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DELOITTE HASKINS & SELLS

KENYA RURAL PRIVATE ENTERPRISE PROJECT

REPORT FOR THE SIX MONTHS ENDED

31ST OCTOBER 1987

CONTRACT NO: 615 - 0220- C -00-4004-00

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USAID KENYA RURAL PRIVATE ENTERPRISE PROJECT
REPORT FOR THE SIX MONTHS ENDED 31ST OCTOBER 1987
AND
SIX MONTHS WORKPLAN TO 30TH APRIL 1988

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SECTION 1 - PROJECT STATUS

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During the six months ending October 31, 1987, major headway was made in successfully implementing the Kenya Rural Private Enterprise Program. Several RPE loans were approved, the participating commercial banks developed significant RPE pipelines, all initial feasibility studies were completed for the three banks, and RPE seminars were completed for branch managers nationwide from Barclays, Kenya Commercial, and Standard Chartered banks.

At the end of the period, five RPE loans totalling KShs 42.15 million had been approved, ranging from KShs 250,000 for expansion of an agricultural implements operation to KShs 36 million for the establishment of a new bakery at Kisumu. By mid-October, the three participating commercial banks had developed an aggregate project pipeline totalling approximately KShs 265 million, or roughly 65% of total project lending resources.

These six months under review marked the first period in which project lending and non-lending tasks were actively operational. Although RPE was publicly announced in April 1987, actual implementation gained momentum only during the latter part of this six months period for a variety of reasons. The first is that an initial lead time is required for potential project sponsors to prepare their loan applications for presentation to the commercial banks. An additional factor was the follow-up required in instructing the branch managers who are implementing the program on the particulars of the project. Branch managers received head office circulars, detailing the basic aspects of RPE, which were reviewed and approved by Deloitte Haskins + Sells (DH+S). Following this action DH+S in conjunction with USAID, presented a series of seven one day seminars in Kisumu, Eldoret, Nyeri, Mombasa and Nairobi, with a thorough presentation and discussion of issues which would effect project implementation at the bank branch level. Further initial delays have occurred in the extension of RPE loans due to the banks' loan referral, review and approval processes, and the time required to complete loan securities and draw up loan agreements.

Other major task areas were addressed during May - October 1987 as well. Following informal discussions with each commercial bank on the application for and approval of the 2% grant funds available under RPE, DH+S presented a formal request to senior executives at Barclays, KCB and Standard Chartered to finalize grant funds utilization. Formal requests from the banks on this issue are expected to be presented to USAID before the end of calendar 1987.

DH+S completed the first initial feasibility study during this period for Standard Chartered Bank (Kiganjo Millers Ltd). Several feasibility study requests were directed to DH+S for consideration from the participating banks during the latter part of the six months, and a feasibility study pipeline was developed, as addressed below.

A two week comprehensive RPE training proposal was presented to senior management of the participating banks for review and approval. The training program, as discussed below, is a complete overview of long term and cash flow lending, preparation of feasibility studies, analysis of commercial and economic impact, and financial analysis and projections methodologies. It is anticipated, following the banks' final agreement on course content, scheduling, and their approval to absorb nominal expenditures related to the training program, that course presentation will begin in the first quarter 1988. DH+S Nairobi consultants have been assigned various segments of the training program, and are in the process of preparing their respective presentations.

Two other RPE seminars were held during this period. On June 3, 1987, a program attended by USAID, the Central Bank of Kenya, representatives of the three participating banks, and DH+S was conducted to ensure a complete understanding of the various project components by the major RPE participants. DH+S presented segments covering RPE eligibility, the application process at the branch level, the definition of agribusiness, and reporting requirements. USAID made presentations on procurement and the use of and application for grant funds.

During the same month, DH+S was invited to present a basic introduction on RPE to Barclays Bank branch managers nationwide, who had convened in Nairobi for an introductory presentation on the bank's VIP card. Our presentation included RPE purpose, the banks' role, eligibility, terms and conditions, application procedures, and introduction of our roles as project management contractor.

As required by the project, DH+S completed three initial procurement assignments for potential importers of capital equipment under the programme. A more detailed explanation of this work is given below.

SECTION 2 - PROJECT ADMINISTRATION

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Over the course of this six month period, DH+S met with each of the three participating commercial banks on several occasions to discuss project implementation, referral of feasibility studies, problems encountered in interpretation of RPE, and specific project eligibility. On the latter topic, DH+S provided a number of written clarifications especially with regard to agribusiness eligibility in Nairobi. In many cases, where the decision was clear cut, a verbal response was supplied at the time of the telephone request. In other cases, USAID was consulted when necessary, and in any event was copied on all our responses.

USAID has requested that over the near term all RPE eligibility questions be referred to the Mission. It is clearly undesirable that the banks should be able to gain different interpretations of eligibility by approaching DH+S or USAID individually. To avoid this problem, all projects requiring a written interpretation of eligibility will be referred to Mr J Omolo.

DH+S also completed the necessary RPE forms during the period, i.e. forms for Summary Description of the Loan, form for Local Purchases, Cumulative Quarterly Report and RPE Reimbursement Request Form. Each form was reviewed by USAID and the three commercial banks; subsequently DH+S met with each bank and incorporated minor amendments in the forms. The final forms were distributed to each bank and the Central Bank, and relevant forms were then forwarded to each bank's branch network (please see attached Exhibit C: RPE Forms).

The principal RPE contacts at the participating commercial banks are as follows:

- . Barclays Bank: Mr Harjit Singh, Manager, Business Development and Mr Ahmed Shallo, Assistant Corporate Director;
- . Kenya Commercial Bank: Mr J S Kakai, Credit Manager, and Mr P P Muiruri, Chief Manager, Credit and Marketing;
- . Standard Chartered Bank: Mr J D W Mburu, Credit Control Manager, and Mr S K Muumbi, Executive Director.

During the period under review, DH+S maintained and strengthened excellent relationships with the banks' senior RPE managers and were in contact with them on a regular, ongoing basis.

DH+S also met with numerous project sponsors referred by the participating commercial banks in order to determine project eligibility. A number of potential project sponsors approached DH+S directly; in these cases our policy has been to provide the sponsor with a five page project synopsis, respond to any questions on the project, and refer the prospective borrower to the commercial banks. DH+S continued to meet with those project sponsors referred by USAID in those instances where project eligibility is in question.

DH+S and USAID maintained frequent contact during the period, with project consultations taking place via telephone or in person on an almost daily basis. DH+S would like to propose that we re-institute bi-weekly meetings with USAID to ensure that all outstanding project issues receive our full attention on a regular basis.

DH+S also prepared a formal letter to the three banks fully explaining import licensing procedures under RPE. In sum, import licenses for the project will be handled through the offices of Mr Stephen Klaus at USAID, and will be expedited much more rapidly than import licenses issued through normal Central Bank of Kenya channels, since the RPE foreign exchange is sourced from a separate pool of funds.

During the six months ending 10/31/87, DH+S regularly appraised the project's two sub-contractors, Technoserve and International Executive Service Corps, on project developments. DH+S forwarded the previous six months workplan to each sub-contractor for purposes of planning and review discussions, and subsequently met with both firms to discuss their roles in undertaking the RPE tasks assigned to them. A full description of the work to be undertaken by the sub-contractors is detailed in the appended workplan.

DH+S also completed RPE budget projections in September 1987 and submitted a draft proposal to the USAID Contracting Office. Subsequently detailed discussions of our proposed budget have taken place, and DH+S is to submit a modified budget to the Missions for approval during November.

In third quarter 1987 DH+S began work with the Central Bank of Kenya on the institution's database requirements to meet CBK's needs in administering the RPE Project. A description of these activities is presented below. Initial work was completed as well on RPE management information systems at DH+S-Nairobi, as discussed in Section 3-F of this report. Further work may be required to ensure that DH+S can meet the Mission's full reporting needs, and this will be discussed and agreed with the Project Officer within the next quarter.

