

KENYA RURAL ENTERPRISE PROJECT  
REPORT FOR THE PERIOD ENDING  
31ST MARCH 1989

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## ACRONYMS

AMEG	American Manufacturers Export Group
BBK	Barclays Bank of Kenya Limited
CBK	Central Bank of Kenya
CIP	Commodity Import Program (USAID)
CPI	Commodity Procurement Instructions
DH+S	Deloitte Haskins and Sells
DMA	Direct Management Assistance
FEAL	Foreign Exchange Allocation License
GOK	Government of Kenya
IESC	International Executive Service Corps
KCB	Kenya Commercial Bank
KCFC	Kenya Commercial Finance Company
PACD	Project Activity Completion Date
REP	Rural Enterprise Program
RPE	Rural Private Enterprise
SCB	Standard Chartered Bank Ltd.

PROJECT STATUS

## FOREWARD

During the 18 months under review, the administrative procedures, systems and institutional framework which support the Rural Private Enterprise programme have been put into place and the project has entered the 'take-off' stage. The combined portfolio of 'Approved Loans' of the participating commercial banks exceeds 40.

From the point of view of project management, this has been a period rich in lessons learned. Experience now permits us to define RPE more precisely in relation to its environment and to identify the different elements in that environment which directly or indirectly affect performance.

As a rural development project RPE can be considered multisectoral in its effect and impact. This has implications for the nature of the project environment. In a single-sector, physical infrastructure project, management concerns focus on what is required to organize and plan project activities efficiently and how to control the inputs, outputs and all key resources needed to implement project activities. In a project such as RPE, there are fewer activities under direct project control. The need exists not only to identify external elements in the environment but distinguish between those factors subject to management influence -- i.e. internal constraints -- and those factors which affect performance but cannot be controlled -- i.e. external constraints.

Following is a discussion of the key constraints affecting RPE at the close of this reporting period.

### External Constraints

#### A. Current Government Fiscal Policy

As part of the overall budget rationalization program, since late 1987 the Government has sought to control growth in domestic spending, a move made manifest in the domestic credit squeeze during the early months of 1988. Effective September, 1987, a CBK circular was issued which restricted growth of commercial bank lending to 0.8 % per month.

The impact on RPE has been great. Both SCB and BBK had approved huge loans as yet undisbursed by 30 September, 1987. In order to comply with the CBK requirement and still honor these commitments, both banks reduced the rate of lending and virtually cut off the allocation of funds available for spending to RPE. BBK was able to adjust its portfolio to the lending ceiling at an early date and recommenced lending under RPE. SCB has not been as fortunate.

KCB on the other hand, under pressure from the Government and parastatals, exceeded the lending level by a staggering KSh 0.8 Billion by December, 1988. In the process, lending under RPE continued unabated.

In December, 1988, CBK relaxed its restrictions on the rate of growth, raising the ceiling on a cumulative basis from 0.8 % per month to 1.0 % per month. Despite the easing, the Governor of the Central Bank warned that CBK would monitor compliance with the new ceiling more stringently than before. He has lived up to his words: banks that had exceeded the lending limit previously are required to reduce lending until they fully comply with the CBK directive. As of the end of January, 1989, and still in effect, KCB has suspended lending for loans above KSh 500,000. Since this bank has been the most active participant in RPE, the slowdown in lending during the first three months of 1989 has been considerable.

Attempts to exempt RPE funds from the spending ceilings have been unsuccessful. However, the possibility of lending through the KCB subsidiary, KCFC, is being explored. As this non-bank financial institution cannot obtain funds directly from CBK, the immediate question to be answered is whether KCB funds transferred in this manner contravene the credit ceiling.

#### B. Interest Rate Structure and Margins

The cost of lending under RPE, when compared with normal bank lending, has been viewed unfavorably by some banks.

Until the end of March, 1989, the normal cost of funds to commercial banks was:

Type of Deposit	Rate of Interest
Savings Accounts	10% per annum
Time Deposits - up to	12% per annum
Current Account Deposits	0% per annum

As at 31 March, 1988, the cost of funds, based upon weighting the sources, was 6.1% --

Type of Funds	Amount (KSh millions)	Weighted Cost
Demand Deposits	15,238	---
Time Deposits	7,667	2.8%
Savings Deposits	11,452	3.3%
Total	34,357	6.1%

Although the 6.1% cost of funds is less than the cost to the banks of the USAID RPE contribution of 8%, the difference has been acceptable because RPE funds are available for a longer term. The banks' main objection is to the margin generated by the commercial bank funds on loans made as the RPE matching contribution, as opposed to loaning the same funds under normal market conditions. With the weighted cost of 6.1%, the normal gross margin earned is 8.9% (15% - 6.1%) as opposed to a gross margin of 6.9% under RPE (13% - 6.1%). Clearly during the credit squeeze, banks prefer to direct lending toward loans generating the highest margins.

