
KENYA RURAL ENTERPRISE PROJECT

REPORT FOR THE PERIOD ENDING

31ST MARCH 1990

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ACRONYMS

AMEG	American Manufacturers Export Group
BAS	Business Advisory Services
BBK	Barclays Bank of Kenya Limited
CBK	Central Bank of Kenya
DH&S	Deloitte Haskins and Sells
D&T	Deloitte and Touche
FI	Financial Intermediary
GOK	Government of Kenya
IESC	International Executive Service Corps
KCB	Kenya Commercial Bank Limited
KCFC	Kenya Commercial Finance Company Limited
L/C	Letter of Credit
NCKK	National Council of Churches of Kenya
PIL	Project Implementation Letter
RIG	Regional Inspector General
SBU	Small Business Unit
SCB	Standard Chartered Bank
TPR	Training Performance Review
WEI	World Education Inc
WEREP	World Education Rural Enterprise Project

PROJECT STATUS

INTRODUCTION

During the 12-month period ending 31 March, 1990, the Rural Private Enterprise programme Approved Loan portfolio increased by 55%. The current Kenya Shilling commitment of 328,242,000. represents more than 50% of the total dollar project allocation of USD 36 Million (applying a base exchange rate of KSh 18 = USD 1). Job creation, exclusive of casual labour, has increased by an estimated 34%; nearly 41% of the employment generation target has been met.

The achievements registered during the period under review (April 1, 1989 - March 31, 1990) reflect the efforts of the RPE Management Team to remove or reduce the impact of key constraints hindering project implementation. (1) Our strategy has been based upon the recognition that successful project implementation depends upon the degree to which RPE loans can be made attractive to both sellers and buyers. Our activities have been designed to:

- 1) extend the operational timeframe;
- 2) shift attention to the participating FI's;
- 3) give greater consideration to the basic business orientation and commercial concerns motivating banking operations; and
- 4) strengthen the administrative infrastructure required to institutionalize RPE-type lending.

In addition to securing a 12-month extension, the most tangible result of these efforts has been USAID/GOK agreement to modify RPE lending terms and lower the cost of capital for the USAID contribution, thereby increasing the profit margin accruing to the commercial banks. Of equal importance, albeit less evident, has been the on-going success of the RPE training programmes in assisting commercial bank lending officers to acquire the necessary technical skills to support long term lending.

The RPE Management Team anticipates that the RPE allocation will be fully committed during the coming months. Furthermore, on balance we expect the project will be proven successful in the sense relative to the situation without RPE, it has brought about a coordinated use of scarce resources for the production of goods and services which will result in an increase to socio-economic welfare in the target sector.

(1)

The Rural Private Enterprise (RPE) Report for the period ending 31 March, 1989, identified six key constraints affecting project implementation:

- o government fiscal policy, made manifest in the domestic credit squeeze;
- o interest rate structure and the resulting profit margins governing RPE lending;
- o the project time horizon;
- o eligibility criteria;
- o the application of stringent security collateral requirements;
- o the narrow definition of agribusiness.

I. PROJECT ADMINISTRATION

During the 12-month period ending 31 March, 1990, the following changes affecting management of RPE have occurred:

Deloitte & Touche, USA:

- o As a result of a merger, the name of the Prime Contractor was officially changed to Deloitte & Touche, USA, hereinafter referred to as D&T.

USAID:

- o Mr. Eric Zallman joined USAID/Kenya as Deputy Director and has been actively involved in providing policy level guidance and direction to the project.

DH&S/Africa:

- o With the departure of Mr. Peter Ginnings, the position of RPE Field Director has been assumed by Mr. Simon Lamb, a Director in the DH&S/Kenya Management Consultancy group.
- o Mr. Kimani Njoroge, a DH&S/Kenya Consultant, was appointed RPE Assistant Project Manager, assuming responsibility from Mr. Mwenda Thiribi who has left the firm.
- o Ms. Ruth Gatheo has joined the RPE management team. As Administrative Assistant she has been responsible, among other things for administering offshore procurement activities and coordinating the loan portfolio reporting.

WEREP:

- o Dr. Richard Yoder has been named Managing Director of WEREP.

Commercial Banks:

- o BBK has created a Small Business Unit, responsible for the administration of special programmes including the RPE loan portfolio. Developed by Mr. Raymond Muriuki, SBU is currently managed by Mr. Josephat Murage.

Commercial Banks - Continued

- o Mr. James G. Chege has replaced Mr. Lawrence Masaviru as head of KCB's Business Advisory Service (BAS) group. Mr. Masaviru continues to be directly involved in RPE matters, having been named head of Special Projects, reporting to the KCB Chairman.

Project Extension:

Following its decision to extend RPE project activities through March 31, 1990 (see PIL No. 28, dated February 9, 1989), USAID notified the GOK of its intention to deobligate uncommitted loan funds by March 31, 1990 and allow for disbursement of committed funds through December 31, 1990 (see PIL No. 30 dated 30 March, 1989).

For a number of reasons (e.g. need to increase the incentive for commercial banks, improvements in the rate of project implementation, project visibility, review of performance achievements, etc.) the Mission decided to support RPE for one year beyond March, 1990. Negotiations with the GOK resulted in an agreement to extend the program albeit with major modification to the terms of lending governing the loans. (Refer to PIL No. 36, dated 7 December, 1989, which document modifies commercial bank lending terms approved in PIL No. 14, dated 10 November, 1986). The terms set forth in PIL No. 36 are subject to joint USAID/GOK review. PIL No. 36 also mentions the possibility of reallocating lending resources among the three participating FI's.

D&T Technical Assistance and Management Contract:

The Technical Assistance and Management Contract awarded to DH&S/Washington (subsequently D&T) was extended for one year. Two interim Contract Modifications were signed prior to approval of a 10-month budget in July, 1989, which document obligated additional funds amounting to USD 1,076,312. During negotiations it was agreed that the Technoserve subcontract would not be renewed for reasons explained in the last RPE report (refer to the Report for the Period Ending 31st March, 1989, page 19).

As of this writing D&T, at the request of USAID, Office of Projects, has submitted a budget for the 4/90-3/91 extension period. IESC, AMEG and DH&S/Africa subcontracts will be extended.

PROJECT ADMINISTRATION AND RPE ACTIVITIES

PROJECT ACTIVITIES

Monitoring:

Field monitoring was carried out during the months of June, July and October, 1989 and January, 1990. In total 41 project sites were visited. (See Appendix, Exhibit 1 for a listing of the projects and Exhibit 2 for the Executive Summaries to the Reports released 1 August, 1989 and 28 March, 1990)

Although the gap between approvals and disbursements is narrowing, there is room for improvement in this area. It is clear that problems persist within the banks which delay processing of reimbursement requests and payment of incentives. These issues were dealt with at the July-August workshops. In addition monitoring follow-up now routinely includes corresponding with senior management at Head Office to identify investments for which disbursement had taken place without the corresponding claim for reimbursement being submitted to CBK.

Few real or potential 'problem loans' have been identified thus far:

- o Sambu & Son: at the request of BBK, RPE management worked with the Branch Manager and borrower to review expenses and draw up a projection of remaining funding requirements.
- o The RPE team has serious reservations regarding the Vesta Fish Meal (KCB) loan. The Kisumu Branch Manager is monitoring the situation carefully (see 3/90 Monitoring Report).
- o Shortage of wheat has forced the United Millers operation to shut down. The problems are not indicative of project viability. KCB is discussing rescheduling the principal; to date the sponsors are meeting interest payments.

As repayment of principal only dates to September, 1989, it is too early to track or even predict instances on non-performance. However, problems are surfacing in two areas which may affect future investment performance: underfinancing and 'project' management. On the one hand original cost estimations are proving to be incomplete or have never been revised to account for price escalations. At the same time management issues are poorly addressed at best. Few bank managers recognize the

importance of analyzing managerial capacity as part of the investment appraisal. In those instances where a Branch Manager has required personnel or organizational change, the need for the adjustment usually resulted from performance monitoring.

Audits - WEI/WEREP:

During the period under review, the DH&S/Africa audit staff, under the terms of the subcontract, completed the following activities:

- o Audit of WEI for the 21 months to December, 1988 (2 weeks - 20 person days)
- o Review of the NCKK audit. Reporting on the accounting function and financial statements of the Small Scale Business project (including an attempt to investigate an alleged \$10,000. irregularity) (7 business days - 14 person days)
- o Updating of quarterly reviews for the period April through December, 1989 (4 weeks - 40 person days).

In an effort to respond to USAID requests effectively, it has been suggested by the Audit Manager that more adequate advance notice (at least two weeks) of the work required be provided so that DH&S staff can be allocated more efficiently.