DH+S also finalized purchase of a Wang PC, accessories, and software for project administration at its Nairobi offices. Delivery of the equipment is anticipated in November 1987. Finally, a Peugeot 505 project vehicle was ordered for use by DH+S in carrying out its RPE tasks. Clearance and delivery of the vehicle is expected by late November.

As a result of press coverage at the Mombasa RPE seminar, articles on the project appeared in the Daily Nation (9-11-87), the Standard (9-14-87), Kenya Leo (9-13-87), and Coastweek (9-11-87). Copies of these media reports are shown in Exhibit D.

SECTION 3 - OTHER PROJECT ACTIVITIES

SECTION 3 - OTHER PROJECT ACTIVITIESRPE Bank Branch Manager Seminars

During the third quarter of 1987, seven special RPE seminars were held in five towns nationwide to provide a complete overview of RPE for all participating commercial bank branch managers and to answer any specific questions about the project which they had. The seminar dates, venues, and participants are as follows:

| <u>DATE</u> | <u>VENUE</u> | <u>PARTICIPANTS</u> |
|--------------------|--------------|---|
| August 12, 1987 | Kisumu | Kenya Commercial Bank Standard Chartered Bank DH+S: B. Clatt |
| August 13, 1987 | Eldoret | Kenya Commercial Bank Barclays Bank Standard Chartered Bank DH+S: B. Clatt |
| September 2, 1987 | Nairobi | Kenya Commercial Bank Standard Chartered Bank USAID: A. Lutton, J. Omolo DH+S: M. Thiribi B. Clatt |
| September 4, 1987 | Mombasa | Kenya Commercial Bank Standard Chartered Bank Barclays Bank USAID: A. Lutton, J. Omolo DH+S: B. Clatt |
| September 8, 1987 | Nyeri | Kenya Commercial Bank Standard Chartered Bank Barclays Bank USAID: A. Lutton DH+S: M. Thiribi B. Clatt |
| September 11, 1987 | Nairobi | Barclays Bank USAID: J. Omolo DH+S: M. Thiribi |
| September 25, 1987 | Kisumu | Barclays Bank DH+S: B. Clatt |

Total number of bank participants was 186. A partial list of participating bank branch personnel is provided in Exhibit E.

The following segments were presented in these one day regional seminars:

- RPE purpose and history
- project participants
- role of the banks
- special project benefits
- loan terms and conditions
- eligibility criteria
- loan development criteria
- excluded sectors
- definition of agribusiness
- special situations: agribusiness; re-conditioned or used equipment; re-financing; purchase of existing business; transport industries.
- reporting requirements
- Deloitte Haskins + Sells role:
 - . feasibility studies
 - . training; bank; sub-borrower
 - . procurement
 - . monitoring
 - . reporting
 - . management and technical assistance
- role of sub-contractors: IESC, Technoserve
- review of RPE forms:
 - . Summary Description of the Loan
 - . Form for Local Purchases

The seminars were conducted in an informal manner so as to allow open discussion and consultation regarding the branch managers' concerns. In each case, the branch managers' questions on implementing RPE were fully addressed. Branch managers from all three participating commercial banks stated that they had received head office circulars on the programs without further explanation; thus these seminars were widely perceived as essential for the branches to successfully implement RPE. Certain clarifications were required for the head office circulars: for example, several branch managers from Kenya Commercial Bank had interpreted their head office circular as stating that a two year grace period is required on all RPE loans. Many branch managers were not aware that the commercial banks were also charging 12% interest on their matched funding requirements. Furthermore, branch managers as a whole were not generally aware of RPE procurement requirements, especially the requirement to provide lists of U.S. suppliers to RPE borrowers who were importing capital goods and services.

The section of the seminars which generated the most discussion and required the most clarification was the definition of agribusiness, an area which was not fully covered in any of the head office circulars in detail. Several situations were explained at each seminar, and our reading is that in each case the branch managers had a sufficient grasp of agribusiness to be able to process loans under this criterion. However, it was stressed in all the seminars that DH+S must be consulted on any agribusiness or other eligibility question. A copy of our agribusiness definition document was given to each manager for future reference.

Some of the special agribusiness situations covered in each seminar include zero grazing, poultry farming, fish farming, ranching/livestock operations, horticulture, vegetable wholesale and retail business, and the coffee and tea industries. The forward/backward linkages to farming and various agriculture processing operations were stressed in defining which projects would qualify under the agribusiness criterion, both in the rural areas as well as in Nairobi and Mombasa.

In two separate seminars, bankers requested lists of projects which would be eligible which could be used by the branches in marketing RPE. Many of the initial RPE loan requests have been standard and unimaginative, for example posho mills and animal feeds mills. This list would be especially useful if projects could be identified by region or district. We informed the bankers that pre-feasibility studies/project identification is not a service provided by RPE; furthermore, that part of the rationale in extending RPE loans through sound, profitable banks with extensive branch networks is that each branch would know its own district and possible suitable projects the best, while DH+S and USAID, although each having extensive operations throughout Kenya, are more centralized. Nonetheless, in consultation with USAID and the head office of each bank, we shall make a determination as to whether this sort of exercise could be carried out under our present contract, and would benefit the bank branches (rather than constrain their thinking).

During the seminars the bankers mentioned several factors, both internal and external, which in their opinions may collectively inhibit the ultimate success of RPE. Among the internal factors noted were: low branch lending limits, for the most part not exceeding Kshs 200,000 (with the exception of Kisumu, Mombasa, and Nairobi branches); highly centralized decision-making and loan approval processes; a limit on the maximum term (2 to 3 years) which a branch manager can approve; and the general requirement that a prospective borrower should maintain a current account with the bank for a minimum of six months before a loan will be extended.

Since the banks are assuming all credit risk in the program, they are unwilling at this point to relax internal controls on any loan program. However, once RPE is firmly established and proven, and if we determine that these internal controls are limiting the referral of RPE loans from the branch level, we shall consult with the banks on relaxing certain in-house procedures in order to facilitate the project. In a meeting with Barclays, the bank's two major RPE contacts indicated that restrictive internal controls would be removed from RPE once the program had gained sufficient momentum within the bank.

Branch managers also noted that the participating banks are all extremely liquid at this time. However, it was recognized that not only could this situation change in a relatively short period of time, but also it would be very rare for any of the banks to extend a loan beyond 5 years using their own sources of funding. Furthermore, it was pointed out that the liquidity situation exists for Kenya shillings only, and that the availability of foreign exchange, with no forex risk to either the bank or sub-borrower, remains a major selling point for RPE.

The security aspect was also viewed as a potential barrier in extending RPE loans; however in the majority of seminars, discussions took place on more creative, non-traditional ways for the banks to perfect their security interests. These included provision of third-party guarantees, formation of co-operatives so that individuals may provide security on a pro-rata basis, arranging chattel mortgages, or taking a lien on other assets owned by existing businesses.

Although several bank managers mentioned that an external guarantee mechanism would greatly facilitate the implementation of RPE, it was explained that such a facility was outside its scope.

Certain bankers requested special RPE application forms which would require information specific to long term loans as well as include data on RPE eligibility. In addition, we received requests from branch managers to make the DH+S feasibility study format available to the branches to guide them in recommending RPE loans. These and other outstanding requests and issues mentioned in this section will be the topic of a special meeting which USAID and DH+S will hold during the fourth quarter of 1987.

Banks also mentioned the potential problem of competing projects in a given district, or the possibility of a larger RPE-financed project creating a monopoly. Suggestions were made to create a map of projects countrywide, to be updated on a quarterly basis.

There were also several queries about syndicated loan participations, for example with NIC. It was explained that these are allowable under RPE, as long as project eligibility requirements and the original terms and conditions were maintained.