As this report is being finalized, the new interest rate structure takes effect. The latest CBK directive on interest rates increased the rates on savings deposits to 12% and the lending rate for loans with a term greater than 4 years to 18%. This creates more room for the commercial banks to play with the interest rates on time deposits but in effect, the gross margin picture remains the same. Bank cost of funds is now 7.3%, while USAID-RPE funds will cost 11%. Assuming RPE loans are still offered at 2% below market, or 16%, the spread on commercial bank matching funds under RPE will be 8.7% (16% - 7.3%) as opposed to 10.7% for routine lending.

### Internal Constraints

#### A. Time Horizon

Given the broader objectives of a rural development project such as RPE, implementation has been necessarily slower from the start. Despite agreement on and acceptance of long-term objectives, we believe the time required to build the institutional infrastructure, initiate administrative change and motivate participants toward involvement in the project has not been fully appreciated. In effect, in terms of lending RPE has been operational for less than two years compared with the original plan of 5 years. A longer timeframe is required if the project is to realize its long-term objectives.

#### B. Eligibility Criteria

In our opinion the operational definition of the job creation criteria is too narrowly defined. In effect, the requirement that each investment of USD 5,000 should result in the creation of a new job acts as a barrier and access to institutionalized credit for large number of potential sub-borrowers in the private sector is denied.

The issue is a complicated one and we limit our observation for the moment to the following. Clearly, labour unproductively employed does not promote development and investments made to promote employment by favoring increased labour intensity may in fact reduce the average level of worker output. In consequence RPE may discourage investment in ventures which raise the level of output (through improved productivity or efficiency) but does not increase employment. What is required is a broader definition of the criteria which would take into account for an increase in 'productive employment'.

#### C. Security Collateral Requirements

The rate of RPE lending has been consistently hampered by the inability of the potential sub-borrower to provide adequate collateral. Normally all three participating banks require that more than 100% of the loan be backed by fixed assets, valued at forced-sale levels. Occasionally some negotiation on loan debentures may be possible and the banks will allow some of the assets to be purchased through the loan to count as collateral. Usually however this possibility is not extended to new customers who do not have a proven history of creditworthiness.

#### D. Definition of Agribusiness

A large number of marginal agricultural activities fall into the category of on-farm production and are thereby disqualified from funding under the RPE programme. We believe that a fair amount of activities such as zero grazing, irrigation systems and poultry farming constitute special agribusiness situations and that loans for such investments should not be categorically precluded from funding under RPE even though not accompanied by some processing activities.

### RPE and the 1989-1993 Development Plan

It would be a great mistake to allow the internal logic of project design lead to the belief that events are subject to more control than they are. The policy environment in which RPE operates has not remained static. By working to remove the internal constraints which impede implementation and by attempting to link the project to the sense and direction of events, we stand a better chance of strengthening the private sector through the institutionalization of long-term lending.

RPE as a program fits very well into the themes recently enunciated in the Sixth Development Plan:

- Emphasize rural as opposed to urban-centered development.
- Institutionalize long-term lending in commercial banks to address the recognized inadequacy of the existing financial and capital resources for development.
- Expand the economy to create employment for nearly 2 million people during the plan period.
- Diversify industrial exports and encourage tourism.
- Expand the role of the private sector in the economy.
- Support the objectives of the proposed Capital Market Development Authority.
- Channel resources to areas with the highest returns, employment value added and foreign exchange earnings.
- Finance development through grants and concessional loans as opposed to commercial borrowings.
- Encourage donors to manage projects rather than merely providing financing.
- Encourage competitive bidding.