Assistance to Banks -- Procedures Manual and Workshops:

As was pointed out in the previous RPE Report for the period ending 31 March, 1989, problems in administering the program were identified in 3 areas: loan terms, reimbursement procedures and internal reporting. To address the problems, basic guidelines for the processing RPE loans were prepared, in manual format, tailored to the operations of each participating commercial bank.

The approach used consisted of preparing drafts which were submitted to each bank, USAID and CBK for review. Following discussions with all parties, the manuals were printed and workshops were held for the purpose of introducing the guidelines and simultaneously promoting the RPE scheme. In all 10 sessions took place and 142 bank officers attended. (See Appendix, Exhibit 3).

In addition to providing direct assistance to branch personnel, the workshops were instructive from the point of view of current and future project implementation:

- o The existing gulf between the interest and understanding of the project by Head Office Advances staff and rural branch personnel results in summary rejections of a fair number of investment proposals or the unwillingness of those in the field to forward applications to Nairobi.
- o Most attendees were familiar with the RPE scheme although uncertain if not ignorant of the procedural requirements. The two areas least understood are 1) processing claims for reimbursement and incentives; and 2) administering offshore procurement.
- o Frequent transfers of field staff prevent branch staff from understanding much less cultivating an RPE client base.
- o The concept of agribusiness is poorly understood, resulting in an unwillingness to promote agriculture-related proposals.
- o The entire issue of what constitutes an acceptable level of risk is poorly understood.
- o Not only do the banks have a poor understanding of the RPE reporting requirements, internal reporting procedures are not set up such that RPE activities can be segregated and tracked.
- o With regard to SCB and BBK, lack of promotion and commitment in the field is in part explained by the fact that all decision-making on loans of more than 36-month duration takes place at the Head Office level.

Clearly, in terms of marketing and administration, the success of RPE depends not only upon the ability of the FI's senior management to cultivate a project-based lending mentality, with all this implies for investment analysis, loan terms, and so forth but upon strengthening of the relationship between Head Offices and the field and giving more discretionary authority to the branches, as is the case with short term loans.

With this in mind, the RPE team plans to:

- o finetune the training effort and expand participation so as to include lending officers and advances staff;
- o develop training courses to deal with the why, when and how-to's relating to feasibility studies;
- o increase its efforts to coordinate activities between the field staff and the Head Offices;
- o in view of the minimal support for preparation of the manual and overall attendance at the workshops, minimize assistance offered to SCB until tangible signs of programme commitment are forthcoming.

Assistance to Banks -- Program Administration:

As a result of the field monitoring, senior management is informed of transactions concluded in the field for which reimbursement has not been processed and/or incentive payments not received. (Refer to Appendix, Exhibits 2-b & 4 for the situation regarding CBK claims and reimbursements as at March, 1990).

Assistance to Banks -- Specific Loans:

The BBK loan to Sambu & Son provided the RPE management team with its first opportunity to assist a bank directly in investigating the use of RPE funds, expenditures to date and future requirements at the detail level. While there was no evidence of misappropriation of money, it did become clear that the total loan package, as originally extended and approved, had not been supported by adequate analysis and cash flow projections. Based upon the DH&S effort, future funding requirements have been revised and the BBK personnel involved have taken a more direct hand in assuring that drawdowns are released in accordance with completion of agreed-upon activities.

The technical assistance provided in this case was appreciated by the bank and the availability of this type of field support was promoted during the regional workshops. It was made clear such activity is only carried out upon the request of the banks.

Assistance to Banks -- Information Management:

In response to a request from USAID and by way of preparation for the Mission's evaluation of its portfolio of private sector activities, RPE-1 forms were updated and the overall level of loan data integrity improved during the first 6 months of the period under review.

With the establishment of the Small Business Unit at BBK that institution's loan portfolio has been reviewed in great detail. In effect the loan pipeline was non-existent and the level of activity overstated. It is not only the creation of the Small Business Unit but the calibre of its Managers which has allowed for the reconstruction the BBK RPE portfolio and expansion of lending under the project. This shows once again that the success of an undertaking such as RPE depends in the first instance upon the existence of sound administrative infrastructure.

Assistance to the Central Bank:

In order to comply with the requirements of the USAID Controller's Office regarding the request for U.S. dollar transfers to the Special Account, certain formatting changes were made to the MIS system in January, 1989. In addition, during August the RPE Project Manager worked with the Central Bank to analyze the MIS report output and develop a sensible and acceptable account reconciliation format.

Unfortunately cosmetic alterations cannot replace the basic analysis which alone supports a request for additional funds. The MIS system, as designed for CBK, makes that institution the source of primary data. This arrangement is sensible from the point of view of control and responsibility for GOK (Treasury) funds which represent the USAID contribution to individual loans. At the same time, such a design carries with it management implications. Based upon performance to date, it is questionable whether the RPE Unit and its Supervisor fully appreciate and accept the responsibilities entailed in administering, coordinating, recording and monitoring transactions on behalf of USAID. Efforts made to improve the management of portfolio information lead back to the administrative weaknesses within CBK's RPE Unit.

The problems encountered have been brought to the attention of the Chief of the Banking Division, wherein lay responsibility for the performance of the RPE Unit. Agreement was reached in October, that D&T would work with various members of CBK staff to finalize the monitoring system and upgrade the management capabilities of the RPE Unit by way of preparation for the transfer of system responsibility to the Data Processing Division within the Central Bank. Seven weeks of D&T consultancy time were provided between October and December. A 'Risk Assessment' analysis and System Review were prepared for the Banking Division. Key administrative weaknesses were identified and recommendations were made to overcome problems.

To date despite the additional hands-on training provided by the DH&S programmer and D&T consultant, input and output have not attained an acceptable level of accuracy nor has programme administration occurred on a timely basis. Upon completion of revised User and Systems manuals (31 March, 1990) responsibility for system maintenance and output will be turned over to CBK. It will then be necessary for USAID to address the problems directly with the Central Bank. It may be advisable to provide an assistant to the RPE Unit (on a full or part-time basis) for the duration of the project.

Training

(Note: refer to Appendix, Exhibit 5, for complete listing of all courses presented since 1 April, 1989).

KCFE:

In order to integrate KCFE as quickly as possible into the RPE framework, a special half-day working session was conducted by the RPE management team for the members of the Head Office Advances Unit (see Appendix, Exhibit 6 for a listing of participants). The presentation covered the objectives, purpose and administration of the programme, with special emphasis on the types of firms and investments eligible for funding under the project. This training provided an opportunity to promote the programme and discuss its advantages in terms of KCFE objectives. The response was encouraging and active support has been forthcoming through this subsidiary of KCB.

Marketing of Banking Services:

A training module was prepared covering the topic 'Marketing of Banking Services'. The five-day course (see Appendix, Exhibit 7 for a detailed description) was presented to two banks:

<u>Bank</u>	<u>Date</u>	<u>No. Participants</u>
KCB*	4 - 8 September	16
KCB*	11-22 September	15
SCB	11-15 September	<u>8</u>
	Total	39

* KCFC staff in attendance

Course content focused on the problems and difficulties bank officers encounter in marketing key services and product lines such as RPE. At the conclusion of the training session each participant completed a written evaluation of the course, judging it in terms of course objectives, content, usefulness, instructor performance and manner of presentation, handouts and other written materials and overall course administration.

The instructors were of the opinion that the courses were effective insofar as the training:

- o enabled the participant to reassess his/her service standards;
- o obliged the participant to focus on the marketplace and the understanding required to respond more effectively to customer needs;
- o introduced the officer to the marketing skills required to successfully market the various services, with particular emphasis on RPE.

The Principals of the two training schools expressed great satisfaction with the quality and effectiveness of the sessions.

Term Lending and Financial Analysis Courses:

In addition to the above, using RPE loan data DH&S staff developed a five-day 'Financial Analysis' course based upon the application of Lotus 1-2-3 software. The course was presented to SCB commencing September 25.

Course objectives included:

- o to introduce participants to the Lotus 1-2-3 package;
- o to reintroduce the principles of cashflow-based lending (as previously covered in the long-term lending course); and
- o to link the computer skills to the lending analysis by creating financial models with which to assess project viability.

The course involves practical, hands-on work in the form of exercises. Little lecturing is involved. For this session four participants from different SCB branches were chosen to attend. Each had little or no prior knowledge of the Lotus programme. By the end of the week the participants felt reasonably comfortable with the approach but recognized the difficulties they face to put the techniques and concepts into practice in the marketplace.

BBK:

Given that all BBK Branch Managers were involved in intensive training in strategic planning through November, at the request of the BBK Director of Retail Services additional RPE training has been postponed until May, 1990. However it was agreed that the SBU Manager will work with the DH&S staff to develop a special training module to combine training in Lotus spreadsheet applications and financial modeling with techniques of term lending. Course design work began in early 1990.

