	Manufacturing	C
Sub-Total	76,375		

Category 4

Horticulture:

<u>PROJECT</u>	<u>000's)</u>	<u>RPE LOAN SECTOR</u>	<u>TYPE*</u>
1.	7,000	Agribusiness	F
2.	6,000	Agribusiness	F
3.	2,500	Agribusiness	F
4.	15,138	Agribusiness	F
5.	7,200	Agribusiness	F
6.	4,200	Agribusiness	F
7.	20,000	Agribusiness	F
Sub-Total	62,038		

as

Category 5

Hotels which cater for the foreign tourists:

<u>PROJECT</u>	<u>(000's)</u>	<u>RPE LOAN SECTOR</u>	<u>TYPE*</u>
1.	5,500	Hotel	H
2.	3,360	Hotel	H
3.	800	Hotel	H
4.	44,000	Hotel	H
5.	4,000	Hotel	H
6.	4,100	Hotel	H
7.	35,000	Hotel	H
8.	24,176	Hotel	H
9.	4,150	Hotel	H
10.	500	Hotel	H
Sub-total	125,586		
Total	423,944		

Loans in these categories comprise 336% of the total number of loans. In terms of value, they take up 51.7% of the RPE portfolio.

Key

A =	Export - coffee, tea, sisal
B =	Import substitution
C =	Export - manufacturing
F =	Export - floriculture, flowers, french beans
H =	Hotel - tourism.