PROJECT ADMINISTRATION AND RPE ACTIVITIES

## PROJECT ADMINISTRATION

### Management:

During the period under review, several management changes have taken place both at USAID and DH&S. Chief among these are:

- Mr. Douglas Kline, Chief, Office of Projects, left USAID in January, 1989. Mr. Stafford Baker, Acting Deputy Chief of Projects, has taken over Mr. Kline's responsibilities as relate to RPE.
- Ms. Holly Wise, Project Development Officer, joined the Office of Projects and provides assistance to Mr. Justus Omolo, Project Officer.
- Mr. Steve Klaus, Project Development Officer, left USAID in April, 1988. Mrs. Annie Lutton, Procurement Specialist, assumed responsibility for RPE offshore procurement activities within the Mission.
- Mr. Barry Clatt, RPE Project Manager from October, 1985, left the project in April, 1988. He was replaced by Ms. Joyce Erony who was Acting Project Manager between April and September, 1988.
- Ms. Judith Beckwith, Senior Consultant with Deloitte Haskins + Sells, became the RPE Project Manager in September, 1988.

During the course of 1988 the Scope of Work was revised in order to incorporate certain programmatic changes and remove ambiguities relating to the project management team. At the same time the budget was also revised, in large part to reallocate the line items so as to reflect the increased emphasis on promotional activities as well as to cover unforeseen expenses.

Meetings have been held on an on-going basis with the senior officers of the participating banks in order to secure their commitment to supporting the project and to discuss the concerns of the moment. For the most part the rapport with bank administration is excellent. BBK in particular has responded quite positively to efforts made by DH+S to improve project administration. SCB has been experiencing unsettling organizational change, climaxed by the arrival of a new Managing Director. A meeting is planned with the new SCB MD to solicit support for RPE. The working relationship with KCB remains strong and positive. We are exploring the possibility of lending RPE funds through KCFC in order to ease the effect of the credit squeeze.

At present, the principal RPE contacts at the participating commercial banks are:

BBK: Mr. Michael Bristow, Director of Retail Services  
Mr. Harjit Singh, Manager, Business Development

KCB: Mr. P.P. Muiruri, Chief Manager, Credit and Marketing  
Mr. S.R.O. Misigah, Credit Manager

SCB: Mr. S.K. Muumbi, Executive Director  
Mr. J.D.W. Mburu, Credit Control Manager

Extension of the Project PACD:

The RPE PACD was March 31, 1989. In light of the increases in the volume of loan activity and the advances made in the realization of project objectives, USAID has decided to extend project activities for twelve months. Accordingly the Mission requested that DH+S prepare a budget and Work Plan for the extension period (see Exhibits A and B). An interim one month, no-cost extension has been arranged so that project implementation may continue until the requisite USAID/Washington waivers have been obtained and budget negotiations completed.

USAID Audit of the RPE Project:

Between August and November, 1988, a programme audit of RPE and REP was conducted by the Office of the Regional Inspector General. The stated objectives were to determine

- the extent to which project goals were being met; and
- whether internal controls were sufficient to safeguard project assets.

In so far as the RPE component of the audit was concerned, the findings were positive and no loans were determined to be ineligible under the project criteria. Concern was expressed over the rate of loan disbursement and the auditors were of the opinion that progress through August 31, 1988 towards achieving the project goals of increasing rural production, employment and income in Kenya was limited. The programme had resulted in loans of only \$3.3 Million and the total approved loans that could be expected from pipeline applications could not exceed an additional \$7.8 million.

We are however more optimistic than the audit team. By 31 January, 1989, 42 loans had been approved for a total loan value of \$11.4 Million, including the bank matching funds. Were it not for the credit squeeze which had been imposed by the IMF, the amount could easily have been double. With one exception, all of the approved loans had met at least one loan eligibility criteria. The approved loans will generate at least 1,520 jobs directly (casual labour excluded). This represents 30% of the RPE project target of 5,000 jobs.

## PROJECT ACTIVITIES

### Monitoring:

In addition to impromptu single site field trips, three major monitoring trips have been conducted since October, 1987 (See Exhibit C for a listing of projects visited. Also included in the Appendix, Exhibit D, is a copy of the Executive Summary to the most recent monitoring report.)

The monitoring exercise has become a multipurpose activity which allows the DH+S management team to verify loan transactions, evaluate the administrative performance of the financial intermediaries and direct future implementation efforts.

In so far as methodology is concerned, in nearly all cases the monitoring routine is as follows: initial contact is made with the Branch Manager directly responsible for administering the loan. A meeting is held to discuss loan terms, existing or potential problems, etc. The discussion is followed by a site visit, accompanied by the branch manager where possible.

In order to focus on the pertinent information systematically and ensure that comparable data is being collected by the different monitoring team members, a questionnaire was developed and tested during the latest exercise (see Exhibit E).

