

RURAL PRIVATE ENTERPRISE PROJECT

4TH MONITORING REPORT

1.8.89

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RURAL PRIVATE ENTERPRISE PROJECT

Monitoring Report

for the period ending 1 August, 1989

Prepared and Submitted by the

RPE Management Team, under the  
direction of Mr. M. Thiribi

21 August, 1989

APPROVED LOAN SCHEDULE as of 1 August, 1953

PROJECT	BANK	RFB LOAN (000's)	ACTIVITY SECTOR	ELIGIBILITY	GENERATED EMPLOYMENT	# OF WOMEN	CEE CATEGORY
Agropfarm	ECB	350	Agribusiness	A + B	9	2	M
AIC Kijabe Printing Press	ECB	3,000	Service-Printing	B + C	40	25	M
Athi River Mining	ECPC	26,490	Manufacturing	B + C	2	2	M
Bedi Investments	BBK	33,000	Manufacturing	B	275	90	M
Benjoh Amalgamated	ECB	9,000	Agribusiness	B + C	50	2	M
Bruce Madeta	ECB	165	Agribusiness	A + C	2	0	Y
C Dorman	BBK	7,200	Agribusiness	B + C	8	2	M
Cottona Ltd.	BBK	4,000	Manufacturing	B	101	2	M
Don Reid Services	ECB	630	Service	C	5	1	M
B. Ngondi	ECB	695	Agribusiness	A + C	23	15	Y
E.B. Udoto	ECB	163	Agribusiness	A + C	2	0	M
E.C. Njungi	ECB	500	Agribusiness	A + C	10	2	M
P.M. Lutunia	ECB	96	Agribusiness	A + C	2	"	M
G.T. Gichoru	BBK	2,546	Service-Hotel	A	44	2	M
IGI Marble	BBK	5,250	Manufacturing	C	39	2	M
Johasa Industries	BBK	1,200	Manufacturing	A + C	30	2	M
J. Mbiriri	ECB	540	Agribusiness	A + C	8	2	M
J.K. Kamau	ECB	1,600	Service-Transport	A + C	20	0	Y
J.E. Mucheru	ECB	700	Service	A + C	10	1	M
J.M. Mjoroge	ECB	730	Agribusiness	C	3	2	M
Kadir's Bakery	ECB	477	Agribusiness	C	2	2	M
Kakamega Food Industries	ECB	3,000	Agribusiness	C	30	2	M
Kega Industries	ECB	2,325	Manufacturing	C	15	15	M
Kenya Vineyard	ECB	4,200	Agribusiness	B + C	30	2	M
Kibwari	ECB	4,000	Agribusiness	B + C	2	2	M
Kiganjo Millers	ECFC	14,760	Agribusiness	C	2	2	Y
Kilifi Bakery	BBK	2,000	Agribusiness	C	10	2	M
Kwale Cashew Nuts	ECB	23,000	Agribusiness	A + B + C	331	2	M
Levella Limited	ECB	4,080	Agribusiness	C	40	15	N
Magore Ligaro	ECB	160	Agribusiness	A + C	2	0	Y
Malindi General Engineering	ECF	6,000	Manufacturing	B + C	60	10	Y
Ngaranda Gachuhi	BBK	250	Agribusiness	A + C	12	0	Y
Ngoneni Safaris	ECB	500	Service	B	2	2	M
Ngorongo Tea Factory	ECB	7,500	Agribusiness	B + C	30	0	M
Ngubia Wanyuta	ECB	300	Agribusiness	A + B + C	12	5	Y
Njeru Mwea	ECB	500	Agribusiness	A + C	14	2	M
Nyati Plough Contractors	ECB	1,400	Agribusiness	C	2	2	M
N. Ndigwa	ECB	120	Agribusiness	A + C	2	0	Y
P.G. Ndigwa	ECB	92	Service-Hotel	A	6	2	M
Raymond Woolen Mills	BBK	28,375	Manufacturing	B + C	70	0	M
Saaba Baraka Bakery	ECB	1,250	Agribusiness	C	7	0	N
Sambu & Son	BBK	3,200	Service-Hotel	B + C	46	6	Y
Sasuna Saw Mills	SCB	1,380	Agribusiness	C	25	0	Y
Someni Industries	BBK	400	Manufacturing	C	2	2	M
Sun & Sand	ECPC	4,100	Service-Hotel	B	2	2	M
Sunway Bakery	ECB	1,600	Agribusiness	A + C	41	2	M
Thika General Workshop	ECB	4,000	Manufacturing	C	2	0	M
Thika Rubber	ECPC	5,828	Manufacturing	B	2	2	M
Ufuta	SCB	18,000	Agribusiness	C	47	15	Y
United Millers	ECB	36,000	Agribusiness	C	89	9	N
Vesta Fishmeal	ECB	906	Agribusiness	A + C	10	0	N
Vision Dry Cleaners	ECB	815	Service	A	16	2	Y
Webuye Sisal Mills	ECB	2,000	Agribusiness	C + A	45	15	M
W.W. Nuthangani	ECB	625	Agribusiness	A + C	7	2	M
<b>TOTALS</b>		<b>277,568</b>			<b>1,685</b>	<b>226</b>	

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## Approved Loan Schedule - Notes

1. Abbreviations:
  - BBK = Barclays Bank
  - SCB = Standard Chartered Bank
  - KCB = Kenya Commercial Bank
  - KCFC = Kenya Commercial Finance Company
  
2. RPE Loan = total loan amount, USAID and commercial bank contribution.
  
3. Eligibility Codes:
  - A = Job Creation
  - B = Foreign Exchange
  - C = Market Development/Agribusiness
  
4. The symbol '\*' indicates that estimates were not available.

## EXECUTIVE SUMMARY

### A. Portfolio Profile:

Total # of Approved Loans: 54 (net of reversals)

Total Shilling Value 277,568,000

(approximately <sup>34</sup>~~25~~% of total loan facility of USD 36.0 Million; KSh 18 = USD 1)

#### Total # & Amount of Loans by range

Range	#	# as % of Total	Amount (Ksh 000's)	Amount as % of Total
< 350,000	10	19%	1,996	1%
350,000 - 750,000	10	19%	5,567	2%
750,000 - 1 Million	2	4%	1,721	1%
1 - 5 Million	19	35%	50,881	18%
5 - 10 Million	6	11%	40,778	15%
10 - 18 Million	2	4%	32,760	12%
18 - 24 Million	1	1%	20,000	7%
> 24 Million	4	7%	123,865	44%

Smallest loan: KSh. 92,000

Largest loan: KSh. 36,000,000

Total # of Jobs Created 1,685 (casual labour excluded) or 34% of the RPE project target of 5,000 jobs.

of which # designated for women 226 or 13.4%

#### Loans by Activity Sector

Activity Sector	# Loans	As % Total	Amount (000's)	As % Total	Jobs	As % Total
Agribusiness	33	61%	143,947	52%	904	54%
Manufacturing	11	20%	116,868	42%	590	35%
Service	10	19%	16,753	6%	191	11%
TOTALS	54	100%	277,568	100%	1,685	100%

Breakdown by Eligibility Criteria:

Criteria	# Loans	% increase since previous report
Job Creation	23	21%
Forex	18	50%
Market Devel./		
Agribusiness	44	26%

(Note: loans can qualify on the basis of more than one criterion)

The Shilling value of the approved loan portfolio represents 43% of the USD 36.0 Million available, while the number of loans amounts to only 20% of the estimated 275 projects to be financed under the RPE program. This suggests that to date the loans advanced are larger in amount than were anticipated.