Several other suggestions were put forth during the seminars. These include:

- actively promoting RPE through District Development Committees;
- seeking alternatives to promote RPE, both within and outside the banks, via the media, brochures, or through local chambers of commerce;
- adding 'health care related' as a fourth loan development criterion.

The following specific additional issues were raised on eligibility:

- How strict is the labour-intensive criterion, i.e. will any leeway be provided in interpreting the 80,000/- loan investment per direct job created. It was explained here that the project paper figure is US\$ 5000 per job, which translates as \$85,000 as the exchange rate approaches Kshs 17/US\$1.00.
- Definition of direct vs. indirect labor, especially with regard to seasonal labour. This must be determined on a case by case basis.
- Purchase of an existing business in receivership. To be referred to DH+S on a case by case basis; may qualify for RPE financing similar to a 'new business' if appropriate development criteria are met.

Other specific enquiries on agribusiness eligibility were received, including roofing tile production, biogas production, financing roads and other infrastructure in rural areas serving the agricultural sector, and cattle fattening operations.

Additional clarifications sought by branch managers include the following:

- under exceptional circumstances can the grace period be applied to interest payments as well as principal installments, should the bank wish to structure a loan in this manner?
- are any preferences given to indigineous borrowers, in line with GOK policy?

Procurement

During the six months ended 31 October 1987, DH+S carried out several project procurement requests for potential or actual RPE borrowers. In these initial activities, DH+S Nairobi consultancy personnel, following guidance provided by USAID Mission procurement staff, accessed information on potential US suppliers of capital equipment by utilizing the services of the Procurement Information Bulletin (PIB). However, the two consultants who initially will be responsible for accessing most of the required procurement information, have now fully familiarized themselves with the Thomas Register, the Vendor Selector Service Catalogs, and supplier cartridges available at USAID Mission headquarters.

Procurement assignments carried out include the following:

- 1) M/s Sunbird Soap Manufacturers (K) Ltd, Njoro.
Proposed KShs 5.5 million RPE loan.
Request for US suppliers of soap making equipment.
Two potential US suppliers responded to this enquiry, and all appropriate information was forwarded to the prospective borrower.
- 2) Raymonds Ltd, Eldoret.
Proposed KShs 15 million RPE loan.
Request for US suppliers of textile machinery, specifically automatic cone winders, open end machines and coilers.
Seven potential US suppliers responded directly to this PIB, and all information was expedited to Raymonds offices in Eldoret and Nairobi.
- 3) Bakermans Products Ltd, Thika.
Proposed KShs 3 million RPE loan (subsequently approved).
Request for US suppliers of bakery equipment, specifically, specialized mixers and ovens.
Five possible US suppliers responded to this procurement request, two asking for further specifications and price and delivery requirements.

In total, 18 responses were received, 11 of which referred directly to the specific equipment requests. The remaining responses were received from manufacturers' representatives or equipment brokerage services. However, the problems of non-responsiveness, or delay in response, are of concern.

In order to make the procurement process as efficient as possible, USAID has proposed that DH+S use its own US-based resources or employ the services of one or more US-based equipment/commodity procurement specialists. DH+S and USAID will review this proposal over the coming quarter and take action as appropriate.

Feasibility Studies

During the period, DH+S has developed and tested a standard feasibility model by which all projects will be appraised. The major areas evaluated include:

- . Company
- . Project
- . Market environment
- . Financial evaluation
- . Economic and social evaluation.

To assist financial evaluation of the project, DH+S has developed a generic 8 years financial forecasting model on Lotus 1-2-3. It allows input of detailed assumptions on a variety of expenditure and income variables. The model caters equally for both business expansion and start-up operations by either reconstructing current balance sheet position and then forecasting performance for the next eight years, or projecting eight years performance from a specified first year. The model produces the following financial statements:

- . Fixed assets schedule
- . Loans schedule
- . Profit and Loss account
- . Balance sheet
- . Cash flow projections

By varying the input assumptions, the model allows sensitivity analysis to test varied market and cost conditions. These will greatly assist evaluation of the whole project, having fully evaluated the down-side potential risk of a project while giving credit to the project's profitability.

In addition, DH+S received approval from USAID to undertake one pilot feasibility study with each participating commercial bank to ensure that our feasibility study model fulfills each of the bank's information requirements for determining when a loan may be extended under RPE. The KCB study (Kakamega Food Industries - bakery expansion and modernization) is currently under consideration within the Bank. The Barclays study (Alpa Nguvu Ltd - solar equipment manufacturing and assembling) is still under consideration in the bank since the borrower has requested an increased overdraft facility.

During this period the final pilot feasibility study was prepared, a KShs 14 million maize milling plant (Kiganjo Millers Ltd) for Standard Chartered Bank. The feasibility study is in the final internal approval process at the time of this writing and will shortly be presented to the bank.

At 31st October 1987, the RPE feasibility study pipeline, reflecting potential feasibility study clients referred to DH+S, is as follows:

| <u>Bank</u> | <u>Project Sponsor</u> | <u>Amount</u> | <u>Description</u> | <u>Status</u> |
|-------------|------------------------|-----------------|-----------------------|---|
| | | (KShs millions) | | |
| KCB | - | 3.0 | Cheese factory | Awaiting letter from bank. |
| KCB | Sun Manyatta | 36.0 | Edible oil processing | Initial meeting with sponsor scheduled. |
| Barclays | Orbit Chemical | 36.0 | Detergent factory | Pending with bank. |
| Standard | Galana | 20.0 | Livestock breeding | Eligibility in process of being determined. |
| Barclays | Essak Jiwa | 15.0 | Maize mill | Initial meeting held; |

DH+S intends to utilize the two RPE sub-contractors for at least one feasibility study each for these initial pipeline projects. The sub-contractors' services remain a high priority for engagements under this task item, which will be performed under the contractor's ultimate supervision.

In recent discussions with USAID Office of Projects we have noted that, under the existing 50:50 feasibility study cost sharing ratio, RPE feasibility studies for the most part are prohibitively expensive for the prospective borrowers targeted under the RPE Program. This is perhaps the most important single factor which has thus far resulted in low utilization of the feasibility study budget, especially with regard to the two project sub-contractors.

On October 28, 1987, USAID approved DH+S revising the cost sharing arrangement. DH+S has already drawn up a draft proposal, based on a sliding scale fee. A new arrangement will result in both much higher utilization of sub-contractor services as well as much better access to sub-borrowers of this essential non-lending service provided by the RPE project. DH+S anticipates that the final cost sharing proposal will be presented to USAID in the last quarter of 1987, and that review and implementation of the new scheme will occur shortly thereafter.

Two Week Comprehensive RPE Training Proposal

In August DH+S forwarded the formal proposal for initial two week branch manager RPE training to participating bank senior executives. The aim of RPE training is to ensure the success of program loans extended by the banks, as well as to institutionalize long-term lending and related concepts within the bank. Achievement of this aim is sought as well to further enhance the banks' services to their customer base and to maintain or increase their profit margins under longer term lending.

The training program will include in-depth segments on the following concepts:

- . long term lending/project finance
- . cash flow and related financial analysis
- . in-house feasibility studies
- . development impact of term lending.

RPE will meet all training costs, including materials for the seminars. The banks have been approached to approve nominal outlays for providing transport to and from the venue of the training course, as well as food and any required accommodations for the participants. Following each bank's approval and review of the course outline, DH+S Training Services Department will consult with each bank on the number of times and dates the course is to be offered, and the names of those branch managers to be nominated for this training. DH+S has proposed that the initial two week training course be conducted at each bank's training centre during the first quarter of 1988. The course will be split into two one week segments, so as not to disrupt the branch managers' work schedules. We also intend to limit each training course to 15 participants for maximum effect. Following the two week course, further specialized training on specific RPE concepts will take place during 1988.