Beginning with the third monitoring exercise, the individual trip reports will be distributed to the senior management of the respective sponsor banks in order to draw attention to the problems encountered in the field which constrain RPE implementation. In general we have identified problems in three areas: loan terms, reimbursement procedures and internal reporting. To address the problems DH+S will prepare a set of basic guidelines for the administration of RPE loans at the branch level. This manual will be tailored to the operations of each specific bank.

Training:

Nine 10-day courses were conducted by members of the DH&S training staff for managers from the three participating commercial banks. In all 132 managers attended the courses, with participation distributed as follows:

Bank	# of Participants
BBK	52
KCB	40
SCB	<u>40</u>
Total	<u>132</u>

The Directors of the three bank training schools have expressed great satisfaction with the quality and effectiveness of the presentations. Based upon written evaluations of the courses submitted by each participant at the conclusion of the working sessions, we believe that banks and participants benefitted in the following ways:

- The training increased or reinforced awareness of RPE among a large number of bank managers. Hopefully this will result in an increased number of projects financed under this program.
- A fair number of bank managers have been introduced to the concept and principles of long-term lending at a time when Kenya is trying to develop an effective capital market and when banks are experimenting with new approaches to improve their customer services. The courses therefore have brought the banks nearer to institutionalizing long-term lending.
- The training methodology included group discussions and case studies that were based upon actual applications received by the banks, some of which had been approved and others rejected. The managers discussed the applications using their own experience and applying their newly acquired analytical techniques. Head Office staff were present to defend their decisions. Managers found this a very practical and stimulating method of learning and it brought branch and Head Office perceptions into the open.

- Participants were introduced to new concepts in lending. The course enabled a fair number of managers to understand and appreciate the value of applying cashflow techniques to the process of analyzing risk and making lending decisions, as opposed to the alternative of managing credit on the basis of routine collateral-based lending. It should be pointed out however that the freedom to operate in this new mode is heavily constrained by prevailing bank procedures. Some managers were introduced to the idea of using assets being financed by the loan as part of the security, providing that disbursements are properly monitored.

As a result of discussion on concepts and techniques, managers came to appreciate the problems head office staff are confronted with in the loan approval process if field preparation of the technical analysis and recommendations is incomplete or of low standard.

- This was the first time that managers from two of the three banks had been trained as a group by instructors from outside of their training schools. Previous instruction had concentrated on banking procedures, mostly at the lower grades, and on individual training abroad. From our discussions with the managers it was evident that they thoroughly enjoyed exchanging ideas between themselves and with instructors from outside of their own organizations.

From the feedback received at the Head Office level, there is now awareness of the need for local training at more senior levels. There is still scope for presenting the courses to managers who have not participated to date and who will have a role in facilitating the RPE programme. In addition, focused follow-up training in key areas would be a useful reinforcement and would enable participants to develop their skills and understanding further. SCB and KCB are setting aside a portion of RPE grant funds for further in-country training. In some cases the instruction will be financed from non-RPE bank funds.

#### Assistance to Banks:

During the last six months of the period under review, assistance to the commercial banks and the Central Bank (CBK) has been concentrated on finetuning of procedures and improving the administrative mechanisms designed to support a useful management information system.

The RPE-1 layout mirrors the CBK system program menus and still captures the market data desired by USAID. More importantly, RPE-1 has become a control document. It serves as notification that an individual loan proposal has been approved and must be completed and submitted by the sponsor bank prior to processing any request for reimbursement.

The RPE-2 form serves as a request for reimbursement. An original is submitted at the time of first request, amended forms are submitted as needed (for subsequent adjustments, to record actual expense incurred for offshore procurement, etc.).

CBK will review both forms but will return them to the sponsor bank if the data is incomplete or inaccuracies are apparent.

The new forms were introduced at a workshop held November 10, 1988 at the Hilton Hotel (See Exhibit H for list of participants). During the morning working session lengthy discussions took place on a variety of issues. Among other things it was agreed that:

1. CBK would release the entire local USAID/RPE contribution in a single tranche;
2. the 2:1 USAID/commercial bank contribution ratio must be respected on an overall RPE project portfolio basis, as opposed to an individual loan basis;
3. CBK would receive copies of the Pipeline Report in order to maintain and reconcile its own 'Approved Loans' file;
4. The CBK system-generated 'Quarterly Summary Status Report' would be sent to each bank for review and reconciliation (see sample, Exhibit I);
5. For all loans approved to date RPE-1 and RPE-2 forms would be completed, submitted and re-entered into the CBK system.