B. Verification of Sub-loan Activity:

We have verified that the sub-borrower activity as reported by the banks has taken place and funds disbursed to date have been used for the intended purpose except in the following cases:

1. Vesta Fishmeal Ltd.: During the DH&S visit, three of the four engines paid for with RPE funds were not available for inspection on the site. The Branch Manager agreed the bank would follow-up to verify that the subborrower was in possession of the machinery, for which the bank has disbursed funds directly to the supplier.

Since the 3/89 Monitoring Report the transactions involving New Era Enterprise and Balozzi Industries have been reversed.

C. Eligibility Criteria:

The Western Printers and Stationers advance has been reversed.

All projects reviewed during the 7/89 monitoring exercise meet the RPE criteria.

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D. Incentive Payments:

CBK requests to USAID for processing of incentive payments have been made for qualifying projects.

Requests should be submitted for the following loans:

J.K. Mucheru	KSh. 30,000
Ena Meid Services	35,000
E.B. Udoto	13,600
F.M. Lutomia	9,600
Vesta Fishmeal	35,000
J. Mbiriai	35,000
W.W. Muthangani	35,000
N. Ndwiga	12,000
Vision Drycleaners	35,000
Ngubia Wanyutu	30,000
Agripfarm	35,000
Someni Industries	35,000
Kadir's Bakery	35,000
Njeru Mwea	35,000
Ngomeni Safaris	35,000
J.M. Njoroge	35,000
Jokasa Industries	35,000
Saaba Bakery	35,000
Sasuma Saw Mills	35,000
Nyati Plough Contractors	<u>35,000</u>
<b>Total</b>	<b>620,200</b>

E. Bank Disbursements & CBK Drawdowns:

In an effort to close the gap between branch disbursements and CBK reimbursement transfers to the commercial banks, a great deal of time was spent instructing branch representatives to the July Workshops on the procedures to be followed pertaining to filing claims for reimbursement.

At present, judging the rate of project implementation by the amount of CBK dollar drawdown understates the actual volume of RPE loan disbursement activity. We anticipate an increase in the volume of transfers as additional follow-up with Head Office officers is carried out.

Reimbursement claims should be processed for the following loans:

<u>Project</u>	<u>Amount (KSh 000's)</u>
Benjoh Amalgamated Ltd.	4,800
Sunway Bakeries Ltd.	1,067
J.M. Njoroge	487
Noah Ndwiga Titus	80
Njeru Mwea	333
Kenya Vineyards	2,800
Thika General Workshop	2,667
Agripfarm	350
Vesta Fishmeal Ltd.	604
United Millers	24,000
Kakamega Food Industries	2,000
W.W. Muthangani	417
Nyati Plough Contractors	933
C. Dorman	4,800
Godfrey Gichoru	<u>1,240</u>
Total	46,578

F. Commodity Procurement - Source & Origin:

The following new projects have started implementation. To the last detailed summary update of local and offshore commodity procurement the following details should be added:

<u>Project &amp; Commodities</u>	<u>KSh Value</u> (000's)	<u>Source</u>	<u>Origin</u>
Benjoh Amalgamated			
refrigerated lorry	1,100	Kenya	Japan(CDK)
pick up	300	Kenya	Japan(CDK)
tractor	678	Kenya	US (Deere)
generators	600	Kenya	UK
pumps & irrigation equipment	876	Kenya	Kenya

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F. Commodity Procurement - Continued

J.M. Njoroge lorry	980	Kenya	Japan (CDK)
Njeru Mwea pulping machine	195	Kenya	Kenya
water pump	44	Kenya	UK
transformer	70	Kenya	UK
E.C. Njagi coffee pulping plant	300	Kenya	Kenya
pick up	150	Kenya	Japan (CDK)
Jokasa Industries switch control	165	Kenya	Kenya
motor	65	Kenya	Brazil
starter	21	Kenya	UK
block-making machinery	140	Kenya	Kenya

The volume of activity involving U.S. sourcing has increased. At the present time, in coordination with AMEG, the following sub-borrowers are being assisted by the DH&S management team:

Name	Type of Equipment
Athi River Mining	Mineral processing machinery
Autofine Seals & Filters	Truck filter plant
East African Equipment	Matchbook production machinery
Kega Fashions	Sewing machines
Isanga Saw Mills	Saw mill
Saj Enterprises Ltd.	Ceramic wall/floor-making plant
Slapper Shoe Industries Ltd.	Shoe production machinery
Someni Industries Ltd.	Chalk making machinery
Taifa Overseas Agencies Ltd.	Sewing machines

G. Direct Management Assistance:

Technical assistance subsequent to project implementation has been or will be provided through IESC for the following:

Project	TA	Status
Bedi Investments	Production Export Mktg.	Contracts signed; recruitment in process for 3 consultants.
Kega Fashions	Production	Sub-borrower request agreed to in principle; awaiting completion of new site.
Sambu & Sons	Hotel Mgt.	5 consultant months completed.
Godfrey Gichoru	Hotel Mgt.	1 consultant month completed.

Approximately 15 person days of short-term technical assistance in accounting systems and control has been provided through the DH&S/Africa subcontract for the following:

Vision Dry Cleaners	Accounting systems/controls
Bedi Investments	Accounting systems/controls
Kega Fashions	Accounting systems/job order control

In addition at the request of the Head Office Small Business Unit, special assistance was provided to BBK to investigate the status of the Sambu & Sons loan in Kericho. Working with the IESC expert, DH&S consultants gathered data on expenditures and prepared revised cost projections and financials to assist BBK in analyzing the request for additional funds.

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H. Feasibility Studies:

Assistance to date in the preparation of studies is as follows:

<u>Project</u>	<u>Status</u>
Bedi Investments	Completed
Taifa Overseas Ltd.	Completed
Limuru Building Blocks	Completed
Nyange Saw Mills	Completed
Union Textiles	Completed
East Africa Ltd.	In progress
Nakuru Maize Millers	With client
Railway Sleepers	With client
Kihanya Maize Miller (Thika)	With client
Kisii Maize Millers	With bank
Autofine Seals & Filters	With client
J. Njogu Chicken Project	With bank
Kiganjo Wheat Millers	Completed
Someni Industries	Completed
Alpa Nguvu Ltd.	Completed
Kakamega Food Industries	Completed

## DETAILED PROJECTS REPORT

1. Noar Ndwiga
2. Ephrim Cornelius Njagi
3. Njeru Mwea
4. Bedi Investments
5. Turbo Hotel
6. W. Wambugu Muthangani
7. Sasuma Saw Mills
8. Cottona Kenya Ltd.
9. Nyati Plough Contractors
10. Jokasa Industries
11. Kibwari Limited
12. C. Dorman
13. Sunways Bakery Ltd.
14. Agripfarm Ltd.
15. Levilla Ltd.
16. Webuye Sisal Mills Ltd.
17. Benjon Amalgamated Ltd.
18. Vesta Fishmeal Ltd.
20. Julius Mwangi Njoroge
21. United Millers
22. Saaba Baraka Bakery Ltd.
23. Thika General Workshop