Training Performance Review (TPR):

At the request of USAID, a review was undertaken to study the effectiveness of the RPE training in furthering the institutionalization of long term lending and assess the extent to which this activity component has assisted the participating FI's in promoting the broader economic RPE objectives. (Refer to the study 'Rural Private Enterprise Project - Training Performance Review'.) The review was carried out by a team of seven people which included 2 D&T Washington consultants.

The methodology relied upon the application of structured questionnaires, interviews, data worksheets and documentation review to two levels: banking institutions and participant trainees. In addition a workshop was held in Nairobi attended by representatives of USAID, the 3 participating banks and members of the TPR team.

As stated in the TPR Executive Summary:

The findings ... lead to the conclusion that there has been steady growth in financing through long term lending facilities and that RPE training has provided the skills required to support the move of commercial banks into a new market with a new financial product -- the LT loan. This is not to imply causality. Based upon the data collected, which is limited and occasionally inconsistent, it would be presumptuous to suggest that training accounts for portfolio performance. ... (H)owever... training is a timely and necessary input which not only supports the current market strategy of the commercial banks, but enables these institutions to realize their objectives.

Technical Assistance to USAID

Proposal Reviews:

At the request of the Office of Projects, the RPE management team reviewed the following proposals for RPE funding:

Beatrice Kabiru investment in Mombasa	(KCFC)
Miramar Hotel investment in Kikambala	(BBK)
Saj Ceramics in Athi River	(SCB)
Blue Post Hotel in Thika	(BBK)

Revolving Fund:

On September 5, 1989, the RPE management team along with key DH&S staff gave a presentation to the USAID Deputy Director and Office of Project staff. The principles and mechanics of the RPE refinancing facility (commonly referred to as the 'Revolving Fund') as envisioned in the RPE Project Paper and outlined in skeletal form in an appendix to PIL No. 14 were reviewed. The purpose of the discussion was to brief USAID on issues requiring resolution and offer recommendations prior to commencing work on systems design and applications.

Deputy Director Zallman called for the creation of a joint task force (USAID/RPE team) to review and formulate proposals relating to the terms and operating procedures under which the fund will operate. An initial meeting was held later in September but the work continued into October and November. In December, USAID and RPE management met with Mr. Bhatia (GOK, Treasury). Various issues regarding the Fund were raised but no agreement was reached at or since that meeting concerning Revolving Fund formalities and procedures. As a result there has been no design work undertaken and the provisions set forth in PIL No. 14 still prevail.

Feasibility Studies

The status of activities carried out in support of this project component during the period under review is as follows:

<u>Project</u>	<u>Status</u>
Limuru Blocks	Completed
Tradewise Ltd.	Completed
Taifa Overseas Ltd.	Completed
Nyange Saw Mills	Completed
East African Equipment	In progress
Nakuru Maize Mill	Proposal with client
Union Textiles	Completed
Autofine Seals & Filters	Proposal with client
Modern Food Industries	Completed
Kakamega Soap Manufacturing	Proposal with client
Langas Bakery	With client
Scorpio Fashions	Proposal with bank
J.B. Mwaura	DH&S preparing TOR
Vegair	With client

As part of the preparation for drawing up Terms of Reference, DH&S now works more directly with Branch Managers and Head Office staff to clearly identify areas for investigation which might affect the overall viability of the investment. Narrowing the focus of the work allows DH&S to meet bank needs more effectively and minimize the cost to the subborrowers.

Numerous participants at the workshops held during July-August requested further guidance in the use and purpose of the feasibility study. Plans are underway to design training modules to deal with the topic of project appraisal, which would include the feasibility study.

Offshore Procurement

With the assistance of the subcontractor AMEG, assistance in sourcing U.S. goods has been provided to the following client sub-borrowers:

<u>Project</u>	<u>Equipment</u>
Athi River Mining Ltd.	Plant for processing activated bleach and grinding of limestone & kaolin

Commercial Commodities Ltd.	Avocado waxing cleaning & grading machines
East African Equipment	Matchbook manufacturing equipment
Kenya REP Programme	Power generator & photocopier
Isanga Sawmills Ltd.	Sawmill equipment
Saj Enterprises Ltd.	Manufacturing machinery for ceramic walls & floor tiles
Slapper Shoe Industries	Shoemaking machinery
Someni Industries Ltd.	Chalk manufacturing plant
Taifa Overseas Agencies Ltd.	Garment manufacturing machinery
Tamarind Fish Co. Ltd.	Fishmeal processing plant
Karsan Ramji & Sons	Quarry plant & equipment
Kibos Industries Ltd.	Milling plant; storage equipment
Nanyuki Maize Millers	Sausage filling machine

Of the above, the RPE office has assisted the following subborrowers in the processing of FEAL applications:

<u>Loan</u>	<u>USD Value (approx.)</u>
Athi River Mining	\$863,000
Isanga Saw Mills	54,000
Someni Industries Ltd.	17,000
Kega Fashions	47,500
Levilla Ltd.	116,038

As pointed out in the last RPE report (refer to page 16), USAID and DH+S worked out procedures for assisting the subborrower in the processing of FEAL applications. Since March 31 the following requests for USAID approval have been forwarded to the Office of Projects:

Athi River Mining
 Isanga Saw Mills Ltd.
 Someni Industries Ltd.
 Thika Rubber Industries
 Bedi Investments Ltd.

Offshore procurement remains one of the most attractive elements of RPE for the subborrower. To minimize the difficulties encountered by the commercial banks in servicing the client while complying with the procedural requirements for importing under this scheme, a fair amount of time was spent during the Workshops explaining how to process importation through this facility.

However, procedures which appear to be straightforward in theory break down in practice:

- o To date, once the complete package of documents has been forwarded to USAID Office of Projects for review and final processing through the appropriate official authorities, the RPE office has never been informed as to the status of individual submission during the final stages of the application process.
- o FI Head Office staff do not review and control L/C's which are issued in the field. As a result a fair number of transactions have been effected directly with banks in the country of purchase to the exclusion of the New York correspondent banks (and USAID/Washington).
- o CBK has made no effort to track importation based upon advice and estimates contained in the RPE-1 form. As a result not all of the Kenya shilling equivalent of dollars expensed has been posted as debits to the accounts of the subborrowers nor has there been a systematic reconciliation of USAID/W and CBK records.
- o USAID/Kenya, on behalf of USAID/Washington, does not keep CBK informed of dollar drawdowns.
- o The correspondent banks do not comply with reporting requirements contained in the Letters of Commitment.

Promotion

Leaflets and Brochures

At the request of USAID and to assist the Mission in responding to a RIG audit recommendation, DH&S designed simplified brochures for distribution by banks to customers (see Appendix, Exhibit 8 for a sample).

The three participating FI's were consulted for their opinions. Although all three banks agreed that the leaflets would serve a promotional purpose, BBK decided not to use the material in the field until the limitations on credit expansion were eased or removed. Accordingly DH&S had 10,000 and 3,000 fliers printed for use by KCB/KCFC and SCB respectively.

Arrangements have been made for a reprinting of the USAID RPE brochure. This material is distributed routinely during field trips and through the Office of Projects. As of this writing the booklet is being revised in order to reflect programmatic changes.

Promotion via the Workshops for the RPE Manual:

These workshops provided an excellent forum for promoting the RPE project. Based upon opinions voiced by the participants it would be only fair to point out that some skepticism was expressed regarding the applicability and timeliness of the RPE scheme. Mention was made of:

- o the extra burden imposed on field staff to comply with the administrative requirements of the programme;
- o the difficulties encountered with Advances Officers at the Head Office level;
- o the difficulty encountered by the typical subborrower client in meeting the security collateral requirements;
- o limitations imposed by the loan criteria, particularly with regard to agricultural activities.

Participants in the Mombasa area advised placing more announcements in newspapers.

Promotion via Workshops on Marketing:

Workshops were held in Nairobi, Mombasa, Nakuru, Nyeri, Eldoret and Kisumu during February, 1990. 43 BBK managers and 88 KCB/KCFC staff attended (see Appendix, Exhibit 9).

The purpose of the workshops was to advertise the new lending terms governing RPE, renew efforts to promote RPE and explore ways in which RPE and other targeted loan schemes can be marketed more effectively. The focus was on the rural small business sector. Participants working in groups responded to 1 of 3 questions; each group presented its findings and an open discussion followed. The attendees agreed it would be helpful to consolidate the opinions and recommendations for circulation among colleagues and submission to Head Office.