The course is divided into 18 segments, which are currently being prepared. The course will also include syndicate work, written examinations, course evaluation, and issuance of a Certificate of Participation to bank personnel who successfully complete the training course.

Central Bank of Kenya/RPE Computer Management

CBK received the RPE computer and software from the Ministry of Finance during the current reporting period.

The first task has been to install and make the computer operational at CBK. The local agent for the computer has been contacted to test, carry out all the hardware and software installations, supply a power stabilizer and provide one day training to CBK personnel on basic operational techniques. The agent will also draw up a maintenance agreement after testing and assessing the local value of the computer. These tasks are currently being carried out.

Secondly, DH+S personnel have visited CBK staff who are administering the RPE project to carry out a survey of the proposed CBK/RPE monitoring system. Initial guidelines for the system have been drawn up and detailed system specifications are now being developed.

Preliminary work has begun on the CBK/RPE monitoring system which currently consists of six major modules:

1. Projects masterfile
2. Interest and principal repayments maintenance
3. Investment and recycling of USAID funds held at CBK
4. Renewal and maintenance of promissory notes
5. Monitoring of off-shore procurement
6. Monitoring of direct USAID incentive payments to banks.

Modules 2 to 6 will be maintained on separate database files while the projects database will be treated as the major masterfile through which all the other modules will be linked. The CBK/RPE system will be designed to be menu driven to enhance 'user friendliness' and to minimize the risk of inadvertent corruption of data files by inexperienced users. Specifications are also being drawn up for the reports to be generated by the system and their frequency. The reports will primarily be addressed to the Treasury with copies being distributed to USAID and DH+S for project monitoring purposes. Our preliminary recommendations will be discussed and agreed with the USAID project officer before implementation.

RPE Management Information Systems

Databases have been set up to monitor the following RPE tasks:

- (a) Project sponsor enquiries - these include both sponsors' direct enquiries to DH+S and those referred by the participating financial intermediaries. The enquiries are either verbal (by telephone or personal visit to DH+S offices) or written project enquiries. The pertinent data held in this database include:
- . Enquiry/Record Number
 - . Date of enquiry
 - . Name and short address of enquirer
 - . Location of project
 - . Type of project
 - . Amount of loan
 - . Type of enquiry
(direct, referral, verbal, written)
 - . Eligible (Yes/No)
 - . Short description of response
 - . Short description of any follow-up
action (if any).
- (b) Eligibility requests - these include specific enquiries of project eligibility for RPE financing referred by either the financial intermediaries or USAID. The data held on this database is similar to the project sponsor enquiries detailed above, except that the name field holds a request source code (financial intermediary or USAID).
- (c) RPE pipeline status - the financial intermediaries are required to report to USAID and DH+S on a regular basis the status of project proposals. This information is entered into a database from which all proposals are monitored until they either become funded projects or are rejected. The pertinent data contained on this database includes RPE loan request amount, eligibility criteria, and status of project evaluation.
- (d) Project monitoring - The primary source of input data for this database are the detailed quarterly reports from the financial intermediaries on sub-borrowers, which will include total credit provided and the financial

status of each project. These reports together with the DH+S project visit reports will be used to update and monitor each project. The pertinent information held on this database will include:

- . Project account number (the primary identifier key for the entire RPE project)
- . Name and address of sponsor
- . Location of project
- . Amount of loan approved and breakdown into approved expenditure items
- . Details of all loan drawdowns per expenditure item.

The reports produced from this database will:

- . Detail the financial status of each project and draw attention to any problem project.
- . Analyze each financial intermediary composite portfolio and compare with USAID projections.

- (e) Commodity Procurement - this database will record all sub-loan import requirements referred to DH+S by the financial intermediaries. The database will also record the assistance provided by DH+S in identifying appropriate USA origin equipment.
- (f) Feasibility studies status - this database will hold information on the current status of all feasibility studies in progress and scheduled by DH+S. The feasibility study request may originate as a direct request from a project sponsor, through his bank, or as a final decision of the RPE pipeline (module 4 above).
- (g) RPE expense records and billing system - a Lotus 1-2-3 spreadsheet model has been set up to compute on a monthly basis costs incurred and fees earned by DH+S. Itemized costs and fees will be calculated for:
 - . Direct labor: broken down by type of activity. Project administration labor costs will be broken down by individual personnel and rate, and the hours extended to arrive at a total cost per person.

- . Overheads: charged provisionally at 79.5% of Direct labor costs, or at the latest approved DCAA rate; travel expenses and allowances as incurred.
- . Subcontract consultants: broken down by type of activity; labor costs will be computed as specified under Direct Labor above.

The above monthly costings will then feed into another spreadsheet which will record the current billing, year to date billing, total cost by itemized category, and budgeted costs and variances.

(h) Central Bank of Kenya/RPE project monitoring - this system consists of six major modules:

- . Projects masterfile
- . Interest and principal repayments transactions file
- . Investment and recycling of USAID funds held at CBK
- . Renewal of promissory notes
- . Monitoring of off-shore procurement
- . Monitoring of direct USAID incentive payments to financial intermediaries

The main masterfile for this system is the project masterfile through which most of the transactions will be validated before updating the secondary modules. This system is designed to be menu driven to facilitate easy operation by the Bank personnel.

Project Workplan and Budget

The workplan for the six months ending April 30, 1988 is based on the assumption that RPE lending will progressively increase, and non-lending project tasks will become more and more active over the period. By the end of this workplan period we anticipate that all RPE task areas will be fully operational. Total work days budgeted for the period November 1, 1987 through April 30, 1988 are 783.

The main tasks envisaged during this period are:

- . Feasibility Studies
- . Bank Training
- . Promotion
- . Monitoring
- . Procurement Assistance
- . Direct Management Assistance

The detailed workplan is included in Exhibit A.

Actual level of effort under the contract during the 3.5 years ending October 31, 1987 was 1,271 work days compared with 3,941 budget work days.

EXHIBITS

Addendum

SIX MONTHS WORKPLAN TO 30TH APRIL 1988

BACKGROUNDTasks completed during previous six months workplan

- Seven initial RPE seminars completed for branch managers nationwide from Barclays, Kenya Commercial, and Standard Chartered banks.
- Formal requests presented to senior executives of participating commercial banks on the application for and approval of the 2% grant funds available under RPE.
- Two week comprehensive RPE training proposal was presented to senior management of the participating banks for review and approval.
- RPE introductory seminar held in June 1987 for all program participants: USAID, DH+S, Central Bank of Kenya, Barclays, KCB, and Standard Chartered.
- Special RPE seminar conducted in Nairobi for all Barclays branch managers nationwide.
- Initial RPE procurement assignments carried out by DH+S.
- Initial RPE feasibility study for Standard Chartered Bank completed (Kiganjo Millers Ltd).
- Completed periodic World Education monitoring.
- DH+S completed required RPE forms, as follows: Summary Description of the Loan, Form for Local Purchases, Cumulative Quarterly Report, RPE Reimbursement Request Form.
- DH+S prepared formal letter to the three RPE banks fully explaining import licensing procedures under RPE.
- DH+S met with both project sub-contractors, Technoserve and IESC, for formal RPE planning and review discussions.
- DH+S completed initial work on in-house RPE MIS requirements.

- DH+S began work with the Central Bank of Kenya on database requirements for administering the RPE project.
- DH+S finalized purchase of a Wang PC, accessories, and software for project administration at its Nairobi offices.
- Purchase of Peugeot 505 RPE project vehicle finalized.
- DH+S completed preliminary RPE budget projections through the current end of the contract and submitted to USAID for further consideration.
- DH+S met extensively with project managers at all three participating commercial banks to review project implementation and sub-borrower eligibility.
- DH+S met with numerous prospective sub-borrowers referred by the RPE banks to discuss project interpretation and eligibility.
- DH+S continued to correspond with large numbers of potential project sponsors and supply them with a project synopsis.
- DH+S reviewed several initial feasibility study requests from the participating commercial banks and developed a feasibility study pipeline.