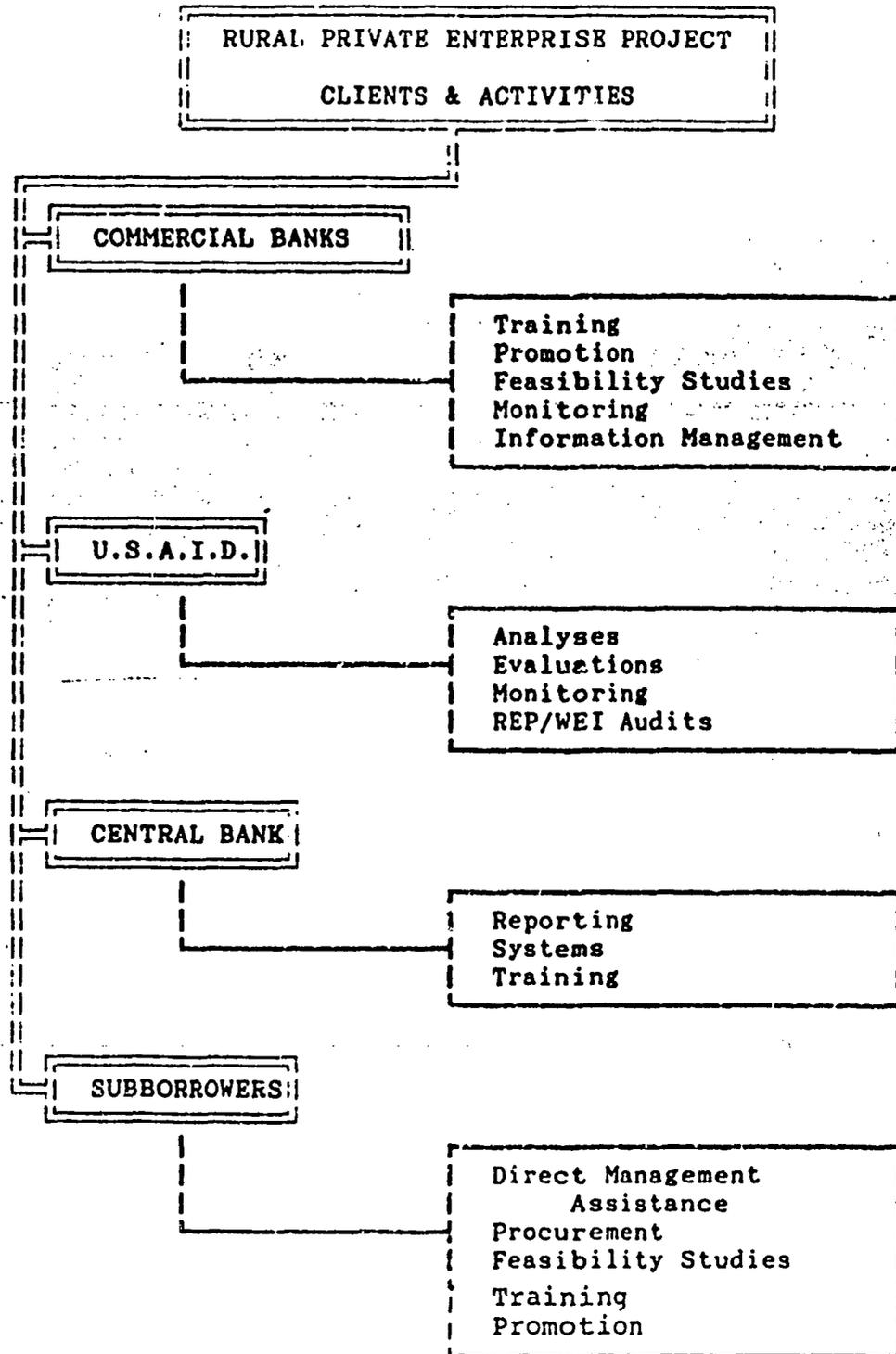
G Detailed Project Report

The rest of this report contains details on the projects which were visited during the monitoring exercise.

R P E P O R T F O L I O												
Status as of : 16 April, 1991										NOTE: FX Rate Applied		
(All figures in 000's)										1US\$ = KShs 22.59		
A P P R O V E D L O A N S												
(Amounts refer to the USAID/RPE portion of individual loans)												
PERIOD	KCB KShs	KCB US\$	#	BBK KShs	BBK US\$	#	SCB KShs	SCB US\$	#	TOTAL KShs	TOTAL US\$	#
At 01/88	8,515	377	0	2,669	119	0	11,300	500	0	22,495	996	0
At 10/88	15,407	682	10	46,187	2,045	13	13,534	599	4	75,128	3,326	27
At 11/88	50,536	2,237	21	48,587	2,151	13	13,534	599	4	112,657	4,987	38
At 12/88	85,292	3,776	25	50,284	2,226	14	16,867	747	3	152,443	6,748	42
At 01/89	76,076	3,368	23	69,917	3,095	14	16,867	747	3	162,860	7,209	40
At 06/89	76,066	3,367	32	46,897	2,076	8	16,946	750	3	139,909	6,193	43
At 08/89	104,627	4,609	40	58,281	2,560	11	16,920	749	3	183,828	8,138	54
At 10/89	114,853	5,084	40	76,947	3,406	12	18,398	814	3	210,198	9,305	55
At 1/90	115,356	5,107	40	94,023	4,162	13	18,424	816	3	227,803	10,084	56
At 3/90	102,790	4,550	44	97,990	4,338	13	18,424	816	3	219,204	9,704	60
At 5/90	124,889	5,529	53	99,890	4,422	15	48,424	2,144	4	273,203	12,094	72
At 6/90	118,823	5,260	53	99,757	4,416	16	48,424	2,144	4	267,004	11,820	73
At 7/90	117,492	5,201	51	143,557	6,355	18	48,424	2,144	4	309,473	13,700	73
At 10/90	125,477	5,555	55	160,857	7,121	19	58,424	2,586	5	344,758	15,262	79
At 1/91	234,864	10,397	66	163,857	7,254	20	58,424	2,586	5	457,145	20,237	91
At 2/91	230,399	10,199	64	163,857	7,254	20	58,424	2,586	5	452,680	20,039	89
At 3/91	199,881	8,848	64	164,523	7,283	20	87,242	3,862	8	451,646	19,993	92
At 3/91	229,244	10,148	69	197,990	8,764	29	121,905	5,396	15	549,139	24,309	113
Change in Number of loans Approved since last period:											231	