#### Revision of Pipeline Report:

The Pipeline report has been revised and redesigned and the data requested streamlined so that the report functions as a tool for project analysis rather than program evaluation

At the same time the DH+S project management team renewed its efforts to improve the quality of the pipeline data - inputs and outputs - and strengthen the administrative capability of CBK.

Meetings are now held on a routine basis with Head Office personnel of each sponsor bank to review individual loan files.

RPE-1 forms for all loans approved to date have been reviewed, revised and entered into the CBK system.

The DH+S Information Management team revised the RPE/MIS system which generates the pipeline report.

In December, 1988, under the direction of the DH+S programmer and systems analyst, one week of intensive training was provided to CBK's RPE unit staff. Since that time the programmer follows up with fortnightly visits to review the data entry and discuss technical problems. The user manual has been completed. The CBK team now generates reports regularly and has adjusted its supporting documentation accordingly.

A CBK systems demonstration was held January 23, 1989 for the benefit of USAID Project Office and Controller staff in response to queries raised regarding the CBK request for drawdowns of RPE funds. Since that time Mr. Onyango of CBK has routinely distributed disbursement reports and has expanded distribution to include commercial bank senior management and Treasury officials.

#### Technical Assistance to USAID:

We have continued to review feasibility studies and provide formal opinions on questions of eligibility for projects requesting loans in excess of KSh 18.0 Million in order to enable USAID to determine whether to approve financing under the RPE programme. Projects have been reviewed within this reporting period include:

M.J. Mbogua - Export Processing Zone  
Ufuta Limited  
Mineral Mining Corporation  
Maseno Boots Co. Ltd.  
Benjoh Amalgamated Ltd.  
Athi River Mining Company Ltd.  
Kisii Soya Beans Project  
Kisii Safari Inns Ltd.  
Mombasas Towel Manufacturers  
Kwale Cashew Nuts project  
Sun Manyatta Ltd.

## Feasibility Studies:

The volume of activity relating to feasibility studies registered a sizeable increase during this reporting period. A major study was completed for Bedi Investments Limited. That loan application has now been approved by Barclays Bank, offshore procurement is proceeding, and DMA will be provided in the areas of export marketing and financial management.

A second study for a block making plant in Limuru, Jokasa Industries, has been completed and submitted to the sponsors. The project is being reviewed by BBK, Limuru branch.

The status of the feasibility study pipeline is as follows:

<u>Project</u>	<u>Status</u>
Tradewise Ltd.	In progress
Taifa Overseas Ltd.	In progress
Sun Manyatta	Pending client acceptance
Nyange Saw Mills	In progress
Wareng Enterprises	Pending client acceptance
Highway Furniture Mart	Pending client acceptance
Railway Sleepers	Pending client acceptance
Kilifi Fisheries	TOR in preparation
Union Textiles	Pending client acceptance
Sotik Hotel	New request, TOR to be prepared
Molo Fish Processing	Request withdrawn by sponsors

With regard to the provision of adequate feasibility study services, problems arise in the areas of costing and cost-sharing. The RPE Project Agreement caps the individual study costs at 2% of the proposed investment. Even though we have managed to operate within this limit for the most part, our experience suggests that this somewhat arbitrary figure is inadequate when dealing with the less sophisticated small entrepreneurial target group RPE is attempting to reach. In general this group of entrepreneurs requires more assistance in terms of person hours than would be the case with the established business person because the former client has more difficulty obtaining the type of data necessary to perform the study. In addition, small scale projects requiring a study tend to exceed the 2% ceiling because the investment cost base is low.

Regarding the cost-sharing formula, USAID has maintained that 50% of the study cost be absorbed by the client. This has created on-going problems with sub-borrowers who tend to be misled by the USAID RPE brochure wherein it is stated that between 50 and 90% of study costs will be absorbed by USAID.

For the moment DH+S will refer exceptions to USAID for consideration. To date although no requests have been withdrawn due to the inability of clients to meet the costs, those requests noted above as 'Pending Client Acceptance' are being delayed because of the cost sharing factor.

Offshore Procurement:

In total, RPE procurement offshore to date amounts to USD 2.4 Million. This represents 10% of the USAID RPE obligation of USD 24.0 Million and 18% of the total Approved Loan portfolio (USAID + commercial bank contribution) as at January, 1989.