NEXT SIX MONTHS

Assumptions

1. First RPE loan disbursed in September, 1987.
2. Quarterly monitoring begins three months thereafter, i.e. December, 1987.
3. Assume 40 RPE loans made; average loan size: Kshs. 2 million.
4. Assume feasibility study cost sharing proposal amended and implemented during early part of first quarter, 1988.
5. Assume thirteen complete feasibility studies will be undertaken.
6. Twenty consulting work days per feasibility study. (Total = 260 work days).

7. Procurement: Assume one work day per project with import component. Assume 25% of projects funded will have foreign sourced capital requirements (Total = 10 work days)
8. Monitoring: Assume 3 consulting work days per outstanding project per quarter (inclusive of on-site visits, when required) (Total = 51 work days) as follows:

| <u>Period</u> | <u>Loans Made in Previous Pd</u> | <u>Nov 87 Jan 88</u> | <u>Feb 88 Apr 88</u> | <u>TOTAL</u> |
|----------------------|--|--------------------------|--------------------------|--------------|
| No. loans made | 1 | 15 | 30 | 41 |
| No. loans monitored | - | 1 | 16 | 17 |
| Monitoring work days | - | 3 | 48 | 51 |

9. Bank training: Assume 5 work days planning and preparation: plus 15 work days per bank . (Total = 50 work days)
10. Direct management assistance: Assume total of eight consultancies, 15 work days each (Total = 120 work days)
11. Entrepreneur training: Assume commences in latter part of period, as regional training in basic management/finance/marketing : Total = 5 work days.

ACTIVITIES DURING THE NEXT SIX MONTHS

1. Feasibility Studies
 - . finalizing cost sharing formula
 - . agree feasibility study budget with sponsors
 - . carrying out studies
 - . allocating studies to sub-contractors
 - . supervising work of sub-contractors
2. Bank Training
 - . Initial two week training course in business advisory services, project appraisal, long term lending, and related topics to be held for branch staff of each participating bank.
 - . Preparation for short seminars on specific topics within the scope of RPE.

3. RPE promotion to continue via use of mass media and DH+S meetings with related institutions.
 - . DH+S to promote RPE through public addresses at regional chambers of commerce.
 - . DH+S to work with banks in developing internal RPE promotional material.
 - . Promote RPE through District Development Committees.
4. Continue on-going discussions with participating banks on monitoring, bank lending policies and procedures, training, and feasibility studies.
5. Monitoring sub-borrowers and banks starts in December, 1987; complete monitoring forms in November, 1987.
6. World Education periodic monitoring to continue.
7. Procurement assistance
 - . identification of procurement needs;
 - . references to commodity information retrieval systems at CIP office;
 - . monitoring procurement procedures and actual procurement;
 - . clarification of procurement procedures with participating banks;
 - . finalize plan to contract U.S. supplier procurement tasks to U.S.-based procurement specialists.
8. Project sponsor managerial training: regional seminars to be held covering basic management skills, cash flow projections, re-ordering of consumables, marketing and competition, finance for non-accountants, cost control, and pricing.
9. Regular quarterly meetings between USAID, DH+S, participating banks, and CBK in December, 1987, and March, 1988.
10. DH+S to finalize in consultation with CBK disbursement and receiving operations and reporting systems, and computerization of these functions.

11. DH+S to finalize setting up all RPE database systems.
12. DH+S to oversee projected eight direct management consultancies undertaken by IESC and Technoserve.
13. DH+S to finalize RPE Budget in consultation with USAID.
14. DH+S to finalize RPE contract revisions in consultation with USAID.

**KENYA RPE PROJECT WORKPLAN
NOVEMBER 1987-APRIL 1988**

| | 1987 | | 1988 | | | | Estimated Consulting Work Days | Estimated Project Management Work Days |
|---|----------|----------|---------|----------|-------|-------|--------------------------------------|--|
| | November | December | January | February | March | April | | |
| Administration* (see note below) | | | | | | | | |
| General Proj. Management | ----- | ----- | ----- | ----- | ----- | ----- | | 65 |
| RPE Database Programming/Management | ----- | ----- | ----- | ----- | ----- | ----- | 15 | - |
| Administration Installation of Computer | ----- | | | | | | 5 | 1 |
| Bank Assistance/Training: KCB | ----- | ----- | ----- | ----- | ----- | ----- | 17 | 20 |
| Bank Assistance/Training: Barclays | ----- | ----- | ----- | ----- | ----- | ----- | 17 | 20 |
| Bank Assistance/Training: Standard Chartered | ----- | ----- | ----- | ----- | ----- | ----- | 16 | 20 |
| Procurement | ----- | ----- | ----- | ----- | ----- | ----- | 10 | 2 |
| Monitoring | | ----- | ----- | ----- | ----- | ----- | 51 | 20 |
| Feasibility Studies | ----- | ----- | ----- | ----- | ----- | ----- | 84 | 10 |
| PVO Monitoring | | | | | ----- | | 20 | 3 |
| Promotion | ----- | ----- | ----- | ----- | ----- | ----- | 5 | 14 |
| Training | | | | ----- | ----- | ----- | 5 | 6 |

KENYA RPE PROJECT WORKPLAN
NOVEMBER 1987-APRIL 1988

| | November | December | January | February | March | April | Estimated Consulting Work Days | Estimated Project Management Work Days Per Task |
|----------------------------|----------|----------|---------|----------|-------|-------------------------|--------------------------------------|--|
| <u>Feasibility Studies</u> | | | | | | | | |
| IESC | | ----- | | | | | 80 | 8 |
| Technoserve | | ----- | | | | | 120 | 15 |
| <u>Direct Mgmt. Asst</u> | | | | | | | | |
| IESC | | | | ----- | | | 60 | 7 |
| Technoserve | | | | ----- | | | 60 | 7 |
| | | | | | | | ---- | ---- |
| | | | | | | TOTAL MANDAYS | 565 | 218 |
| | | | | | | | ===== | ===== |
| | | | | | | GRAND TOTAL 783 MANDAYS | | |

* Administration: General Project Management work days provided by the on-site project director/managers (J Ginnings, B W Clatt, M Thiribi) can be sub-divided by task as noted in above far right column.

EXHIBIT B

KENYA RPE PROJECT
 BUDGET REVIEW TO 31 OCTOBER 1987

| | Actual to <u>31.10.87</u> US\$ ----- | TOTAL <u>BUDGET</u> US\$ ----- |
|--------------------------|---|---|
| 1. Direct labor | 137,117 | 146,174 |
| 2. Overheads | 109,008 | 116,209 |
| 3. Travel and Allowances | * 47,764 | 170,691 |
| 4. Consultants: | | |
| DH+SA | 246,864 | 525,236 |
| Technoserve | 34,584 | 595,578 |
| IESC/Others | 8,386 | 181,944 |
| 5. Other Direct Costs | * 46,469 | 30,000 |
| 6. G & A | 50,536 | 141,267 |
| 7. Fixed Fees | 23,069 | 64,487 |
| | ----- | ----- |
| TOTALS | \$ 703,797 ===== | \$ 1,973,586 ===== |

* Please note that substantial unbilled expenses in line items Nos 3 and 5 will be invoiced following final budget negotiations with USAID, currently in progress.