PROJECT: Noar Ndwiga  
LOCATION: Runyenjes  
SUB-BORROWER: Noar Ndwiga  
BANK AND BRANCH: KCB - Embu DATE: 31/7/89  
BRANCH MANAGER: F N Wanyoike VISIT: 2

PROJECT REVIEW:

Activity Sector: Agri-business

The project is now fully implemented. The huller plant is operating satisfactorily. Due to the small expansion financed under the RPE, the sponsor has now won a tender to supply sifted maize meal to Government institutions in Embu for the year 1989/90. These institutions are:

Embu Provincial Hospital  
Embu Nursing Home  
Embu Institute of Agriculture  
Embu Institute of Administration  
Farmers Training Centre

COMMENTS, ISSUES AND ACTION POINTS:

This project is operating well and needs no further monitoring.

PROJECT: Ephrim Cornelius Njagi  
LOCATION: Kirigi - Embu  
SUB-BORROWER: Ephrim Cornelius Njagi  
BANK AND BRANCH: KCB - Embu DATE: 31/7/89  
BRANCH MANAGER: F N Wanyoike VISIT: 1

PROJECT DESCRIPTION:

Activity Sector: Agri-business

The project is a two-disk coffee processing plant. The owner undertook the venture because of disappointment with the returns received when selling unprocessed coffee through the co-operatives. Twenty acres are currently being cultivated but this acreage is too small to support the coffee plant. The owner is therefore negotiating to buy a 50 acre piece of land on which he can plant more coffee in order to maximize profits on coffee processing.

PROJECT COST AND FINANCING PLAN:

The project cost is Shs 1.62 million including the value of land.

	<u>Cost Shs '000</u>		<u>Financing Shs '000</u>
Land	670	USAID	333
Building/Machinery	700	Bank RPE	167
Pickup	150	Owner	1020
Working Capital	150	Bank O/D	100
	----		----
	1620		1620
	====		====

The loan has a duration of 6 years and a grace period of 6 months. The loan is secured by the land and the factory. The sponsor is awaiting Land Board approval to charge the land so that disbursement by the bank can begin.

SUB-BORROWER PROFILE:

Mr E C Njagi is a sales representative for East African Industries Ltd. He is planning to retire soon and will be managing the coffee project on a day-to-day basis.

An established coffee farmer, Mr Njagi has been encouraged to set up the project by friends who are already processing their own coffee. Currently he has taken a long leave in order to oversee the project implementation.

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SITE VISIT:

No money has been disbursed. However the sponsor has started project implementation using his own contribution. The site works and factory building are halfway completed. No machinery or equipment has been procured yet.

ELIGIBILITY CRITERIA:

The project qualifies for RPE funding on the basis of two criteria being an agribusiness and job creation. The project will employ 10 people on permanent basis in addition to casuals during the peak period. The RPE loan of 500,000 translates into one job created per KSh 50,000 investment.

COMMENTS, ISSUES AND ACTION POINTS:

The land under coffee cultivation is too small for this project to be financially viable. Either the owner should arrange to increase the cultivated acreage immediately or enter into a joint venture with another large scale coffee farmer.

PROJECT: Njeru Mwea  
LOCATION: Githimu - Embu  
SUB-BORROWER: Njeru Mwea  
BANK AND BRANCH: KCB - Embu DATE: 31/7/89  
BRANCH MANAGER: F N Wanyoike VISIT: 1

PROJECT DESCRIPTION:

Activity Sector: Agri-business

This is a 3-disc coffee processing plant. The owner has 55 acres under mature coffee and 22 acres under young coffee. A three disc plant has processing capacity 3000 kgs of cherry per hour or 24 tonnes per day (8 hour shift). The coffee processing season runs from April to August which gives the plant a five month processing period or about 100 processing days or 2400 tonnes.

77 acres can produce an average of 600 tonnes. The plant has therefore capacity to take up to 4 times the coffee that will be produced on Mr Mwea's farms.

PROJECT COST AND FINANCING PLAN:

The project cost was estimated at Shs 908,000 of which the RPE loan constitutes KShs 500,000 as summarised below:

	<u>Cost Shs '000</u>		<u>Financing Shs '000</u>
Site Development/ Building	265	USAID	333
Machinery/Equip.	323	Bank RPE	167
Water tank	36	Owner	208
Store	84	Bank O/D	200
Working Capital	200		---
	---		908
	908		===
	===		

The original cost projection (above) was underestimated. Actual cost now stands at 1,061,000:

	<u>KShs '000</u>	<u>Original</u>	<u>Overruns</u>
Water tank	57	36	21
Site works	162		
Cherry hoper tank	20 )		
Pulping House	36 )		
Fermentation tank	15 )	265	30
Washing channel	12 )		
Soak tank	11 )		
Table tray	39	133	
Machinery and pipes	463	323	140
Coffee store	84	84	-
Fencing and drying tables	162	-	162
Working capital	-	200	(200)
	----	---	---
Total	1061	908	153
	====	===	===

The project has therefore incurred cost overruns of Shs 353,000. Of this amount the sponsor has contributed an additional Shs 153,000 and the overdraft facility of Shs 200,000 has been fully spent. The sponsor will therefore be applying for an additional overdraft facility and conversion of the previous overdraft into a term loan under RPE.

#### SUB-BORROWER PROFILE:

Njeru Mwea is both a well established farmer and a shop keeper. Until establishing the coffee factory he had been selling his coffee through the co-operative societies. Given his limited experience in coffee processing he has recruited an experienced factory supervisor, Joseph Nyaga, who has more than 20 years experience in coffee processing.

#### SITE VISIT:

The project is fully implemented. Processing of coffee started on 10th June, 1989. However a processing license has not been received from the Coffee Board and therefore delivery of parchment beans to KPCU has not started yet. Since processing started the factory has been receiving between 6 and 10,000 kgs of cherry per day and so far had received 113,127 kgs up to end of July. This should yield about 14 tonnes of parchment coffee which could earn up to Shs 400,000.

ELIGIBILITY CRITERIA:

The project is agri-business. In addition it will employ 14 people at a cost of Shs 75,800 per job created as compared with a cut off of Shs 105,000.

COMMENTS, ISSUES AND ACTION POINTS:

The sponsors have not been licensed to process coffee and this may finally become very expensive if they have to continue stocking processed coffee.

PROJECT: Bedi Investments Ltd  
LOCATION: Nakuru Town  
SUB-BORROWER: S K Bedi  
BANK AND BRANCH: BBK - Queensway DATE: 26/7/89  
BRANCH MANAGER: A J K Ruturi/G L Thomas VISIT: 2

PROJECT REVIEW:

The following pieces of machinery have been ordered and are expected to arrive in the country any time now.

Carding machines)	DM 226,293
Ring frames )	
Conewider )	DM 799,478
Twister machines)	
Weaving machines	SF 744,132
Spare parts	SF 187,471

The C&F shilling equivalent of the above is Shs 15 million. The company is now applying for to import spindles with a C&F value of about Shs 3 million.