The workshops produced little in the way of tangible recommendations regarding the marketing of financial services. Still the exchange of ideas did provide insight into prevailing attitudes which must be changed if the rural target market is to be successfully developed. Representatives of the KCB BAS unit and BBK's SBU had ample opportunity to promote the services of their respective groups.

Direct Management Assistance

IESC

Under the terms of its subcontract, IESC provided on-going consultancy support on behalf of two investments: Sambu & Sons and G. Gichoru. As both projects involve rural resort development, the same volunteer expert carried out the work for the two clients.

Despite the best efforts of the IESC Consultant who advised the client during a 5-month period, the Sambu & Sons investment continues to experience difficulties stemming from poor management. The BBK Branch Manager has had to assume a greater control of the project which it exercises through the tranching of disbursements. In the opinion of the bank, the project would no longer exist were it not for the IESC support provided.

The pipeline for DMA activities under IESC includes:

<u>Project</u>	<u>Assistance</u>
Bedi Investments	3 consultants - export marketing, spinning garment manufacturing (1 assignment completed)
Rega Fashions	TA in production & design
Turbo Park Hotel	1 additional month (under discussion)

Finally plans are being finalized to provide two person months of assistance to BBK and KCB respectively in the area of marketing financial services in the rural setting. The candidate is a former senior executive with Wells Fargo Bank. The Terms of Reference will be tailored to individual bank needs.

DH&S Assistance

Short-term assistance was provided to Vision Dry Cleaners, Bedi Investments and Levilla Ltd. in the areas of bookkeeping, accounting systems and controls.

Special Studies

Cost of Lending under the RPE Scheme

A briefing paper was prepared for the USAID Deputy Director and Office of Projects staff for the purpose of ascertaining the extent of profitability accruing to participating RPE financial intermediaries. As the information contained in the review is of a somewhat confidential nature, the contents and findings will not be discussed in the present report.

Training Performance Review

This activity (see above) was carried out in accordance with provisions made for 'Special Studies

EXHIBITS

Monitoring Report for the
Period ending 31st March 1990

DETAILED PROJECTS REPORT

1. Athi River Mining Limited
2. Ena Meid Services
3. Ephrim Cornelius Njagi
4. James Kariuki Mucheru
5. John Karuga Kamau
6. Josephat N Mbiriai
7. Julius Mwangi Njoroge
8. Kakamega Food Industries
9. Kega Industries Limited
10. Kenya Vineyards Limited
11. Levilla Limited
12. Ngorongo Tea Factory
13. Ngubia Wanyutu
14. Njeru Mwea
15. Sabaah Baraka Bakery Limited
16. Sunways Bakery Limited
17. Thika General Workshop
18. Thika Rubber Industries
19. Turbo Spring Park Hotel
20. United Millers Limited
21. Vesta Fishmeal Limited
22. W Wambugu Muthangani
23. Webuye Sisal Mills Limited

Monitoring Report for the
period ending
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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. Benjoh Amalgamated Ltd.
18. Vesta Fishmeal Ltd.
20. Julius Mwangi Njoroge
21. United Millers
22. Saaba Baraka Bakery Ltd.
23. Thika General Workshop

MONITORING REPORT

INTRODUCTION

During the period under review 23 projects which were at various stages of implementation, were monitored. The majority of these projects have been fully implemented and are progressing well. It is gratifying to note that senior branch officers are assuming a greater role in assisting the subborrower in project implementation than has been the case previously. We were impressed by the level of involvement of bank managers, their awareness of the problems affecting project performance and their willingness to work out solutions with the subborrower. In addition to reviewing financing plans, branch managers are attempting to bring about changes in management structure in order to overcome identified weaknesses.

Overall, project performance is encouraging and we have not encountered investments which are commercially unviable. However, there are a few investments which have not performed as well as had been anticipated or which we feel may become problem loans unless timely remedial actions is undertaken.

The potential for non-performance arises from problems falling into three categories: poor management, inadequate financing and external constraints.

Poor Management:

The projects which fall into this category include:

Vesta Fishmeal Limited (VFL)
Webuye Sisal Mills Limited (WSML)
Kakamega Food Industries (KFI)

These three projects have profit-making potential but the subborrowers have not demonstrated the capability to manage them effectively. VFL has not been paying interest on the RPE loan and proceeds from sales have been banked with other financial institutions. KCB has made it clear to the subborrower that unless a commitment is shown, the loan will be recalled.

Present WSML management lacks the capability to successfully carry out expanded operations. We believe future performance is likely to remain substandard unless steps are taken to reinforce management along the lines suggested by the branch. To date no action has been taken.

In the case of KFI, the increased size of the operation and the problems presented by the new technology are beyond the capacity of the present owner-manager to deal with. The bank has stopped disbursing funds and the project has come to a temporary standstill. We have recommended that outside direct management assistance be provided and await a formal request from the branch manager.

Inadequate Financing:

Two projects in particular, Turbo Spring Park Hotel and Thika General Workshop, are experiencing implementation problems arising from inadequate project financing. The banks are aware of the situation and have indicated that they will review the financing plans with the subborrowers.

External Constraints:

Two project investments are suffering from raw material shortages: United Millers Ltd. (UML) and Levilla Bakery.

At the time of our visit, UML's operation had come to a halt although the company was still servicing its loan. The bank is aware of the situation and is considering rescheduling of the principal repayments.

Levilla on the other hand is operating but below capacity. The subborrower is diversifying operations, moving from bread production into a wider range of confectionaries. This step has ameliorated the situation.

EXECUTIVE SUMMARY

A. Portfolio Profile

Total number of loans approved	60
Percentage increase from previous monitoring report	11%
Total (USAID + Bank) shilling value	328,242,436
Percentage increase from previous report	18%
Smallest loan	KShs 92,000
Largest loan	KShs 36,000,000
Total number of jobs created	2,037*

(* excludes statistics from 12 loans)

Total number of loans by range:

<u>Range</u>	<u>No.</u>	<u>No. as % of Total</u>	<u>Amount</u>	<u>Amount as % of Total</u>
Under 350,000	10	16.7%	1,764,000	.5%
350,000 - 1 m	14	23.3%	7,523,000	2.3%
1 m - 3 m	14	23.3%	23,715,002	7.2%
3 m - 20 m	15	25.0%	90,375,000	27.5%
over 20 m	7	11.7%	204,865,434	62.4%
Total -	60	100.0%	328,242,436	100.0%

Loans by Activity Sector:

<u>Activity Sector</u>	<u>Number of loans</u>	<u>% of total</u>
Agribusiness	33	55%
Manufacturing	14	23%
Services	13	22%
Total	60	100%

Breakdown by Eligibility Criteria:

A.	Job Creation	24
B.	Forex	20
C.	Market Development/Agribusiness	46

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

B. Verification of Sub-loan Activity

We have verified that the subborrower activity as reported by the banks has taken place and funds disbursed to date have been used for the intended purpose. However, in the case of Webuye Sisal Mills part of the working capital has been used to pay interest on the principal loan.

C. Eligibility Criteria

All the projects reviewed during the monitoring exercise meet the RPE criteria.

D. Loan Reversals

An agribusiness loan to Mr Julius Mwangi Njoroge was cancelled by KCB Webuye branch.

E. Incentive Payments

To date, incentive payments have been processed for the following qualifying projects:

<u>Project</u>	<u>Amount</u>
Magore Jamen Ligano	16,000
Bernet E O Udoto	13,000
Francis Mubatsi Lutomia	9,600
Bruce Madete	16,500
Ezekiel Ngondi	35,000
Visions Dry Cleaners	35,000
Ngaranda Gachuhi	25,000
Wambugu Mathangani	35,000

Requests for incentive payments should be made for the following qualifying projects:

<u>Project</u>	<u>Loan Amount</u>
Kimani Kiiyuri	145,000
James Kariuki Mucheru	300,000
Mrs Nqubia Wanyutu	300,000
Stanley Njau	315,000
Hezekiah Kibe	300,000
Josephat N Mbiriai	540,000
Njeru Mwea	500,000
Agrip Farm Ltd	350,000
Vesta Fishmeal	906,000
Ngomeni Beach Safaris Ltd	500,000
Kadirs Bakery	477,000
Ephrim Cornelius Njagi	500,000
Sharrif Hassan Alwi	1,400,000
Mansi Vegex Ltd	1,200,000

F. CBK Disbursement to Banks

The following disbursements have not been claimed or settled:

<u>Project</u>	<u>Amount</u>
Sharrif Hassan Alwi	1,400,000
Thika Rubber Industries	7,428,000
Athi River Mining	26,490,000
Kibwari Ltd	4,000,000
Kega Fashions Ltd	2,325,000
Sun and Sand Hotel	4,100,000
Mansi Vegext Ltd	1,200,000
Kimani Kiiyuru	145,000
Bernard Gatu Ngunju	1,500,000
Stanley Kariuki Njau	315,000
Thika General Workshop	4,000,000
Vesta Fishmeal Ltd	906,000
Kakamega Food Industries	3,000,000
Hezekiah M Kibe	300,000
Kwale Cashew Processors	20,000,000
Kadir's Bakery	477,000
Bedi Investments	33,000,000
C Dorman	7,200,000
Cottona Ltd	3,000,000
Ephrim C Njagi	500,000
G Gichoru	1,860,000
Igi Marble	5,250,000
Jokasa Industries	1,200,000
Kilifi Bakery	2,000,000
Mirmar Investments	32,000,000
Silver Holdings	29,000,000
Someni Industries	400,000

G. Commodity Procurement - Source and Origin

Since the last report, status of local and offshore procurement has changed as follows:

<u>Project/Item</u>	<u>Value</u> <u>KShs</u>	<u>Source</u>	<u>Origin</u>
Kakamega Food Industries Pick-up van	350,000	Kenya	Japan
Webuye Sisal Mill 3 tonne lorry	525,000	Kenya	Japan
Wambugu Mathangani Coffee pulping machine	245,000	Kenya	Kenya
Ngubia Wanyutu Pulping plant	250,000	Kenya	Kenya

Kenya Vineyards			
Tractors and irrigation equipment		Kenya	N/A
Kega Fashions			
Molding machine	270,000	Germany	Germany
Interlocking machine	171,000	Japan	Japan
Elastic Machine	613,983	Switzerland	

H. Feasibility Studies

The status of activities carried out in support of this project component during the period under review is as follows:

<u>Project</u>	<u>Status</u>
Limuru Blocks	Completed
Tradewise Ltd	Completed
Taifa Overseas Ltd	Completed
Nyange Saw Mills	Completed
East African Equipment	In progress
Nakuru Maize Mill	Proposal with client
Union Textiles	Completed
Autofine Seals & Filters	Proposal with client
Modern Food Industries	Completed
Kakamega Soap Manufacturing	Proposal with client
Langas Bakery	Proposal with client
Scorpio Fashions	Proposal with bank
J B Mwaura	DH&S preparing proposal
Vegair	Proposal with client

EXECUTIVE SUMMARY

8/89 Report

A. Portfolio Profile:

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

Total Shilling Value 277,568,000

(approximately % 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 To
< 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.

Executive Summary
Page Three

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>
Total	620,200

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 & 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.

SUMMARY EVALUATION OF THE RPE WORKSHOPS

<u>Locations and Dates:</u>	Nairobi	18,19,20 July
	Nyeri	24,25,26 July
	Mombasa	28,31 July
	Kisumu	7,8 August

<u>Participants:</u>	<u>Bank</u>	<u>Number</u> <u>Training</u>	<u>Prior RPE</u>
	SCB	35	20
	BBK	38	24
	KCB/KCFC	69	7
	Total	142*	51

* Does not include Manager, BBK Small Business Unit, who attended each workshop, nor J. Onyango (CBK) and M. Thiribi and J. Beckwith (DH&S)

OBSERVATIONS/COMMENTS

Nature of Participation --

- o The Head Office of each bank was responsible for coordinating attendance and nominating participants. BBK and KCB/KCFC presence was excellent. The presence of the Manager of the Small Business Unit at every workshop highlighted the importance attached to the sessions by BBK senior management. SCB attendance was minimal with the exception of Nairobi although even there, the absence of the SCB Credit Control Department Manager was most disappointing.
- o BBK chose to have Branch Managers attend, as opposed to the KCB decision to send lower level officers. There was a distinct difference in attitude: Managers were more interested in the nature of RPE and the difficulties involved in promoting the scheme; Lending Officers tended to concentrate on the mechanics of processing applications. This contains implications for future training (see below).
- o Comments and observations by participants suggest that Head Office Advances staff also require instruction on administrative procedures. All too many proposals are rejected at Head Office because of a lack of awareness of RPE programme requirements.

Familiarity with RPE --

- o Although only 35% of the attendees had participated in prior RPE training, most participants were familiar with basic programme objectives.
- o The foregoing notwithstanding, all participants agreed that procedures regarding RPE administration had never been clarified and issuance of a Manual was long overdue. Two areas in particular have been poorly understood: how to claim reimbursement and how to process requests for offshore procurement.
- o The pattern of frequent field staff transfers common to the 3 banks generally works against the project. In too many cases Managers do not have the time to cultivate any client base, much less develop the potential RPE target group.

Project Design and the Appropriateness of RPE --

- o The agribusiness concept has been poorly understood and in part explains the hesitancy of many from farming areas to promote proposals relating to agriculture under RPE.
- o Most participants agreed that RPE is in keeping with the development goals of the country but on a practical level, as bank officers, they are either risk averters or quick to explain away the low level of RPE portfolio activity by the current government policy on credit expansion. Some, albeit a minority, believe the processing of loans under RPE adds to the administrative load of the individual officer.
- o It was learned that in the SCB routine, any loan of more than 36 month duration must be approved at the Head Office, regardless of the lending level authority of the branch person. As all RPE loans fall into the 3-8 year category, decision-making is concentrated in Nairobi, where the lack of commitment to RPE is a clearly recognized.

SCB branch managers are therefore tempted to consider only applications under normal lending terms (i.e. of short term duration) if they are within their lending limits in order to avoid Head Office bureaucracy. BBK and KCB managers process any loans within authorized lending limits at the branch level and simply inform Head Office of the activity.

Training --

- o There is a continuing need to concentrate training curriculum on risk analysis and long term lending. In addition a majority of those asked requested training in the how-to's of feasibility studies.
- o Training in the next stages of project implementation should be finetuned.

KCB: given that Lending Officers are the active administrators of the individual loans, it would be advisable to provide training for this level of bank staff.

KCFC: an intensive, focused Head Office training session is required as soon as possible. The initial support and interest is very encouraging.

- o BBK: The creation of the Small Business Unit has been the most positive development, in terms of overall control and program administration. BBK senior management recognizes the need to cultivate the project-based lending (as opposed to cash/collateral- based lending) mentality among all levels of its staff, but particularly the Advances Department. Special training is in preparation.

Reporting --

- o The requirements and need for MIS are poorly understood. While the system as developed for RPE is more than adequate it is still not being used properly. BBK now realizes it will have to institute a special field -to- Head Office routine to track RPE. KCB/KCFC should be encouraged to do likewise.

General --

- o Future assistance to SCB should be minimal. The response to this effort was negligible and there are no tangible signs of an increase in loan activity. USAID should consider reallocation of the SCB obligation.

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Cumulative Quarterly Report of Loans

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(KShs)

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Kenya Commercial Bank Ltd

Loan Number	Borrower	Loan Amount	AID Disbursements		Bank Disbursements	
			Foreign	Local	Term Credit	Working Capital

Branch: NAIROBI

31	BENJICH AMALGAMATED LTD	7200000	0	4800000	2400000	0
Total branch: NAIROBI		7200000	0	4800000	2400000	0

Branch: BUNGOMA

5	JOHN KARUGA KAMAU	1600000	0	1066666	533334	0
12	SABAH BARAKA BAKERY LTD	1250000	0	833333	216667	200000
Total branch: BUNGOMA		2850000	0	1899999	750001	200000

Branch: WEBUYE

14	WEBUYE SISAL MILLS LTD	2000000	0	1333333	666667	0
25	EMS PRINTERS AND STATIONERS	600000	0	400000	200000	0
27	JAMES KARTUKI MUCHERU	300000	0	200000	100000	0
35	SUNWAYS BAKERIES LTD	1600000	0	1066667	533333	0
Total branch: WEBUYE		4500000	0	3000000	1500000	0

Branch: EMBU

1	MR & MRS P G NDIIGA	50000	0	61333	30667	0
2	NGONDI EZEKIEL	695000	0	463333	231667	0
21	JOSEPHAT NJOKA MBIRIRI	540000	0	360000	180000	0
32	NJERU MWEYA	500000	0	333333	166667	0
33	NOAH NDWINGA TITUS	120000	0	80000	40000	0
Total branch: EMBU		1947000	0	1237999	649001	0

Branch: GITHUNGURI

13	NGORONGO TEA FACTORY	7500000	0	5000000	2500000	0
Total branch: GITHUNGURI		7500000	0	5000000	2500000	0

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Branch: KIAMBU

8 AIC KIJARE PRINTING PRESS	3000000	0	2000000	1000000	0
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Total branch:

KIAMBU	3000000	0	2000000	1000000	0
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Branch: RUIRU

7 MRS. NELBIA WANYUTU	300000	0	200000	100000	0
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Total branch:

RUIRU	300000	0	200000	100000	0
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Branch: KIKUYU