The following loans include an offshore procurement component:

Kega Fashions	KSh	825,000.
Bedi Investments		22,000,000.
Raymond Woolen Mills		18,000,000.
Sasuma Saw Mills		700,000.
Levilla Ltd.		2,100,000.

Since the issuance of the last RPE Project Report, the services of a subcontractor, American Manufacturers Export Group (AMEG), a US-based company specializing in equipment/commodity procurement, have been employed to assist sub-borrowers in sourcing U.S. suppliers. Requests have been or are being handled for the following items:

**Project Work Order    Sector & Item(s)**

Slapper Shoe	Manufacturing - Shoe Machinery
Taifa Overseas	Manufacturing - Industrial Sewing Machines
Autofine	Manufacturing - Seal/filter plant
Kega Industries	Manufacturing - Garment-making machinery
Bedi Investments	Agribusiness - Tomato Processing Machinery
Athi River Mining	Mining - Plant/equipment for processing minerals & stone

In order to provide assistance as efficiently as possible, DH+S will continue to use the services of AMEG during the project extension period, despite the fact that non-responsiveness and delays on the part of the U.S. manufacturers continue to be of concern.

Based upon our conversations with sub-borrowers and the actual pattern of sourcing to date, it would appear that the Kenyan entrepreneur is not attracted to U.S. suppliers and vice versa, for a number of reasons.

- Africa is not considered an important marketing area for U.S. manufacturers. There is a clear pattern of non-responsiveness to importer queries. On average only 10 - 15 % of suppliers contacted actually respond.
- American manufacturers are unable or unwilling to sell on a single-order basis; servicing is unavailable.
- Sub-borrowers already own or have worked with equipment manufactured in Europe. In addition to product-line familiarity, an existing inventory of spares, technical and mechanical compatibility with other machinery, servicing is more readily available.
- U.S. suppliers are not price competitive.

During the past 8 months USAID and DH+S have worked out a procedure for assisting in offshore procurement -- from sourcing through the processing of the FEAL application. It has been agreed that in the first instance sub-borrowers will be referred to DH+S who will provide assistance in all matters through the completion of the application. The complete package of documents will be forwarded to USAID, Office of Projects, for review and issuance of the letter authorizing CBK to process the FEAL under the RPE foreign exchange allocation. Once issued, USAID will assist the client in channeling the application through CBK and the Ministry of Commerce. USAID is responsible for obtaining correspondent bank compliance with the terms of the CPI.

The DH+S Information Management group has completely adapted a USAID CIP program for use in the RPE project. The input routine and menu screens mirror the data required for completion of the FEAL application.

## Promotion:

Between April and June, 1988, extensive RPE promotion at the participating banks' branches was undertaken. The objective of this exercise was to review progress with the individual branch manager, identify specific constraints to long term lending, increase confidence in processing RPE loans at the branch level and assess the potential for small and medium enterprise projects.

A total of 30 branches were visited in the Eastern, Central, Rift Valley and Coast Provinces. The branches visited have an average deposit of KSh 130 million, with the majority being below the average and only three branches slightly exceeding KSh 200 million. The average advance made by the branches was KSh 50 million with the majority below that average and only three loans in excess of KSh 100 million.

These branches provide both overdraft facilities and term loans not exceeding 36 months in approximately equal amounts. The term loans however are more numerous, with most falling into the KSh 50,000 - 100,000 category. There are a few 'large' loans between KSh 500,000 and 1.0 million; the largest advance was for KSh 20 million.

The rural branches are generating a fair amount of money which could be used for financing development projects in their locality. Unfortunately, about 60% of these funds are sent to the head offices for on-lending in Nairobi and Mombasa.

The main reasons for the limited volume of lending in the rural areas are:

- Land is not demarcated in some of the rural areas.
- Average land holdings are too small. This limits the amount of a loan that can be secured by the land value.
- Typical Branch Manager lending limits are small, with few exceptions falling between KSh 100,000 and 300,000.
- Branch Manager/Head Office communications are poor. Given a relationship which ranges from unresponsiveness to interference and which in any case increases the local workload, Branch Managers tend to avoid forwarding proposals to Head Office. The end result is a tendency to discourage making advances which exceed branch lending limits and require Head Office approval.

- Most farmers are smallholders interested in seasonal loans for land preparation and inputs.
- Most salaried people in rural towns cannot service loans in excess of KSh 50,000. from their salaries within 36 months and the banks are unwilling to extend terms of payment beyond 3 years.