Import duty and clearing for all the machinery may be equal to about 25% of the above cost or about Shs 4.5 million. The banks matching funds will be able to meet those costs. There are sufficient funds for importing all the additional machinery and therefore no cost overruns are expected.

The machinery is expected to be fully operational by year end. These machines will increase the spinning capacity by 80% wearing capacity by 60% and garments manufacturing by 200%.

COMMENTS, ISSUES AND ACTION POINTS:

Check whether the LC's for the machinery already ordered have been processed properly.

Process the third FEAL application without delay.

IESC Direct Management Assistance in production and export marketing expected soon.

The borrower has requested DH&S to provide more assistance on costing, budgeting and forecasting, in addition to the assistance on accounting systems, already completed.

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PROJECT: Turbo Hotel  
LOCATION: Turbo - Eldoret  
SUB-BORROWER: Godfrey Githuru Gichuru  
BANK AND BRANCH: BBK - Eldoret DATE: 27/7/89  
BRANCH MANAGER: R D Makwana VISIT: 2

PROJECT REVIEW:

We visited this project accompanied by the Manager of the Eldoret branch. Unfortunately the owner was not available to answer our questions. We were taken round the development by his son.

The following buildings were at various stages of completion.

1. The bar, restaurant, kitchen and the administration block are about 90% completed. Money will be required to cover the remaining 10% in addition to furniture and fittings.
2. Two units of guest rooms. Unit one, with 14 rooms is about 90% completed and will also require furniture and fittings. Unit two is about 80% completed.
3. A separate bar, kitchen, bakery and butchery are completed but also require finishing touches.
4. The open air dining facilities are completed.

To complete the construction and install furniture and fitting may require up to Shs 1.0 million. So far of the original loan of Shs 1.86 million, Shs 1.61 million has been disbursed. The undisbursed balance will not be sufficient to complete the project. The owner was not available to tell us if he will be able to finance the overruns. In addition, the repayment of the loan is due to start on 31/7/89.

COMMENTS, ISSUES AND ACTION POINTS:

According to the Branch Manager the amount of the loan is 1,860,000. The revised RPE Form-1 records the loan as Shs 2,546,000. If the latter amount is correct then the Shs 936,000 as yet undisbursed would finance most of the outstanding cost. If the first amount is correct and the sponsor is not able to raise additional money than Barclays may be called upon to provide an additional loan. DH&S should clarify the correct loan amount.

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IESC has provided direct management assistance to this project but the sponsor was not available to comment on its effectiveness. He should be asked to prepare a written evaluation of this assistance.

PROJECT: W Wambugu Muthangani  
LOCATION: Wambugu Farm, Nyeri  
SUB-BORROWER: W W Muthangani  
BANK AND BRANCH: KCB - Nyeri DATE: 25/7/89  
BRANCH MANAGER: Mr C Ihura, Advances VISIT: 2

PROJECT DESCRIPTION:

Activity Sector: Agri-business  
Project Activity: Construction of a coffee factory for coffee processing.

SUB-BORROWER PROFILE:

Refer to 31/1/89 Monitoring Report.

We expressed concern to the Bank officer that the sub-borrower, aged 70, has not hired a manager for the operation and has no family in-country to assume management responsibility should that prove necessary.

PROJECT COST AND FINANCING PLAN:

No change from previous report. The total RPE loan amounts to KSh 625,000 broken down as follows:

KCB	208,334
USAID	416,666

The owner's contribution amounts to KShs 625,000.

Loan terms: 8 years including a 12 month grace period.

PROCUREMENT:

The necessary machinery was made in Kenya and purchased in Nairobi.

ELIGIBILITY CRITERIA:

Refer to 31/1/89 Monitoring Report.

SITE VISIT:

Construction of the factory was contracted out to Mughal Engineering. Although the main building, related bins and runoff canals have been completed, the factory has not become operational due to KPLC's delay in installing electricity. The contractor will return to test equipment once electricity is available.

A pump house has been constructed at a nearby river to supply the necessary water.

The sub-borrower has delayed picking the crop but hopes not to sustain a loss. Nor will he bring an additional five acres under cultivation as planned until the factory is completed.

COMMENTS, ISSUES AND ACTION ITEMS:

- . Branch records differ from the RPE-1 form with respect to the loan terms. KCB Head Office should be advised to verify and insure that the Promissory Note and CBK records reflect the terms of the facility.
- . Funds have been completely disbursed but no reimbursement request processed. The Advances Officer received assistance in completing RPE Form-2. Head Office should be advised to follow up.
- . The Branch should request its incentive payment.
- . The sub-borrower has not been advised that the applied interest rate is now 16%.

PROJECT: Sasuma Saw Mills  
LOCATION: Njabini, South Kinangop  
SUB-BORROWER: Mr David Kirubi  
BANK AND BRANCH: SCB - Molo DATE: 21/6/89  
BRANCH MANAGER: Mr P Khisa VISIT: 3

PROJECT DESCRIPTION:

Activity Sector: Agri-business

Project Activity: In addition to expanding a smaller mill (located on a nearby site which is nearly sold off), the sub-borrower has purchased machinery and installed a power-driven sawmill on a small plot of land.

At present rough timber is hauled to the site from the nearby forest, cut into timber for sale from the mill site direct to customers. Future plans include expansion and purchase of a planer so that the product line can be extended (finished wood doors, etc).

SUB-BORROWER PROFILE:

(Refer to previous monitoring reports)

PROJECT COST AND FINANCING PLAN:

SCB records have now been adjusted to reflect the additional cost incurred due to offshore procurement. As the entire RPE loan had been disbursed it was necessary to pass the outstanding balance on to the sub-borrower. The RPE loan now amounts to KSh 1,381,703 with the financing plan broken out as follows:

<u>Cost (000's)</u>		<u>Financing (000's)</u>	
Machinery/Equipment	1,219	Bank-RPE	434
Installation expense	61	USAID	946
Working Capital	100		
	-----		-----
Total	1,380		1,380
	-----		-----

Installation expenses included electrical capacity (KSh 32,800) and machinery installation (KSh 28,500).

A portion of the Working Capital (KSh 35,860) was used to purchase machinery spares.

Repayment is scheduled to begin in September, 1989. The terms included an 18-month grace period.

PROCUREMENT:

In addition to the power saw mill equipment, purchased in Finland, the following items were purchased through the RPE loan facility:

Generator (US, purchased in Kenya)	385,500
Motor (UK, purchased in Kenya)	46,200
Transmission (Kenyan)	15,000

ELIGIBILITY CRITERIA:

The project investment qualifies for RPE funding under both the agri-business and job creation criteria. 32 full-time male employees are engaged as a result of the expansion.

All employees are new hires; once all the staff are trained the owner may expand operations and introduce shifts.

DEVELOPMENT IMPACT:

- . In addition to creating the jobs, the owner is planning to build homes for all employees and families on an adjoining plot of land.
- . The owner participates in a Ministry reforestation program. The volume of logging activity is carefully monitored. All by-products are used -- either sold as lower-grade timber, chips, or, as in the case of the saw dust, given at no cost to neighbouring farmers.
- . The owner has sent selected employees for training in saw doctoring to an institute in Nakuru. His staff are servicing neighbouring mills (5 are in the vicinity).