To be submitted by Commercial Bank (for each new approval)

TO CBK AND USAID; copy to DHS

KENYA RURAL PRIVATE ENTERPRISE PROJECT

Bank: _____ Branch _____ Date: _____

SUMMARY DESCRIPTION OF THE LOAN

Customer and Project Description

(a) Customer's Name: _____
P O Box: _____
Town/District: _____
Nature of Business: _____
Asset Size (Before): _____ (Net Increase) _____

(b) Project Description: (tick boxes which apply)
New: Expansion:
Production(s) or Services(s): _____
Market: domestic export
Number of employees (Before) _____ (Net Increase) _____
Production Starting Date For this loan: _____
Eligibility criteria: Agribusiness
Foreign Exchange
Employment
Repayment Period _____
Grace Period (if applicable) _____

Please see reverse side

To be submitted by bank customer to bank branch manager

KENYA RURAL PRIVATE ENTERPRISE PROGRAMME

FORM FOR LOCAL PURCHASES

Name of Bank: _____ Branch _____

Customer's Name: _____

To be completed by supplier:

Supplier's Name:

Address:

| List of Machinery/Other Goods | Selling Price | County of Origin* | (For official use only) Code |
|-------------------------------|---------------|-------------------|------------------------------|
| | | | |
| | | | |
| | | | |
| | | | |

Suppliers Certification:

I hereby certify that to the best of my knowledge none of the commodities above are procured from any country listed below nor do they contain any components from such countries.**

Singed:

Date:

Name/title:

* Country where goods were produced

Please see reverse side

21

To be submitted by bank to CBK, copy to USAID and Deloitte Haskins + Sells

RURAL PRIVATE ENTERPRISE REIMBURSEMENT REQUEST FORM

Bank Name: _____ Date: _____

| A | B | D Loans Amounts Disbursed | | | | E | F | G | H | I | J | |
|----------------|-------------------|---------------------------------|---------------------------------------|---|--------------------------------|---------------------------------------|---------------------|--------------------------|--|--|---|-----------------------|
| Name of client | Total Loan Amount | Shillings Disbursements by bank | Foreign Exchange Disbursements by AID | | | | Total To-date (C+D) | AID Contribution (2/3xE) | AID Contribution Net of Foreignments (F-D) | Less Shillings Amount Previously to Banks by CBK | Shillings due to Banks from (CBK) (G-H) | Undrawn Balance (B-E) |
| | | | D1 Dollar Disbursements | D2 Applicable exchange rate in effect* | D3 Multiply previous 2 cols | D4 Date USAID made payment in U.S. | | | | | | |
| | | | | | | | | | | | | |

Loans for which disbursement requests are made for the first time require a Project description summary sheet.

* K Shillings translated at pure Central Bank of Kenya selling rate on date of transaction.

CUMULATIVE QUARTER / REPORT

| Name | Location | Loan Size | Loan Amount Disbursed (Shillings Equivalent) | | | | Repayment Status* |
|---|----------|-----------|---|-------|-------------------|--------------------|----------------------|
| | | | AID Disbursement | | Bank Disbursement | | |
| | | | Foreign (in Ksh) | Local | Term Credit | Working Capital | |
| <p>*Code A= all loan payments up to date B= in arrears</p> <p align="center">To be submitted within 15 days after March 31st, June 30th, September 30th, December 31st to USAID. Copies to CBK and DH+S</p> | | | | | | | |

NANCE AND BANKING AND FINANCE AND BANKING AND FINANCE AND BANKING AND FINAN

Bankers Discuss U.S. Aid Loans

A LOAN FACILITY of K Shs 385 million has been made available to the Kenya Government by the US Agency for International Development to help establish and expand rural private business, as well as to create 19,000 new jobs.

Matching this loan facility are three major commercial banks — Kenya Commercial Bank, Standard Chartered and Barclays which between them have added K Shs 198 million bringing the total loan available under this Rural Private Enterprise Programme to around Shs 583 million.

Deloitte Haskins and Sells, an international accountancy firm, is responsible for the management and implementation of this programme and it is the Kenya Commercial Bank, Standard Chartered and Barclays banks which are involved in the distribution of these funds.

Since the money is being loaned through the banking system, thirty branch managers from these banks in the Coast Province — including Wundanyi, Voi, Malindi, Kilifi, Ilala, Ukunda and Mombasa attended a one-day seminar at Mombasa Beach Hotel as eligible borrowers will be borrowing money through branches of the bank in which they work.

Full details of the programme was spelled out to them by Larry W. Clatt, Project Manager, Deloitte Haskins and Sells, also Justus N. Omolo, Private Sector Specialist and Mrs. Annie Luttm, Procurement Specialist — both from USAID Nairobi.

The seminar was to help bankers familiarise themselves

with all details of the programme and begin to make loans.

These are now available from branches of these banks and so far three have been made after having met the bank's normal credit requirements.

The main purpose of the programme is to help increase rural production, incomes and employment in Kenya.

Similar seminars have also taken place in other parts of Kenya.



SOME OF THE Bank Managers in the Coast Province who will be dealing with loans under the Rural Private Enterprise programme are pictured at Mombasa Beach Hotel where they had been attending a seminar conducted by

Larry W. Clatt, Project Manager, Deloitte Haskins and Sells, also Justus N. Omolo, Private Sector Specialist and Mrs. Annie Luttm, Procurement Specialist — both from USAID Nairobi (seen in centre)



Mameneja wa banki ambao watahusiana na mpango wa utoaji mikopo sehemu za mashabani majuzi walikutana Mombasa katika Mombasa Beach Hotel kwenye semina maalum iliyoitishwa na Barry W. Clatt, Meneja wa Miradi wal Deloitte Haskins and Sells.

13/9/87 KENYA LEO



EXHIBIT D
RPE MEDIA RELEASES

Bank bosses briefed

THIRTY branch managers from Kenya Commercial Bank, Standard Chartered and Barclays banks in the Coast Province attended a one-day briefing over the Shs 583 million Rural Private Enterprise Programme which aims to establish and expand rural private businesses and create 19,000 new jobs.

A Shs 385 million loan has been made available to the Kenya Government by the US Agency for International De-

velopment. Matching it two to one, are the above mentioned banks which, between them, have added Shs 198 million, bringing the money available to Shs 583 million.

Deloitte Haskins and Sells, an international accountancy firm, is responsible for the management and implementation of this programme. The three banks are involved in the distribution of these funds.

Those who will be running the programme pose for a group picture outside Mombasa Beach Hotel where the briefing was held.

Register for your vote today

EXHIBIT E. REGIONAL BANK BRANCH TRAINING
SEMINAR PARTICIPANTS

12th August 1987 - Seminar held at Imperial Hotel, Kisumu

KENYA COMMERCIAL BANK LIMITED

| | |
|------------------|-----------------------|
| Mr D L Karanja | Area Manager, Western |
| Mr J H M Nderitu | Manager, Bungoma |
| Mr J K Kibor | Manager, Kakamega |
| Mr M W Muriithi | Manager, Kisii |
| Mr Z K Karani | Manager, Kisumu |
| Mr N P Mwangi | Manager, Migori |
| Mr N N Wahome | Manager, Mumias |
| Mr G M Musyoki | Manager, Siaya |
| Mr N O Opinya | Manager, Webuye |

STANDARD CHARTERED BANK KENYA

| | |
|-----------------|-------------------|
| Mr W R Maina | Manager, Kisumu |
| Mr V K S Ngotie | Manager, Kisii |
| Mr J K Wanjohi | Manager, Kakamega |
| Mr W P Mireri | Manager, Busia |

13th August 1987 - Seminar held at Sirikwa Hotel, Eldoret

KENYA COMMERCIAL BANK LTD

| | |
|------------------|--|
| Mr S G Vadher | Area Manager, North Western |
| Mr R K A Koech | Assistant Manager, Eldoret |
| Mr M A Rayi | Manager, Kericho |
| Mr E G S Nganga | Manager, Kitale |
| Mr S K Ciriba | Manager, Lodwar |
| Mr J C E Okiror | Manager, Nandi Hills |
| Mr J K Milgo | Manager, Kabarnet |
| Mr V D P Emojong | Manager, Sotik |
| Mr J K Kolil | Officer incharge, Kapenguria (Sub-Branch) |
| Mr W Z Mutumira | Officer incharge, Iten (Sub-Branch) |
| Mr C Muiru | Advances Officer, Eldoret |

STANDARD CHARTERED BANK KENYA

| | |
|----------------|-------------------|
| Mr N K Karanja | Manager, Eldoret |
| Mr J W Chepkor | Manager, Kapsabet |
| Mr E C Kittur | Manager, Kabarnet |

Barclays Bank of Kenya Ltd list not available.