18 LEVILLA LTD	4000000	2080011	586656	1333333	0
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Total branch:

KIKUYU	4000000	2080011	586656	1333333	0
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Branch: THIKA

19 VISIONS DRY CLEANERS LTD	815000	0	543333	271667	0
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20 KENYA VINEYARDS LTD	4700000	0	2800000	1400000	0
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22 M/S AGRIP FARM LTD	350000	0	233333	116667	0
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Total branch:

THIKA	5865000	0	3576666	1788334	0
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Branch: KISUMU

10 UNITED MILLERS LTD	36000000	0	24000000	12000000	0
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Total branch:

KISUMU	36000000	0	24000000	12000000	0
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Branch: KAKAMEGA

3 MAGORE JAMEN LIGONO	160000	0	106666	53334	0
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4 BRUCE MADETE	165000	0	110000	55000	0
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15 BERNET E.O. UDOTO	136600	0	91066	45534	0
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17 FRANCIS MUKATSI LUTOMIA	96000	0	64000	32000	0
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Total branch:

KAKAMEGA	557600	0	371732	185868	0
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Branch: NYERI

26 WILLIAM WAMEGUGU MATHANGANI	625000	0	416667	208333	0
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Total branch:

NYERI	625000	0	416667	208333	0
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Branch: MALINDI

30	NGOMENI BEACH SAFARIS LTD	500000	0	333333	166667	0
Total branch:		-----				
	MALINDI	500000	0	333333	166667	0

Branch: NAKURU

29	NYATI PLOUGH CONTRACTORS LTD	1400000	0	933333	466667	0
Total branch:		-----				
	NAKURU	1400000	0	933333	466667	0

Branch: TOWN CENTRE

34	KADIRS BAKERY	477000	0	318000	159000	0
Total branch:		-----				
	TOWN CENTRE	477000	0	318000	159000	0

Total:		-----				
	Kerrya Commercial Bank Ltd	76721600	2080011	48734385	24907204	200000

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(KSh)

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Barclays Bank of Kenya Ltd

Loan Number	Borrower	Loan Amount	M/D Disbursements		Bank Disbursements	
			Foreign	Local	Term Credit	Working Capital

Branch: ELDORET

8	RAYMOND WOOLLEN MILLS (K) LTD	28375434	18916356	0	9458478	0
Total branch: ELDORET		28375434	18916356	0	9458478	0

Branch: KERICHO

2	SAMBU & SONS	3200000	0	2133333	1066667	0
Total branch: KERICHO		3200000	0	2133333	1066667	0

Branch: NYERI

1	NGARANDA GACHUHI	250000	0	167000	83000	0
Total branch: NYERI		250000	0	167000	83000	0

Total: Barclays Bank of Kenya Ltd		31825434	18916356	2300333	10608145	0
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Central Bank of Kenya RPE Monitoring System
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(KSh)

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Standard Chartered Bank Kenya Ltd

Loan Number	Borrower	Loan Amount	AID Disbursements		Bank Disbursements	
			Foreign	Local	Term Credit	Working Capital

Branch: MOMBASA

3	UFUTA LTD	18000000	0	12000000	6000000	0
Total branch:		-----	-----	-----	-----	-----
	MOMBASA	18000000	0	12000000	6000000	0

Branch: MALINDI

2	MALINDI GENERAL ENGINEERING	8217000	0	5478000	2739000	0
Total branch:		-----	-----	-----	-----	-----
	MALINDI	8217000	0	5478000	2739000	0

Branch: NYANDARUA

1	SASUMUA SAW MILLS	1380002	778495	167667	433840	0
Total branch:		-----	-----	-----	-----	-----
	NYANDARUA	1380002	778495	167667	433840	0

Totals:		-----	-----	-----	-----	-----
Standard Chartered Bank Kenya Ltd		27597002	778495	17645667	9172840	0

Central Bank of Kenya RPE Monitoring System
 Cumulative Quarterly Report of Loans

Date: 26/03/90

(KSh)

Page: 6

	Amount	RID Disbursements		Bank Disbursements	
		Foreign	Local	Term Credit	Working Capital
Totals for all banks	136144036	21775462	69970335	44669189	200000

Exhibit 5

RPE TRAINING COURSES APRIL, 1989 THROUGH MARCH, 1990

<u>Bank</u>	<u>Dates</u>	<u>Number of Participants</u>	<u>Course Title</u>
SCB	11th to 15th April 1989	13	Long Term Lending
KCB	4th to 8th September 1989	16	Marketing of Banking Services
SCB	11th to 15th September 1989	9	Marketing
KCB	11th to 22nd September 1989	15	Marketing of Banking Services
SCB	25th to 29th September 1989	4	Financial Analysis
KCB	2nd to 6th October 1989	22	Long Term Lending
KCB	23rd to 27th October 1989	8	Financial Analysis
KCB	13th to 17th November 1989	21	Long Term Lending
KCB	20th to 24th November 1989	7	Financial Analysis
KCB	22nd to 26th January 1990	10	Financial Analysis
KCB	5th to 9th February 1990	16	Long Term Lending
KCB	19th to 23rd February 1990	10	Financial Analysis
KCB	5th to 9th March 1990	17	Long Term Lending
KCB	19th to 23rd March 1990	10	Financial Analysis

KENYA COMMERCIAL FINANCE COMPANY

Participants in the 1/2 day course

1.	Evans Akula	Accountant
2.	Eva Njuguna	Officer
3.	Chris Theuri	Officer
4.	Lydia Koros	Officer
5.	Wilfred Sang	Officer
6.	Insiyani Khasiani	Officer
7.	S El-Busaidy	Section Head
8.	S Wambugu	Section Head
9.	S Kengere	Section Head
10.	T Kamote	Section Head
11.	S Mutemi	Clerk
12.	P Guya	Clerk
13.	R Mburi	Clerk
14.	R Thendeu	Clerk
15.	A Maina	Clerk
16.	G Odhiambo	Clerk
17.	S Kamau	Clerk
18.	A Mbugua	Clerk
19.	M Tsihugwa	Clerk
20.	A Kilaghai	Clerk
21.	G Ndirangu	Clerk
22.	D Muya	Clerk
23.	J Munyoki	Clerk
24.	J Gitau	Clerk
25.	I Mutiso	Clerk
26.	M Mettoh	Clerk
27.	V Wangila	Clerk
28.	M Mwangela	Clerk

Marketing of Bank Services

Topics

Introduction

Talk to set the scene and objectives
Expectations defined by the class

A Commercial Bank

Mission, corporate objectives and structure
Lecture, group work and plenary session

Marketing environment of a Commercial Bank

Talk, group work and plenary session

Marketing of banking services

Definition, concepts and elements of marketing
Role of marketing in the bank
Talk, group exercise and plenary session

The customer

Customer profiles
Bank's market, demand analysis and measurement
Talk, group exercise and plenary session

Service mix

Product planning and development, pricing and
promotion, place and delivery decisions, and queuing.
Combination of talks, exercises in groups, discussions,
and plenary feedback.

People and bank's services

The bank and its personnel; the bank and customer
relations. Talk, group exercises, role play, floor
visit, and plenary sessions.

Action points

Marketing information systems in a Commercial Bank; and
formulating marketing strategies and objectives. Talk,
group exercises and discussions, and plenary session.

Course evaluation and close

Completion of evaluation of instruction and content,
and discussion on improvements to be made.



**KENYA
COMMERCIAL
BANK LIMITED**

**LOANS
and
BUSINESS ASSISTANCE**

through the
*RURAL PRIVATE ENTERPRISE
PROJECT (RPE)*

With participation of the
*UNITED STATES AGENCY FOR
INTERNATIONAL DEVELOPMENT*



Exhibit 8

Rural Private Enterprise Programme

We are pleased to inform our esteemed customers that through our participation in the Rural Private Enterprise (RPE) programme, *Kenya Commercial Bank Limited* is providing long term loans and technical assistance to eligible projects in the private sector.

To be eligible:

- ❑ You must meet normal bank standards of credit worthiness and security requirements. Management control must be in private hands and the projects must be profit oriented.
- ❑ You must be eligible to borrow funds in Kenya under Central Bank exchange control notice No. 19.
- ❑ Your project must involve expansion of an existing business or establishment of a new business. It should be located in a rural area (i.e. outside Nairobi and Mombasa).
- ❑ Funds may be used to acquire fixed assets such as land, buildings and machinery and related services such as equipment installation.
- ❑ RPE loans are *not* available for activities involving commodity trading, real estate development, finance, insurance or speculation. On-farm production is excluded but processing of farm produce is eligible.
- ❑ Your project must be capable of producing one or more of the following economic benefits: generate employment, increase foreign exchange earnings and/or increase the markets for rural production.