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RPE PORTFOLIO												
Status as of : 16 April, 1991											NOTE: FX Rate Applied	
(All figures in 000's)											1US\$ = KShs 22.59	
PENDING LOANS												
(Amounts refer to the USAID/RPE portion of individual loans)												
PERIOD	KCB KShs	KCB US\$	#	BBK KShs	BBK US\$	#	SCB KShs	SCB US\$	#	TOTAL KShs	TOTAL US\$	#
At 01/88	0	0	0	0	0	0	0	0	0	0	0	0
At 10/88	154,669	6,847	34	74,154	3,283	11	43,599	1,930	8	272,422	12,059	53
At 11/88	200,266	8,865	35	74,154	3,283	11	29,999	1,326	7	304,419	13,476	53
At 12/88	195,376	8,649	35	99,487	4,404	13	48,492	2,147	11	343,355	15,199	59
At 01/89	148,824	6,588	27	99,620	4,410	13	93,478	4,138	13	341,922	15,136	63
At 06/89	147,294	6,520	18	420	19	1	64,589	2,859	11	212,303	9,398	30
At 08/89	146,813	6,499	23	66,423	2,940	4	41,999	1,859	8	255,235	11,299	35
At 10/89	195,919	8,673	36	154,157	6,824	14	83,832	3,711	6	433,908	19,208	56
At 1/90	180,154	7,975	34	92,209	4,082	10	65,179	2,885	5	337,542	14,942	49
At 3/90	207,684	9,194	29	52,609	2,329	7	121,944	5,398	9	382,237	16,921	45
At 5/90	86,432	3,826	26	7,333	325	2	76,946	3,406	8	170,711	7,557	36
At 6/90	78,832	3,490	26	65,075	2,881	9	83,612	3,701	9	227,519	10,072	44
At 7/90	81,925	3,627	25	60,410	2,674	7	93,613	4,144	10	235,948	10,445	42
At 10/90	75,453	3,340	21	35,997	1,593	5	72,267	3,199	6	183,717	8,133	32
At 1/91	115,268	5,103	21	27,997	1,239	4	74,696	3,307	7	217,961	9,649	32
At 2/91	77,635	3,437	23	30,782	1,363	7	45,329	2,007	5	153,746	6,806	35
At 3/91	54,716	2,422	17	35,449	1,569	9	11,196	496	3	101,361	4,487	29
At 3/91	49,669	2,199	15	27,004	1,195	6	7,660	336	1	84,272	3,731	22
Change in number of loans Pending since last period:											-24%	