2nd September 1987 - Seminar held at Silver Springs Hotel, Nairobi

STANDARD CHARTERED BANK KENYA

| | |
|------------------|---|
| Mr M E Muhindi | Manager, Kenyatta Avenue |
| Mr W S Mwangi | Manager, Moi Avenue |
| Mr S M Gichuru | Assistant Manager, Kimathi Street |
| Mr A M Lubia | Manager, Harambee Avenue |
| Miss m M'Nkanata | Acting Assistant Manager, Industrial Area |
| Mr J M Kioko | Manager, Haile Selassie Avenue |
| Mrs R L Musyoki | Manager, Westlands |
| Mr S E Rampuri | Manager, Gateway House |
| Mr J D Mburu | Credit Control Manager |
| Mr J M Musyoki | Accountant, Athi River |
| Mr P Gitungo | Manager, Limuru |
| Mr F Chepkurui | Manager, Machakos |
| Mr M A Chemobo | Manager, Thika |
| Mr H M M'Marete | Manager, Kiambu |

KENYA COMMERCIAL BANK LIMITED

Moi Avenue Branch

| | |
|-------------------|---|
| Mr B A Tabulo | Manager, Corporate Division |
| Mr F M Mwhia | Manager, Retail Division |
| Mr P F Ndambuki | Account Manager, Corporate Division |
| Mr R M Pandya | Account manager, Corporate Division |
| Mr John Oringo | Account Officer, Retail Division |
| Mr E K Arap-Bili | Area Manager, Moi Avenue |
| Mr E F L Buyu | Area Manager, East Central |
| Mr K Wainaina | Area Manager, West Central |
| Mr J N Gakunju | Senior Credit Officer, Head Office |
| Mr J N Keyonzo | Manager, Kajiado |
| Miss F W Ngatia | Manager, Kenyatta Avenue |
| Mr S P W Karimi | Manager, Kikuyu |
| Mr J K Muthundo | Manager, Kipande House |
| Mr H G Kuria | Manager, Muindi Mbingu |
| Mr E W Nakitarre | Manager, River Road |
| Mr S M Kariuki | Manager, Sarit Centre |
| Mr G Kigundu | Manager, Naivasha |
| Mr R N Gachogu | Manager, Nakuru |
| Mr H K Bore | Manager, Loitokitok |
| Mr J M Matheka | Manager, Mandera |
| Miss Grace Ithau | Manager, UN Gigiri |
| Mr J O Kodula | Manager, City Centre |
| Mr D J Kimani | Manager, Industrial Area |
| Mrs N E M Ambwaya | Manager, Kenyatta International Conference Centre |

| | |
|------------------|---------------------|
| Mr H K A Bunei | Manager, Machakos |
| Mr W C W Kariuki | Manager, Kiambu |
| Mr J K Kariuki | Manager, Tom Mboya |
| Mr M K Karanja | Manager, Ruiru |
| Mr B A Mbutia | Manager, Githunguri |
| Mr D M Wambua | Manager, Tala |
| Mr c G Kabui | Manager, Thika |
| Mr S R L Maumoh | Manager, Mwingi |

4th September 1987 - Seminar held at Mombasa Beach Hotel,
North Coast

KENYA COMMERCIAL BANK LTD

| | |
|-------------------|---------------------------------------|
| Mr A N Kebeya | Senior Credit Officer, Head Office |
| Mr M s Fazal | Area Manager, Coast |
| Mr S R O Misigah | Assistant Manager, Treasury Square |
| Mr G J O K'Ounah | Officer, Treasury Square |
| Mr S S Said | Officer, Treasury Square |
| Mr E M Muhindi | Manager, Kilindin |
| Mr N M Khataw | Manager, Town Centre |
| Mr G M Muthane | Manager, Malindi |
| Mr S N Marung'eny | Manager, Voi |
| Mr M M Kimeu | Manager, Ukunda |
| Mr C K Kugotwa | Manager, Wundanyi |
| Mr L N Rurigi | Manager, Hola |

STANDARD CHARTERED BANK KENYA

| | |
|---------------|------------------------------|
| Mr S C Patel | Manager, Treasury Square |
| Mr J O Odenyo | Manager, Kilindin/Moi Avenue |
| Mr J Muraguri | Manager, Malindi |

Barclays Bank Kenya Ltd list not available.

8th September 1987 - Seminar held at Central Hotel, Nyeri

KENYA COMMERCIAL BANK LIMITED

| | |
|------------------|-----------------------------|
| Mr P N Ngigi | Area Manager, Mountain |
| Mr S N Mutahi | Manager, Chuka Branch |
| Mr F N Wanyoike | Manager, Embu Branch |
| Mr B M Kinyanjui | Manager, Kangema Branch |
| Mr C R Mangi | Manager, Karatina Branch |
| Mr P G Kung'u | Manager, Kerugoya Branch |
| Mr M a Maru | Manager, Marsabit Branch |
| Mr E L Wahome | Manager, Meru Branch |
| Mr P N Kimondo | Manager, Murang'a Branch |
| Mr C R Mwaura | Manager, Nanyuki Branch |
| Mr P s Ndritu | Manager, Nyahururu Branch |
| Mr W M Macharia | Manager, Nyeri Branch |
| Mr J J K Kimani | Manager, Othaya Branch |
| Mr j K K Muguimi | Credit Officer, Head Office |
| Mr J G Chege | BAS Consultant |
| Mr P N Gitau | Manager, Harambee Plaza |
| Mr A J Terer | Manager, Mashariki |
| Mr P B Munpla | Manager, Wajir |

STANDARD CHARTERED BANK

| | |
|----------------|-----------------------------|
| Mr J E Ongayo | Manager, Nyeri Branch |
| Mr H E Wangori | Acting Manager, Meru Branch |
| Mr S N Karanja | Manager, Nanyuki Branch |
| Mr S J Ndungu | Accountant, Karatina |

BARCLAYS BANK OF KENYA LTD

| | |
|---------------|--------------------|
| Mr K W Kimani | Manager, Nyahururu |
| Mr P D Kimani | Manager, Nyeri |
| Mr P Mueni | Manager, Muranga |
| Mr M Swan | Manager, Embu |
| Mr Z Campbell | Manager, Karatina |
| Mr D L Mwangi | Manager, Nanyuki |
| Mr Abdalla | Manager, Meru |

11th September 1987 - Seminar held at Panafric Hotel, Nairobi

BARCLAYS BANK OF KENYA LTD

| | |
|--------------------|---------------------------|
| Mr C M Uzini | Manager, Changamwe |
| Mr Kariuki Gikanga | Manager, Head Office |
| Mrs A C Obare | Manager, Hurlingham |
| Mr F C Kochar | Manager, Kenyatta Avenue |
| Mr J D Ndungu | |
| Mr A J Ngeng | |
| Mr J K Mwangi | Manager, Moi Avenue |
| Mr S I Kanji | Manager, Pioneer Building |
| Mr L O Mbunge | Manager, River Road |
| Mr B W Ngethe | Manager, Union Towers |
| Mr B J Odondi | Manager, Westlands |
| Mr H R Kohil | Manager, NGSEX |
| Mr J M Kibe | Manager, Limuru |