Special benefits:

- ❑ In addition to a loan, the RPE programme will make available technical and direct management assistance and training to rural entrepreneurs on a cost sharing basis.
- ❑ Through RPE you will have access to foreign funds for importing machinery and equipment without any foreign exchange risk.
- ❑ RPE provides long term credit of 3 to 8 years including a grace period of up to 2 years. Interest will be charged at 2% below normal market rate.

Application Procedure

If you think you are eligible for financing under RPE please make an application to the branch manager:

- ❑ The manager will review your application and if the application satisfies normal bank and project criteria, it will be processed according to our normal procedures.
- ❑ Should the manager request that a feasibility study be carried out, he will assist you in obtaining the services of the management and technical assistance contractor, Deloitte Haskins & Sells.

For further information please contact your branch manager.

Marketing Workshop

Kenya Commercial Bank/Kenya Commercial Finance Company

<u>Nairobi</u>	<u>Position</u>	<u>Branch</u>
<u>Nairobi</u>		
James G Chege	Manager	B A S
B K Wamahiu	Advances Officer	Industrial Area
J F C Koech	Aq Manager	K I C C
Kamiti Wainaina	Area Manager	West Central
B M Ibutiti	Manager	Thika
S G Vadher	Manager	City Centre
N M Kioko	A/C Manager	Corporate Branch
W C Kirwa	Credit Officer	Head Office
J Timbwa	Credit Officer	Head Office
P N Kimondo	Manager	Mashariki
J O Kodula	Area Manager	East Central
J S Kamau	Manager	Kiambu
B A Tabulo	Manager	Head Office
<u>Nyeri</u>		
J M Matheka	Manager	Meru
S N Mutahi	Manager	Muranga
F N Wanyoike	Manager	Embu
L N Rurigi	Manager	Chuka
K H Borfe	Manager	Othaya
C R Mwaura	Manager	Nyandarua
W G Chege	Credit Officer	Head Office
G W Kigundu	Manager	Karatina
P G Kungu	Manager	Kerugoya
S P W Karimi	Manager	Meru
W C W Kariuki	Manager	Nyeri
E M Muhindi	Area Manager	Mt Kenya
J K Tiampati	Manager	Maralal
S T Kungu	Manager	KCFC Nyeri
B M Karanja	Manager	Nanyuki
N M Waweru	Credit Officer	Mt Kenya
William Odeny	Consultant	B A S
Jane Too	Lending Officer	Nyeri
M R Gaitirima	Ag Snr Cr Officer	Head Office

Nakuru

Anthony Chege	Advances Officer	Nakuru
Anthony Keya	Advances Clerk	M/Crater
George Okero	Advances Officer	M/Crater
Gibson Mbari	Manager	Gilgil
Nelson K Arap Bii	Manager	Loitokitok
Paul B Mungla	Manager	Wajir
Tophica W Esabua	Manager	Kajiado
Peter S Nderitu	Manager	River Road
P C Nyodo	Manager	Naivasha
J R Mwirichia	Manager	Kikuyu
John W Nganga	Manager	Kenyatta Avenue
J K Kibor	Manager	Nakuru
C G Kabue	Manager	Menengai Crater
C M Monyinyi	Consultant	B A S
P I Khasiani	Account Officer	K C F C
John J K Kimani	Manager	Sarit Centre
Kamiti Wainaina	Area Manager	Head Office

Kisumu

Shem O Okongo	Consultant	B A S
Joshua N Czeda	Advances Officer	Kisumu
Jotham Munda	Consultant	B A S
Paul M Matagaro	Advances Officer	Kisumu
Evans A Busolo	Credit Trainee	A/M Western
N N Wahome	Manager	Mumias
N P Mwangi	Manager	Bungoma
J C E Okiror	Manager	Migori
S W Maina	Manager	Webuye
V D P Emojong	Manager	Siaya
J K Milgo	Manager	Kakamega
G J O Kounah	Manager	Kisii
Eric Buyu	Area Manager	Kisumu
P N Gitau	Manager	Kisumu
M A Rayi	Manager	Head Office

Eldoret

R A Koech	Manager	Eldoret
P C Ruto	Manager	Kitale
B A Mbuthia	Manager	Kabarnet
C R Mwangi	Manager	Kericho
T K Kandagor	Manager	Kapenguria
J N Keyonzo	Manager	Sotik
S J Patel	Area Manager	North Western
A N Itunga	Manager	Lodwar
D K Ngochoch	Manager	Iten
J Munda	Consultant	B A S
I D Amogola	Manager	KCFC Eldoret
S O Okongo	Consultant	B A S
C N Ngatho	Lending Officer	Eldoret
A M Kimuyu	Manager	Nandi Hills

Mombasa

Joseph M M Kimani	Manager	Hola
O K Kugotwa	Manager	Malindi
M M Kimeu	Manager	Ukunda
J B Siema	Manager	Voi
D S Ngala	Lending Officer	Treasury Sq
Ramesh Pandya	Area Manager	Coast
J G Chege	Manager	B A S
A M Riday	Manager	Wundanyi
R M Gathu	Manager	KCFC Msa
Amos O Ochilo	Manager	Town Centre
Suzanne Athanasius	Manager	Kilindini
Wilson Macharia	Manager	Treasury Sq
A Said	Credit Officer	Treasury Sq

Marketing Workshop

Barclays Bank of Kenya Limited

<u>Name</u>	<u>Position</u>	<u>Branch</u>
<u>Nairobi</u>		
Lucas B Oyuyo	Manager	Kenyatta
C N Okumu	Manager	Pioneer
C P Nyaga	Manager	Haile Selassie
B W Ngethe	Manager	Union Towers
M N Wahome	Manager	Queensway
J M Gacheru	Manager	Moi Avenue
J G Muchinji	Manager	Enterprise Road
R D Makwana	Manager	Market
Amaramba	Manager	Machakos
S Ogana	Manager	Limuru
C M Nzini	Manager	Changamwe, Nbi
N M Irungu	Manager	Westlands
H W Kimani	Manager	Thika
Mrs A C Obare	Manager	Hurlingham
S T Ndungi	Manager	Harambee Avenue
J Murage	Manager	Head Office
<u>Nyeri</u>		
J W Murage	Manager	Head Office
J K Munyaka	Manager	Karatina
H E Kinyua	Manager	Isiolo
D T Maina	Manager	Muranga
N O Mbuge	Manager	Kerugoya
P R A Gitonga	Manager	Maua
D L Mwangi	Manager	Embu
J K Kimuri	Manager	Nyahururu
A J Ghathesha	Manager	Nanyuki
A K Wanyela	Manager	Meru
<u>Mombasa</u>		
O A M Bashaeb	Corp Manager	Nkurumah Rd
J W Murage	Manager	Head Office
M Kibe	Relief Manager	Head Office
B W Muiruri	Manager	Moi Avenue
Mrs D D Otieno	Manager	Changamwe, Msa
S S Soban	Manager	Garissa
H A Omar	Manager	Digo Road
J O Otieno	Manager	Kilifi

Nakuru

J P Sande
M G Swan
G I M Gaciri
J A Owala
E N Kariuki
J D Ndungu

Manager
Manager
Manager
Manager
Manager
Manager

Naivasha
Nakuru East
Nakuru West
Narok
Molo
Kericho

Kisumu

P C Thita
P Muema
F M Muriithi
J F Obiero-Okang
J N Karinge
G N D Kamuiro

Manager
Manager
Manager
Manager
Manager
Sub-Manager

Kakamega
Kisii
Eldoret
Homa Bay
Kitale
Kisumu

BARCLAYS BANK OF KENYA

QUESTION 1: Most important actions your Bank can pursue to market RPE and RPE-type loans more effectively.