SITE VISIT:

The sub-borrower has excellent managerial skills and is carefully monitoring performance. Accounts are audited regularly by a Nairobi accountant.

The owner will be able to realize great cost savings as a result of the extension of electricity into the region (a government project is underway) and expects to expand his business. At present he cannot meet demand, coming from schools, institutions, government as well as timber retailers.

Sales volume in May was 90 tons. The monthly gross is averaging KSh 180,000.

COMMENTS, ISSUES AND ACTION ITEMS:

No further follow-up is required.

It should be noted that the success of this project has prompted another businessman to seek an RPE loan. The investment includes importation of the same Finish machinery. The facility is being processed through BBK, Naivasha.

PROJECT: Cottona Kenya Ltd  
LOCATION: Mombasa  
SUB-BORROWER: Mr Jitin D Shah  
BANK AND BRANCH: BBK - Nkurumah Road DATE: 27/7/89  
BRANCH MANAGER: Mr P R Modi VISIT: 1

PROJECT DESCRIPTION:

Activity Sector: Manufacturing

An RPE loan facility of KShs 4.0 million has been approved and extended to Cottona Kenya Ltd based upon the original project proposal to manufacture garments (shirts, T-shirts, gloves, etc) for export under export bonding terms.

Cottona Kenya Ltd, a newly formed company, will be managed by one of the sons of the present owner of Egatex. Cottona management will be responsible to a separate Board of Directors. Egatex, a family concern, is one of the largest producer of garments in Kenya for the low to medium-price market. It produces netted fabrics of which 60% is converted into garments. At present, Egatex employs 600 people.

Conditionality for drawdown of the RPE loan included the sale of a portion of the existing Egatex factory, which sale became effective 1/89. During the period between loan approval and sale however, the project focus has shifted and the proposal to establish a plant to produce cotton (backed by IDB, DFCK and EADB) has been dropped. According to the sub-borrower, the difficulty of dealing in numerous currencies and possible restrictions to buy in certain geographic locations led to this decision.

At present the project proposal can be outlined as follows:

- . Cottona Kenya Ltd will manufacture in bond, with the product line initially concentrating on disposable industrial workgloves, made of glimsy cotton. The target market is the USA. Cottona will either source material input on its own or manufacture CMT (i.e cut/manufacture/tailor) with the buyer responsible for supplying input.
- . Rather than invest in construction of new premises, as originally planned, Cottona will lease from among currently available commercial sites. This will also allow the new company to transfer to an EPZ zone site, if and when such an area is developed.

- . Owner's Equity will consist of a complete shirt plant. RPE funds will be needed to purchase additional required sewing/cutting machinery with highly specialised specifications.

ELIGIBILITY CRITERIA:

The project should qualify under two criteria: job creation and export activity. It is projected that employment will be made available for 120 people.

DEVELOPMENT IMPACT:

The investment is in keeping with present GOK development plans since the sub-borrower intends to participate in EPZ activities once initiated.

COMMENTS, ISSUES AND ACTION ITEMS:

- . The sub-borrower was advised to inform the BBK Branch Manager of changes in the present focus of the investment proposal. Clearly the bank may want to reopen its assessment and the size and terms of the loan facility may require adjustment.
- . The procedures for carrying out offshore procurement under RPE were explained. DH&S assistance will be forthcoming to source US.
- . BBK Head Office (Small Business Unit) will be advised of the status and the need to monitor the allocation for Working Capital within the loan package.

PROJECT: Nyati Plough Contractors Ltd  
LOCATION: Nakuru - Narok  
SUB-BORROWER: Essau Tessot/Francis K Keitany  
BANK AND BRANCH: KCB - Nakuru DATE: 26/7/89  
BRANCH MANAGER: Mr J K Kibor VISIT: 1

PROJECT DESCRIPTION:

Nyati Plough Contractors was formed with the objective of subcontracting tractor services to large scale farmers in Narok and Nakuru districts.

Under the RPE project it acquired three tractors with trailers and harrows. These tractors are already doing work for both Kenya Breweries and the Agricultural Development Corporation.

PROJECT COST AND FINANCING:

The project was estimated to cost Shs 2.11 million and of which the owners are contributing Shs 710,000. The three main cost items are:

	<u>Shs '000</u>
Three tractors	1,400
Implements and pick-up	610
Working Capital	100
	-----
	2,110

PROCUREMENT:

The following implements have been purchased:

Cultivator - local	30
Pick-up - local	200
Harrow - local	80
Ploughs - local (Brazil)	100
Planter - local (Brazil)	100
Sprayer - local (Brazil)	40
Trailer - local	60
	----
	610

Quotations were received from Ndume, Lima, KGGCU, Massey Ferguson.

SUB BORROWERS PROFILE:

The two shareholders, Mr Francis Keitany and Mr Essau Tessot each own 50% of the business.

Mr Keitany is a District Commissioner and is not involved with the day to day management. Mr Tessot has resigned in order to oversee daily operations of Nyati. Mr Tessot worked for KGGCU as an agriculture machinery manager.

ELIGIBILITY CRITERIA:

The project is an agri-business and it is employing 8 people at a cost of 263,000 per job.

COMMENTS, ISSUES AND ACTION ITEMS:

Deloitte Haskins & Sells has not seen the tractors as they were in Narok at the time of our visit.

PROJECT: Jokasa Industries  
LOCATION: Limuru Town  
SUB-BORROWER: Samson Kamau Kariuki  
BANK AND BRANCH: BBK - Limuru DATE: 24/7/89  
BRANCH MANAGER: Mr Ogana VISIT: 1

PROJECT DESCRIPTION:

The company was set up to manufacture building blocks from local building sand and cement.

PROJECT COST AND FINANCING PLAN:

The project cost is Shs 2.165 million broken down as below.

	<u>Shs '000</u>
Land	300
Site Development	850
Building modifcaiton	250
Machinery and Equipment	350
Electricals	165
Working Capital	200
Contingency	50
	----
	2165

The sponsor's contribution is land and the site development which are valued at Shs 1.15 million. The bank will give a loan of Shs 1.0 million which includes a working capital overdraft facility of Shs 200,000.

PROCUREMENT:

The equipment to be procured includes:

	<u>Shs '000</u>
Switch Board control equipment	165
Motor	65
Starter	22
Block making machine	140
	---
	392

All the equipment will be bought off the shelf and is of local origin except the motor and starter which are of Brazilian and British origin.

SUB BORROWER PROFILE:

The sub-borrower was formerly a foreman for a block making activity of Kiambu County Council. Currently he is a businessman and sells firewood mainly to the tea industries in Limuru area including Brooke Bond. He is also a small-scale farmer and owns 16 acres of land. He has little education.

ECONOMIC IMPACT:

The project will provide prepared building material to an area that relies on supplies from Nairobi and Naivasha. Proximity to the consumers will hopefully reduce the cost of building blocks. In addition the company will employ 30 people on permanent basis.