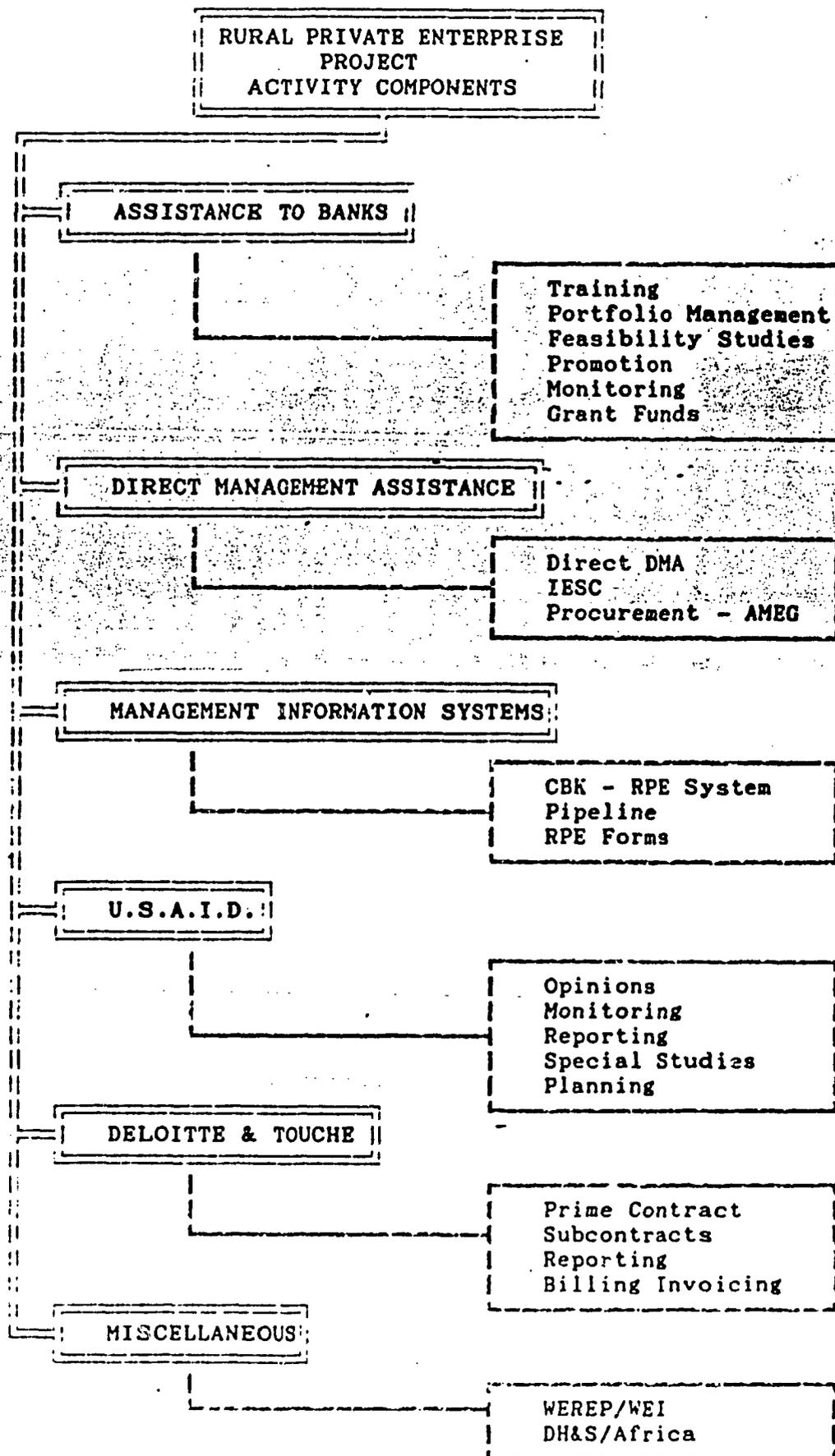
Code

==== = Clients

—— = Project Activities

J. Beckwith

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Code

==== = RPE Activity Component
 ---- = RPE Activity Subcomponent

RPE LOANS TO ENTERPRISES THAT CAN GENERATE FOREIGN EXCHANGE OR
PROVIDE IMPORT SUBSTITUTION

In this appendix we provide a breakdown of loans that have an export component or considerable import substitution. These loans fall into five broad categories as follow:

Category I:

Projects which are involved in traditional export - these include coffee and tea factories, sisal mills and coffee roasting facilities:

	RPE LOAN (000's)	ACTIVITY SECTOR	TYPE*
1.	145	Agribusiness	A
2.	350	Agribusiness	A
3.	300	Agribusiness	A
4.	7,500	Agribusiness	A
5.	540	Agribusiness	A
6.	500	Agribusiness	A
7.	300	Agribusiness	A
8.	2,000	Agribusiness	A
9.	625	Agribusiness	A
10.	120	Agribusiness	A
11.	30,000	Agribusiness	A
12.	7,200	Agribusiness	A
13.	695	Agribusiness	A
14.	800	Agribusiness	A
15.	15,000	Agribusiness	A
16.	500	Agribusiness	A
Sub-Total	<u>66,575</u>		

Category 2

Companies which will manufacture products which are currently imported e.g. ceramic tiles:

1.	45,000	Manufacturing	B
2.	18,000	Agribusiness	B
3.	26,490	Manufacturing	B
Sub Total	<u>89,490</u>		

Category 3

Companies manufacturing for export e.g. leather processing:

1.	15,000	Manufacturing	C
2.	33,000	Manufacturing	C
3.	28,375	Manufacturing	C
Sub Total	<u>76,375</u>		

Category 4

Horticulture:

1.	7,000	Agribusiness	F
2.	6,000	Agribusiness	F
3.	2,500	Agribusiness	F
4.	15,138	Agribusiness	F
5.	7,200	Agribusiness	F
6.	4,200	Agribusiness	F
7.	20,000	Agribusiness	F
Sub Total	<u>62,038</u>		

Category 5

Hotels which cater for the foreign tourist:

1.	5,500	Hotel - coast	H
2.	3,360	Hotel - upcountry	H
3.	800	Hotel - coast	H
4.	44,000	Hotel - coast	H
5.	4,000	Hotel - upcountry	H
6.	4,100	Hotel - coast	H
7.	35,000	Hotel - coast	H
8.	24,176	Hotel - coast	H
9.	4,150	Hotel - upcountry	H
10.	500	Hotel - upcountry	H
Sub Total	<u>125,536</u>		

TOTAL 423,944

Loans in these categories comprise 33.6% of the total number of loans. In terms of value, they take up 51.7% of the RPE portfolio, almost KSh 424 million.

Key

- A = Export - coffee, tea, sisal
- B = Import substitution
- C = Export - manufacturing
- F = Export - floriculture, flowers, french beans
- H = Hotel - tourism.