ACTIONS	COMMENTS	RECOMMENDATIONS
Marketing Function with the Bank	<ul style="list-style-type: none"> o Marketing concept poorly understood in field o Paucity of marketing information in field on all special programmes o Branch staff unable to identify qualifying projects 	<ul style="list-style-type: none"> o Personal selling: Mgr. must liaise with business community (CC's DDC's) & use local leaders to market RPE o HO should develop policy & issue guidelines for dealing with GOK officers in field o SBU should release information packet on all special programmes o Increase training o HO must complement branch marketing effort; increase site visits
Resources	<ul style="list-style-type: none"> o Lack of all resources-- staff, capital & time; working conditions such that administrative duties rule out marketing; Mgrs. operating in remote areas need vehicles & drivers 	<ul style="list-style-type: none"> o HO should provide funds for marketing effort o Make vehicles available on regional basis o Involve services of HO consultant & marketing Manager to promote rural-based agribusiness
Role of Small Business Unit (SBU)	<ul style="list-style-type: none"> o Definition, terms of SBU not clearly defined o SBU should be HO point of reference o SBU services should be expanded 	<ul style="list-style-type: none"> o Promote services of SBU in field
RPE Project	<ul style="list-style-type: none"> o Customer profile: RPE client may lack track record with BBK; lending policy of bank -- lend to customers where background information known or obtainable (Note: some disagreement here; marketing IS reaching out to new people) o Branch staff understanding of RPE inadequate, unable to sell product o RPE treated differently from other loans; not viewed as a real product line o HO lacks RPE marketing strategy 	<ul style="list-style-type: none"> o Increase information flow to branches; release RPE brochure o Issue RPE brochure as part of normal information packet o Issue usual RPE loan guidelines (general circulars) o Incentive payments should be transferred to branch, not kept at HO

BARCLAYS BANK OF KENYA

QUESTION 2: Bank policies, procedures and practices, written or implied, which hinder RPE implementation.

ACTIONS	COMMENTS	RECOMMENDATIONS
Lending Criteria	<ul style="list-style-type: none"> o Discretionary limits too low for rural branches; at present all loans advanced under special schemes referred to HO o Security: emphasis on tangible or fixed assets as opposed to floating assets -- still key consideration o Lack of staff understanding of floating debentures o Owner's contribution: requirements too high o Amount of work involved in process-RPE loans too great 	<ul style="list-style-type: none"> o Field should submit proposals even traditional standards not met (SBU Mgr.'s suggestion) o HO should relax fixed assets requirements in favour of floating assets, especially for purchase of machinery o HO should review discounting policy o Allow branches to process & award loans, advise HO & submit periodic returns o More expert HO support needed to prepare proposals o HO should ease criteria regarding risk; lower contribution requirement o BBK should take more risk & accept greater social responsibility (a la KCB)
Relationship with Risk Management	<ul style="list-style-type: none"> o Risk Management (RM) perceived as stumbling block o RM discourages term lending 	<ul style="list-style-type: none"> o More RM staff involvement in field o RM group should receiving training in risk analysis, term lending
Decision-making Process	<ul style="list-style-type: none"> o Average approval turnaround time too long; customers switch to commercial banks for speed of service o RPE procedures too cumbersome o Too many parties involved in RPE (USAID, HO, CBK and DH&S) 	<ul style="list-style-type: none"> o Provide more training to managers o Establish a support unit to speed up appraisals; unit presents branch with limit sheets & approved loans o HO to perform all liaison work with CBK, USAID, DH&S o Develop standardized application form/checklist for project-based lending
Resources	<ul style="list-style-type: none"> o Lack of technical know-how and appraisal skills at branch level o Time factor: project evaluation at branch level too costly 	<ul style="list-style-type: none"> o Extend training audience, to include junior levels (advances clerks, etc)
Policy	<ul style="list-style-type: none"> o Cost of Capital: pool rate applied to CBK borrowings for branch; discount not passed on; no incentive for lending to new target market o BBK philosophy: conservative lending policies favour 'up-market' borrowers; may have merit but not where small business involved o BBK commitment to term lending in rural market less than total o Branches not allowed to exercise usual discretionary limits for RPE loans; all RPE loans referred to HO o HO/DH&S guidance conflicting 	<ul style="list-style-type: none"> o In performance evaluation HO should recognize & reward lending to target market o Liberalise lending policies; improve monitoring/evaluation based upon increased understanding of small business sector. o Allow RPE loans to fall within branch discretionary limit

KENYA COMMERCIAL BANK

Question 1: Most important actions your Bank can pursue to market RPE more effectively.

ACTIONS	COMMENTS	RECOMMENDATIONS
Marketing Function with the Bank	<ul style="list-style-type: none"> o Marketing concept poorly understood in field o NO marketing department now, inadequate o Field does not take function seriously o Staff see themselves as servicing customers, not as salesmen o Staff lack insight on how to identify projects 	<ul style="list-style-type: none"> o Personal selling: Mgr. must liaise with business community o Need attitudinal change (through training) o Harmonize marketing with operations o For all specialized product lines: need to create public awareness: need displays, brochures, ads in newspapers, radio (all languages): o Hold short seminars for potential borrowers
Resources	<ul style="list-style-type: none"> o Lack of all resources-- staff, capital & time: current staff particularly cashiers, have no time; Mgrs. lack vehicles o ICB Mgr. should be a manager and not a general worker; has no time to market 	<ul style="list-style-type: none"> o More training at all levels especially smaller branches o Share experience through regular meetings
Business Advisory Services (BAS)	<ul style="list-style-type: none"> o Review BAS guidelines: BAS should handle all projects, even investments under KSh 1.0 Million o Branch manpower very limited so BAS has large role to play o Difficult for junior staff to understand special programmes o BAS understanding of branch operations and environment 	<ul style="list-style-type: none"> o Promote services of BAS to field o Involve BAS from earliest stages: appraisal, regardless of project size o Inform potential client of BAS services o Allow BAS to function as true unit, even for short term financing o Send BAS staff to field more often o Coordinate BAS effort through Area Manager
RPE Project	<ul style="list-style-type: none"> o Uncertainty regarding RPE promotional responsibility o DBAS/USAID should provide more support: eg. a USAID marketing team and DBAS budget for press releases (note: Credit Officer response -- branches tasked with reviewing performance & setting targets; should do same for RPE) o Poor programme awareness at branch level; training emphasized leading officers, section heads not reached 	<ul style="list-style-type: none"> o NO should devise incentives (direct to Branch Mgr.) o NO should set targets for RPE; if realized branch should receive award. o Extend training downwards through section head level

KENYA COMMERCIAL BANK

QUESTION 2: Bank policies, procedures and practices, written or implied, which hinder RPE implementation.

ACTIONS	COMMENTS	RECOMMENDATIONS
Security Requirements	<ul style="list-style-type: none"> o Criteria inflexible o Branch discretionary limits too low o Security requirements not standardized: 25% OK required; 75% cover in question; Branch mgr. often sets o Hgr. often sets requirements such higher to protect himself o Additional fees (legal, stamp, professional fees) too high for typical RPE borrower o Fixed Asset requirement inflexible and KCB criteria differ from KCFC 	<ul style="list-style-type: none"> o In rural areas 100% of fixed asset value required (WBO = 45%) o reduce and lend at between 65-85% of value o Review margins, provide guidelines/rules to determine discount o Lower 25% OK requirement &/or have bank assist with other fees o Evaluate each case on its own merits o Apply use of debentures uniformly: even for loans below 1 Million
Relationship with KCFC	<ul style="list-style-type: none"> o KCFC/branch communications ineffective; o Lack of incentive, motivation: what is role of Branch Mgr. If he appraises, what is role of KCFC? o Small projects fall to branch but KCB manager loses interest if KCFC has credit control. o No understanding of liaison between two organizations o No policy on loans under 1 Million 	<ul style="list-style-type: none"> o KCFC/NO should attend workshops in field o Clarify reporting line; does Branch Mgr. deal with KCFC/NO or with KCFC regional office o NO circular required which sets out guidelines and specifics o Compensate KCB for work done; pass costs on to KCFC or levy fee o Branches should maintain portfolio on loans under 1 Million
Decision-making Process	<ul style="list-style-type: none"> o Appraisal/reporting line too long o NO/field communication is source of many problems 	<ul style="list-style-type: none"> o Improve turnaround/approval time o establish board with decision-making authority, representing BAS, Credit & KCFC; to meet monthly in regions (allows site visits) o Area Mgr. to coordinate BAS work; o BAS to perform field work
Resources	<ul style="list-style-type: none"> o Lack of technical know-how at branch level: different standards apply; officer & staff understanding of requirements limited o Mgr. may not have experience in particular activity area o Branch Mgr. unable to delegate daily duties; project-based lending very demanding on Mgr.'s time o 'General worker' group requires specialized training; training for non-officer level excludes RPE o Donor schemes handled by 1 person 	<ul style="list-style-type: none"> o better NO scrutiny of Mgrs. sent to field o review/restructure authorities so that some delegation allowed (to free up demands on Mgr. time) o place person at Area Mgr. level to assist branch as necessary; o create unit within Area Mgr. unit; o develop small business units or decentralize BAS for better results & control
Policy	<ul style="list-style-type: none"> o Cost of Capital: pool rate of 14% applied to branch borrowing; NO not passing CBK margin on to branch o CBK reimbursement: branches still confused by procedures 	<ul style="list-style-type: none"> o Separate RPE funds from pool; operate scheme on basis of reimbursement account o Issue new circular; set up mechanism whereby branch debits NO and NO deals with CBK