COMMENTS, ISSUES AND ACTION ITEMS:

The sponsor has undertaken construction of an enormous factory building measuring 100 x 200 feet. The money available was not sufficient to complete the building.

Although the money approved under RPE is for starting a block making project, we received the impression that sponsor prefers to complete the whole building. The money available is insufficient for that purpose.

Our opinion, which is shared by the branch manager, is that the power installation and equipment purchase be finalised and only minor modifications be made on the building so as to enable the block making activity to start.

Unless this sponsor is properly guided all money can be spent on a prestigious building which would generate no revenue.

PROJECT: Kibwari Limited  
LOCATION: Nandi Hills  
SUB-BORROWER: Kibwari Limited  
BANK AND BRANCH: KCB - Moi Avenue , DATE: 27/7/89  
BRANCH MANAGER: Mr S M Kariuki VISIT: 1

PROJECT DESCRIPTION:

This project is a tea estate which has a tea processing factory. The estate comprises 895.4 hectares out of which 252.5 hectares are covered with tea bush. Both the tea plantation and the factory have been grossly mismanaged and neglected. The yield per ha has been 1204 kgs of green leaves compared with a yield of above 2500 kgs for the other estates in Nandi Hills.

The owners recognize the problem and have negotiated a management contract with Eastern Produce Ltd (EPL) a company that manages a number of other estates in the area and in other parts of Kenya.

The owners have also negotiated a Shs 4.0 million loan from the KCB to rehabilitate the estate and the factory and a working capital advance of Shs 3.5 million.

PROJECT COST AND FINANCING PLAN:

The total cost of the project is Shs 23.3 million. However the owners estimated the expansion/rehabilitation cost at Shs 7.5 million including a working capital of Shs 3.5 million. All the cost was to be financed from a bank loan of Shs 4.0 million and an overdraft of Shs 3.5 million.

However the proposed managers are re-evaluating the needs and are forcing a re-think in the rehabilitation programme.

During our monitoring trip, we toured the factory and the estate with Mr P A Scott the area Superintendent Western (EPL). He informed us that the basis for the owner's cost estimate is unclear and that after the contract is signed EPL plans to undertake the rehabilitation programme in phases as follows:

Phase I Rehabilitate the crop through proper crop maintenance methods including application of fertilizers, pruning etc. The aim of this phase will be to increase the yield from the low level of 1204 kgs per ha to 2400 kgs per ha. During this period, the Kibwari factory will be closed and the green leaves will be processed by neighbouring factories that are managed by Eastern Produce.

Phase II Implement a factory rehabilitation programme based upon plans to be drawn up by EPL during Phase II.

During discussions with Mr Kariuki of KCB Corporate Division we were informed that the bank is quite agreeable with that approach and is willing to release the working capital for Phase I and adjust the loan either upwards or downwards when the cost for Phase II is determined.

#### SUB BORROWER PROFILE:

We have not met the sub-borrowers. Discussions during our monitoring were limited to talks with the proposed management company and the Bank Manager. Our understanding is that Kibwari Limited has been owned by Theta Group Limited whose main shareholders were the Boswell family. When Mr Boswell died, his wife continued to run the business but sold shares to over three hundred individual investors. Currently the Theta Group owns 58% and the public owns 42%. All the shareholders are Kenyans.

The company has now decided to hire the services of Eastern Produce to rehabilitate and manage the company for five years.

#### ELIGIBILITY CRITERIA:

The project qualifies for RPE lending under the agri-business criteria.

#### PROCUREMENT:

No procurement has been done yet. This will be done in Phase II, at which time the items to be procured will be determined.

#### ECONOMIC IMPACT:

The company is owned by a large number of shareholders and the rehabilitation scheme is expected to save their investment and hopefully earn them a fair return. The company also processes tea from some outgrowers and therefore offers a market outlet for their produce.

On the national level tea is one of the major foreign exchange earners. Although the additional employment is expected to be minimal, jobs for the existing factory employees will be saved.

SITE VISIT:

There was evidence of substantial neglect both on the estate and within the factory. Work on Phase I is expected to begin after signing the agreement with the management company.

COMMENTS, ISSUES AND ACTION ITEMS:

We do not foresee any DH&S involvement in the near future. The management company is quite competent.

PROJECT: C Dorman  
LOCATION: Nairobi  
SUB-BORROWER: C Dorman CONTACT: J M Block  
BANK AND BRANCH: BBK - Queensway DATE: 27/7/89  
BRANCH ASS'T. MANAGER: Mr Ruturi VISIT: 1

PROJECT DESCRIPTION:

Activity Sector: coffee processing

In addition to roasting and packing coffee for the local market (which accounts for only 2% of the revenue), the company blends and mixes clean coffee for the export market. This business accounts for 98% of the revenue. The expansion is intended to install facilities to support the export business which has grown from 16,000 bags pa to 120,000 bags pa during the past 1 1/2 years.

PROJECT COST AND FINANCING PLAN:

The original loan was given for Shs 3.5 million to construct a warehouse for the clean coffee. Our monitoring effort revealed that the loan is actually for Shs 7.2 million to cover the entire project cost. Shs 6.4 million has already been disbursed.

The cost is broken down below:

	<u>Shs '000</u>
Site Development and Buildings	4,200
Machinery and Equipment	2,500
Contingency	500
	-----
	7,200

PROCUREMENT:

The following equipment has been procured:

	<u>Shs '000</u>
Sortex (colour sorting equipment)	700
Cartdor (coffee cleaner)	150
Separator	845
Elpack	375
	-----
	2,070

The sortex was imported from England, the Separator from Brazil and the Elpack from Israel. Cartdor was bought locally and is of local origin.

The sponsors had received quotations from USA, Italy, Germany, Switzerland, UK, and Singapore. Unfortunately they imported the machinery directly without going through the RPE procedure. The bank had informed us that C Dorman needed only the money for warehouse and therefore we did not foresee their import needs and advise them accordingly.

#### SUB BORROWER PROFILE:

C Dorman is 100% owned by Ranco Ltd which is 100% owned by J M Block. The company was started in 1950 by Mrs C. Dorman who was joined by Mrs Booth in 1960. The two ladies have been running the company until recently when Mr Block took over and the ladies retired. Mr Block has already made tremendous impact on increasing the sales.

#### ECONOMIC IMPACT:

The expansion will create 8 new jobs. Currently the company employs 29 permanent staff at the factory and during peak period it hires up to 175 casuals of whom about 60% are women. The company exports 98% of its produce thus earning foreign exchange.

#### SITE VISIT:

The warehouse construction has been completed, all the machinery except the Separator has been received and installed. The remaining equipment is expected to arrive by the end of August and will be fully operational end September.

#### COMMENTS, ISSUES AND ACTION ITEMS:

Letters of Credit were not opened through normal RPE channels and the Assistant Manager was not aware of opening the L/C. Deloitte Haskins & Sells should check to see how this happened. In any event, we propose that the USAID portion be applied to the building cost and the banks contribution for the forex cost.

PROJECT: Sunways Bakery Ltd  
LOCATION: Webuye  
SUB-BORROWER: Sunways Bakery Ltd  
BANK AND BRANCH: KCB - Webuye DATE: 28/7/89  
BRANCH MANAGER: Mr S W Maina VISIT: 1

PROJECT DESCRIPTION:

The project is to establish a new bakery in Webuye. The bakery will have a capacity for 48,000 loaves per day and will be operated on a rented premises.