EXHIBIT F. RPE PIPELINE REPORT

In addition to monitoring regular bank and sub-borrower lending activities DHS will also monitor the participating commercial banks' project pipelines, to be incorporated into this report on on-going basis. DHS sent a standard pipeline report form to each bank (see attached Exhibit F) for purposes of standardizing this exercise. In addition to supplying basic information on the potential RPE borrower, additional information on the project was sought as follows:-

- existing bank customer or not
- amount of RPE loan request
- eligibility criteria met
- internal bank status of loan:

Following is a review and analysis of each bank's RPE pipeline as at October 31, 1987:

A Kenya Commercial Bank

| | <u>Name of Borrower</u> (type of project) | <u>Amount</u> (Kshs, 000) | <u>Status</u> |
|----|--|------------------------------|------------------------|
| 1. | Kakamega Food Industries (bakery expansion) | 3,000 | under consideration |
| 2. | Highlands Mineral Waters Ltd (Soda production expansion) | 5,300 | being processed |
| 3. | John Gatu Nderitu (hotel) | 1,800 | under consideration |
| 4. | Kulawa Salt Works Ltd (processing of salt) | 10,000 | recently proposed |
| 5. | Kibos Industries Ltd (cotton ginning) | 15,000 | recently proposed |
| 6. | United Millers Ltd (new bakery) | 36,000 | Request Approved |
| 7. | Lake Tanners Ltd (fish canning) | 20,000 | Recently introduced |
| 8. | Afro Meat Ltd (fish and meat canning) | 10,000 | Recently proposed |

| | | | |
|--------|--|-----------------------|------------------------|
| 9. | Dynamic Drums Ltd (re-cycling of drums) | 5,248 | under consideration |
| 10. | Tana Salt Ltd (commercial salt farm) | 5,000 | under consideration |
| TOTAL= | | Kshs 111,348 ===== | |

The KCB RPE pipeline included ten applications totalling Kshs 111.3 million as at October 31, 1987, representing approximately 39% of the bank's total RPE lending resources of Kshs 288 million.

The pipeline loans range in size from Kshs 1.8 million to Kshs 36 million, with an average of Kshs 11.1 million. Of the ten reported loans, four were recently proposed, four were under active consideration and analysis, one was being processed for approval, and one had already been approved. Dynamic Drums, will be referred to the contractor for a feasibility study. Sixty percent of pipeline projects consists of existing KCB customers. Four of the projects are located in Nyanza, three in Central, two on the Coast, and one in Western Province, representing an equitable geographic distribution. The eligibility of two, Dynamic Drums and J.G. Nderitu, remains in question. United Millers (Kshs.36 million) had received USAID approval.

KCB has reported that this data is from its larger branches only. Both KCB and BAS report a high level of customer enquiries, and the KCB RPE project manager has indicated that the bank may wish to pursue an increase in allocation of its RPE funds over the intermediate term.

B Standard Chartered Bank

| | <u>Name of Borrower</u> (type of project) | <u>Amount</u> (Kshs,000) | <u>Status</u> |
|----|--|-----------------------------|---|
| 1. | Tropical Nectar (K) Ltd (horticulture/agro- processing) | 24,400 | under preliminary consideration |
| 2. | Flamingo Textile Ind. Ltd (cotton and synthetic yan manufacturing) | 33,500 | application at advanced internal approval stage USAID approval awaited. |
| 3. | Nyange Saw Mills Ltd (timber processing) | 15,000 | internal clarifications sought on limits for facilities |

| | | | |
|----|--|-----------------------------|--|
| 4. | Jonathan S. Solitei (livestock processing) | 1,500 | RPE eligibility in process of being determined |
| 5. | Keri Fish Ind. (fish processing) | 2,250 | prelim, feas. study awaited |
| 6. | Sasuma Saw Mills Ltd (timber processing) | 1,303 | local procurement in process |
| 7. | James Awinyo + Sone Co. Ltd (shoe production) | 24,000 | awaiting final application from KSU. branch |
| | | TOTAL= Kshs 78,952 ===== | |

The Standard Chartered RPE pipeline included seven applications totalling Kshs 79 million at October 31, 1987. The bank's total RPE lending resources are equivalent to approximately Kshs 96 million. The RPE loans ranged from Kshs 1.3 million to Kshs 33 million, with an average loan size of Kshs 11.3 million. Six of the seven loans reported fall into the category of agribusiness, although the eligibility of one of these, J.S. Solitei, remains to be determined.

Of the projects listed, three (Tropical Nectar, Flamingo, and J. Awinyo) would require USAID approval for amounts in excess of Kshs 18 million. According to the bank, USAID has been approached on Flamingo only. Furthermore, RPE eligibility determination would be required for both the Solitei and Awinyo loan applications.

Standard Chartered noted that the bank has had numerous additional enquiries on potential RPE loans. They are currently in the process of identifying other suitable prospective RPE candidates.

C Barclays Bank

| | <u>Project Name</u> | <u>Amount Shs'000</u> | <u>Status</u> |
|----|--|-----------------------|---------------------------|
| 1. | Ngaranda Gachuhi (Blacksmith - Nyeri) | 250 | approved and disbursed |
| 2. | Agricultural and Vet Supplies Ltd (Maiz Mill- Eldoret) | 3,400 | declined |
| 3. | Alpa Nguvu (Solar energy - Ruiru) | 3,000 | negotiating security |

| | | | |
|------|--|--------|---|
| 4. | Bakermans products (Bakery Thika) | 2,800 | approved in principle |
| 5. | Bedi Investment (Textile-Nakuru) | 7,000 | declined |
| 6. | Busia Medical Supplies | 6,000 | declined |
| 7. | Raymonds Textile Mills | 15,000 | being processed |
| 8-17 | Nine tea factories | 51,000 | policy issue being discussed with USAID |
| 18. | G K Muraya (Maize Mill-Kikuyu) | 8,000 | declined |
| 19. | Chema Holdings Ltd (Farming - Kitale) | 3,000 | declined |
| 20. | E A Wangai (Agribusiness - Thika) | 854 | ineligible? |
| 21. | Essad Jiwa & Sons (Flour Mill - Kilifi) | 12,000 | being considered |
| 22. | Fish Production Ltd (Homa Bay) | 18,000 | being considered |
| 23. | Interport (Kenya) Ltd (Cushion Materials - Kilifi) | --- | declined |
| 24. | Mpuri Maize Mills (Meru) | 17,300 | more information requested |
| 25. | Naivasha Press Ltd | 11,000 | feasibility study required |
| 26. | Obit Chemicals (detergents) | 36,000 | feasibility study |
| 27. | Sun Manyatta (Nairobi - Oil Seed) | 36,000 | declined |
| 28. | Tropical Nector (Athi River) | 39,000 | declined |

| | | | |
|-----|---|---------|----------|
| 29. | W K Ceramic Industry (Ceramic Jikos - Kakamega) | 602 | declined |
| | | <hr/> | |
| | Total applications | 270,806 | |
| | declined | 104,456 | |
| | | <hr/> | |
| | Under consideration | 166,350 | |
| | | ===== | |

Barclays Bank has provided their entire list of projects received at the head office so far. The applications are 29 out of which 9 have already been declined representing about 39% of the total amount. The applications being processed as at 31st October 1987 were Shs 166 million compared with Shs 204 million available for lending (including banks matching funds). Out of the total list only 4 applicants requested Shs 18.0 million and above and two of these have been declined. Apart from the nine tea factories, two textile mills and four maize mills, of the other 14 applications are for similar purposes. This is a good indication of the variety of projects that are likely to be financed under RPE.

EXHIBIT G

CBK / RPE INFORMATION SYSTEM
(preliminary)