PROJECT COST AND FINANCING:

The project will cost Shs 4.99 million as below:

	<u>Shs '000</u>
Machinery and equipment	3,000
Installation and power	1,048
Crates	150
Motor vehicles	395
Working capital	400
	-----
	4,993

The project has acquired secondhand equipment from UK and there was no evidence of competition. However, these items have been funded through the owners contribution. The RPE loan for Shs 2.0 million will be used for machinery installation, clearing and forwarding, electricity installation, motor vehicles and working capital.

SUB BORROWER PROFILE:

Sunways Bakeries Ltd is owned by the following:

D S Patel	5%
V Patel	20%
H J Patel	20%
Musikari Kombo	55%
	---
	100%

Since 1951 the Patels were operating a bakery at Kimilili. This installation was closed in November, 1985. Mr Vasant Patel will be managing the bakery on a day to day basis. Mr Musikari Kombo is a former shareholder of Business Machines Ltd.

ELIGIBILITY CRITERIA:

The project qualifies for funding under the agri-business criteria.

DEVELOPMENT IMPACT:

The project will start operations with 41 employees. This number will double when in full production. The project will supply bread in an area where other bakeries have ceased operating.

SITE VISIT:

Machinery is being installed. Electrical installation has been completed. Baking is expected to start in September 1989.

COMMENTS, ISSUES AND ACTION ITEMS:

We were very impressed at the speed with which this project is being implemented.

1/3

PROJECT: Agrip Farm Ltd  
LOCATION: Thika  
SUB-BORROWER: George Thuo  
BANK AND BRANCH: KCB - Thika DATE: 25/7/89  
BRANCH MANAGER: Mr Ibutiti VISIT: 2

PROJECT REVIEW:

An additional 5 acres have been put under coffee and the acreage is now 30. A tractor, a sprayer and water piping have been installed. A coffee factory, store, and drying trays have been constructed.

While awaiting the purchase of a two disk coffee preparing plant the owner has started coffee processing using a borrowed small penagos pulper which can process up to 120 debes per hour.

Actual costs to date

Out of an approved loan of Shs 350,000 the bank has so far disbursed only Shs 236,000. The following expenditure has been incurred:

	<u>Shs '000</u>
Summe tractor	120
Galvanised pipes	36
Sprayer	80
Drying trays	130
Coffee store/water tank	150
	---
	516

The sponsor has contributed up to Shs 280,000. The undisbursed balance of Shs 114,000 will be used to pay for electricity installation and buying the pulper which is expected to cost between Shs 110,000 and Shs 150,000. The sponsor would not have any problem to finance any overruns. The bank manager would also be willing to increase the loan in case of any problems. The future plan for this project is to install an irrigation system to cover the whole 30 acres.

The owner of this project is a very experienced project manager and businessman. We do not foresee any problem in making the venture a success.

Three new jobs have been generated.

PROJECT: Levilla Limited  
LOCATION: Kikuyu  
SUB-BORROWER: Mr and Mrs Karanja  
BANK AND BRANCH: KCB - Kikuyu DATE: 24/7/89  
BRANCH MANAGER: Mr Mwirichia VISIT: 3

PROJECT REVIEW:

The factory building is completed and all machinery installed. Production began at the end of February and by April Levilla bread was available in Kikuyu, Kiambaa and parts of Nairobi city.

The plant has a capacity for 26,000 loaves per day and was breaking even at 4,000 loaves per day.

Unfortunately, in March this year a new price structure of grain milling products was announced that reduced the margins on bread by about 40 cents. In addition the credit which was being offered by NCPB was withdrawn and consequently millers withdrew credit to bakers. This has necessitated additional working capital support from the bank. An application is therefore being made for additional overdraft.

Further problems have been the increase in interest rate by 3%, increase in cost of packing materials from 30 cents to 38 cents and the current shortage of wheat flour.

Due to these changes the breakeven has gone up to 7,000 loaves and sales have declined due to flour shortage. On the other hand the Kikuyu community is quite happy to have a ready supply of bread at the time of shortage.

The project is currently employing 10 people on permanent terms and 45 on daily rates. This number is expected to double when operating at full capacity.

Until the margins of bread are reviewed, this and other bakeries are likely to perform poorly financially.

PROJECT: Webuye Sisal Mills Ltd  
LOCATION: Webuye  
SUB-BORROWER: Webuye Sisal Mills Ltd  
BANK AND BRANCH: KCB - Webuye DATE: 28/7/89  
BRANCH MANAGER: Mr S W Maina VISIT: 2

PROJECT REVIEW:

Since our last review there has been little progress. The bank has already disbursed Shs 1.3 million to purchase a van, pay a deposit for electricity and working capital. Electricity has still not been installed 8 months after the deposit was paid and there was very little stock of sisal to represent the disbursed working capital loan of Shs 474,000.

A store, not originally planned has been constructed and is nearing completion. The existing factory building has plenty of space which could have been used as a store. The sponsor had also started building an office block while sufficient office space still exists. This has however been stopped by the bank.

Mr Simiyu, the partner in charge of the day to day running of the project does not strike us as a person who can make things happen. The other partner, a member of parliament, has an election petition pending at the high court and may not have the time to follow up on problems.

The estimated start up date of February 1989 has already passed. The grace period has been used up and although the company has been paying the interest it is unlikely to be able to repay the principal.

Our main worry is that, the equipment which was installed in 1985 and has not been tested may not be able to perform. Overall, we consider this as a potential problem project which needs to be watched carefully. The disbursement of the remaining Shs 700,000 should be carefully monitored.

PROJECT: Benjoh Amalgamated Ltd  
LOCATION: Githioro - Njabini - Nyandarua  
SUE-BORROWER: Benjoh Amalgamated Ltd  
BANK AND BRANCH: KCB - Kenyatta Avenue DATE: 26/7/89  
BRANCH MANAGER: Miss F W Ngatia VISIT: 1

PROJECT DESCRIPTION:

This is a floracultural project for growing, processing and exporting flowers to Holland and other European countries.

The company has entered into a contract with a Dutch company called ViaFlor B V to supply seeds, market the flowers, and provide technical assistance.

PROJECT COST AND FINANCING:

The project will cost Shs 13.39 million broken down as below:

	<u>Shs '000</u>
Refrigerated lorry	1,100
Pick-up	300
Tractor	680
Generator	600
Irrigation system	875
Processing equipment	1,000
Cold room	1,100
Grading shed	700
Managers house	500
Workers houses	125
Fencing	135
Pre-operating expenses	1,500
Working capital	1,800
Land	2,275
Site development	600
	-----
	13,290

The project will be funded by an RPE loan of Shs 9.0 million and owners contribution of 2.275 million. The project has a financing gap of Shs 2.015 million. The company had requested a loan for Shs 11.675 million initially but the bank approved only Shs 9.0 million.

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PROCUREMENT:

The bank has so far disbursed Shs 3.2 million which has been used to buy a refrigerated lorry, a pick up, a tractor and site development. The pick-up and lorry are of Japanese origin but locally assembled while the tractor is of US origin (John Deer). The sponsors got quotations from all vehicle assemblers.

SUB BORROWER PROFILE:

The company is owned by two retired army captains:

Captain J B Mwaura	70%
Captain Kungu Muigai	30%
	---
	100%

Captain Mwaura will be managing the activities of the company on a day to day basis.

ELIGIBILITY CRITERIA:

The company qualifies for RPE funding as an agri-business and under the export criteria. It will also employ 50 people on permanent basis and 600 on part-time basis.

SITE VISIT:

Site development was in progress and construction had started. At the time of the visit harrowing was underway and planting was expected in September.

COMMENTS, ISSUES AND ACTION ITEMS:

The project has a financing gap and is likely to experience overruns.

1/2

PROJECT: Vesta Fishmeal Ltd  
LOCATION: Kisumu  
SUB-BORROWER: Geopley Oyieng  
BANK AND BRANCH: KCB - Kisumu DATE: 7/8/89  
BRANCH MANAGER: M A Rayi VISIT: 2

PROJECT REVIEW:

This project is a main source of concern to both Deloitte Haskins & Sells and the bank manager.

The main shareholder is on a full time job at Nairobi University and has little time for the project except for occasional weekend visits. His partner has some personal problems which have kept him away from the business. The brother who is running the business on day to day basis lacks any business sense.

Although the bank disbursed money at the beginning of the year the project has not progressed much. The four boat engines that the bank paid for, have been delivered. However, only one boat has been constructed and work on the second boat has started. The workmanship of the two boats is of extremely poor quality. We did not see the other three engines but we were told that they were at the managers residence. The Branch Manager will follow this up.

The boat which has a capacity for 7 tonnes was commissioned in May 1989. A tonne of omena costs about Shs 6,000 per tonne and after grinding sells for Shs 10,000 to animal feed manufacturers. A fishing period runs for 20 days a month and fully utilized the boat can make 10 trips. Since May the boat should have made over 20 trips and brought in 140 tonnes of omena. Unfortunately according to the general manager only 10 tonnes have been brought. At this rate a second boat may not be necessary.

According to the manager the biggest problem is that a market for fishmeal does not exist. We do not agree. Kenya is currently importing thousands of tonnes of fishmeal. Our discussion revealed that United Millers, which has an animal feed plant in Kisumu has either not been approached or no proper negotiations have taken place.

COMMENTS, ISSUES AND ACTION ITEMS:

- . This project is getting nowhere.
- . We have discussed the availability of technical assistance through RPE but the owners appear suspicious.

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- . This is the only project in the whole RPE portfolio that is not meeting interest payment.
- . The loan is secured on chattels mortgage on boats and the engines. The boats are of very poor quality and can realise very little if disposed off. The engines can be sold off at no notice. So the bank should exercise extreme care.
- . On the other hand the project is viable if properly managed.

PROJECT: Julius Mwangi Njoroge  
LOCATION: Kimilili  
SUB-BORROWER: Julius Mwangi Njoroge  
BANK AND BRANCH: KCB - Webuye DATE: 28/7/89  
BRANCH MANAGER: S W Maina VISIT: 1

PROJECT DESCRIPTION:

The sponsor is a cereals trader who acts as an agent for NCPB in Bungoma District. He has purchased an additional lorry to increase his ferrying capacity.

COST AND FINANCING:

	Shs	Shs
Lorry and Insurance		1,041,500
RPE loan	730,000	
Owner	311,500	
	-----	1,041,500

The lorry was bought in Kenya where it was assembled from a Japanese CDK kit.

ELIGIBILITY CRITERIA:

The project qualifies under the agri-business criteria.

COMMENTS, ISSUES AND ACTION ITEMS:

We were not able to see the owner or the lorry.

PROJECT: United Millers Ltd  
LOCATION: Kisumu  
SUB-BORROWER: United Millers Ltd  
BANK AND BRANCH: KCB - Kisumu DATE: 7/8/89  
BRANCH MANAGER: Mr Rayi VISIT: 3

PROJECT REVIEW:

The project implementation is virtually completed. The actual cost will however exceed the original cost estimate of Shs 72 million by about 20%.

Actual cost to end of April 1989 were:

	<u>Shs '000</u>
Land and site development	1,970
Buildings	11,800
Plant and machinery	65,892
Installation cost	1,000
Electrical installation	1,200
Financial cost	3,238
Furniture and fixtures	600
Vehicles	1,750
	-----
	87,450

Since April other expenses have been incurred on miscellaneous local equipment. In addition the company will require working capital. The cost is therefore likely to exceed Shs 90 million.

The project is funded as below:

	<u>Shs '000</u>
RPE term loan	36,000
KCFC	30,000
Owners	22,000
	-----
	88,000

The USAID portion of term loan has been used on site development, building, installations and pre-operating expenses. The KCFC, KCB matching funds and owners contribution paid for cost and freight of machinery and import duty all amounting to Shs 61,281,000.

COMMENTS, ISSUES AND ACTION ITEMS:

The plant is expected to be commissioned in September. The sponsors are as confident as ever and the only problem they can foresee is that of shortage of wheat.

They are planning to recruit 30 to 35 people rising to a maximum of 100 when at full production - about 10% of these will be women.

PROJECT: Saaba Baraka Bakery Ltd  
LOCATION: Bungoma Town  
SUB-BORROWER: Mohamed Ahamed  
BANK AND BRANCH: KCB - Bungoma DATE: 28/7/89  
BRANCH MANAGER: Mr N P Mwangi VISIT: 2

PROJECT REVIEW:

The manager was away in Mombasa at the time of our visit. The factory was closed and we were informed that operations had ceased since the beginning of July.

The reasons for the closure are said to be:

- (a) The wheat flour supplier had withdrawn credit because all wheat millers had withdrawn credit after the president ordered NCPB to start selling wheat on cash basis.
- (b) Mr Ahamed had used part of his working capital to stock hides and skins.
- (c) There had been delays in getting a duty refund on machinery that had been purchased off the shelf.

Nevertheless we noticed that the two vans had been purchased, the mixture and the electric oven were also purchased and installed. The problem would now appear just that of shortage of working capital and the reduced margin on baking business.

COMMENTS, ISSUES AND ACTION ITEMS:

The manager should monitor this situation carefully and if necessary review the possibility of advancing some funds for working capital.

PROJECT: Thika General Workshop  
LOCATION: Thika  
SUB-BORROWER: W K Itume  
BANK AND BRANCH: KCB - Thika DATE: 25/7/89  
BRANCH MANAGER: Mr Ibutiti VISIT: 2

PROJECT REVIEW:

Construction of the factory is progressing well. The bank has already disbursed Shs 1.78 million which is being spent on labour and materials.

The sponsors had however started constructing other buildings which were not in the original plan - including an office block and a store. The branch manager has however stopped this development and will monitor future disbursements carefully to ensure that the factory is completed within the original budget.

COMMENTS, ISSUES AND ACTION ITEMS:

Meanwhile Mr Itume's on-going activities are progressing very well. At the time of our visit he had a huge stock of goods for sale at Nyeri show.