All the branches visited were familiar with the RPE programme and, despite the foregoing, have processed loans at one time or another. Few of them have however actually approved a loan. A point noted was that managers who have processed a successful loan are more motivated and tend to make repeat loans. During the next promotion campaign, scheduled for the 1st quarter of the extension period, the focus will be on increasing the level of confidence of branch managers with no success rate to date.

Based upon the branch visits carried out to date, it appears that bank branches advance loans to the following broad categories of customer:

Retailers and Wholesalers  
Produce dealers  
Farmers (of cash crops)

working in small industries such as:

Posho Mills  
Metal works  
Saw Mills  
Tailoring businesses  
Garages/Petrol Stations.

#### Direct Management Assistance:

Per subcontract agreements, the International Executive Service Corps (IESC), Technoserve and DH+S/Africa are to provide direct management assistance (DMA) to sub-borrowers. Site visits provide the best vehicle for advertising the availability of this technical assistance and the pipeline of DMA requests has increased markedly during the first three months of 1989 as a result of project monitoring in the field.

#### IESC

The arrangement with IESC is for a volunteer consultant to be brought on site for an average 2-3 month period. The cost to RPE is fixed at USD 10,000. for the first month and USD 5,000. for each subsequent month. The sub-borrower contribution is minimal -- provision of food and lodging or a maximum shilling contribution of KSh 800. per day.

Apart from a brief 'filler' activity provided at no cost on behalf of Taifa Overseas Ltd., IESC intervention to date has been limited to a consultancy for the Sambu and Son project in Kericho where technical assistance in rural resort development and hotel management has been provided for three months. The volunteer-client working relationship has been excellent, with assistance provided in every area, from construction and building rehabilitation through marketing. The resort complex will qualify for a 3-star rating and the original loan investment, which had been jeopardized by poor management and planning, is back on target.

Upcoming IESC engagements will include:

Bedi Investment	TA in export production and marketing
Kega Fashions	TA in production and design -- under-garment manufacturing
Thika General Workshop	TA in production techniques -- scrap metal foundry
Bakery projects	Short-term TA to a number of baking operations scattered about the country.

In our opinion, not only has IESC proven itself to be beneficial from every angle -- from high level TA through goodwill and diplomacy -- but the organization's approach, that of providing volunteer assistance in response to clearly identified needs, does not conflict with the GOK goal of reducing the level and associated cost of providing expatriate consultancy support.

#### Technoserve

DMA requests are received and assistance needs are identified somewhat sporadically under RPE. Technoserve found itself unable to staff assignments on an intermittent basis. Therefore, apart from preparation of position papers and studies performed prior to this reporting period, Technoserve has not filled any work orders and has notified DH+S that it cannot participate in RPE implementation activities unless one full-time person is assigned to the project. As this arrangement is not mutually convenient, the subcontract will not be renewed during the extension period.

DH+S/Africa

The pipeline for short-term DMA is growing and being handled by DH+S/Africa support staff. The first effort in this direction was successfully completed for Kega Fashions Ltd. Approximately 18 person hours were spent reviewing the existing accounting procedures, instituting systems improvements and training staff in job costing. Kega management is now in a position to produce financial schedules, identify profitable and unprofitable product lines, introduce cost control measures, and so forth. Follow-up will be provided at regular intervals to insure that all systems and controls are functioning properly prior to the expansion of operations later in 1989.

As of this report, the DMA pipeline includes the following requests:

Vestra Fishmeal	Accounting systems & controls
Bedi Investments	Accounting systems
G. G. Gichoru	Hotel Management systems
Thika General Workshop	Accounting systems, cost controls
Levilla Ltd.	Accounting systems
Balozi Saw Mills	Costing systems
E. Ngondi	Bookkeeping
Vision Dry Cleaners	Accounting & control systems
Webuye Sisal Mill	General management assistance
Saaba Bakery	Costing systems

EXHIBITS

APPROVED LOAN SCHEDULE (as of 18 February, 1989)

PROJECT	BANK	LOAN (000'S)	ACTIVITY SECTOR	ELIGIBILITY	GENERATED EMPLOYMENT	# OF WOMEN	CBK DRAWDOWN
Bed: Investments	BBK	33,000	Manufacturing	B	275	90	N
S.S. Sichoru	BBK	2,545	Service - Hotel	A	42	1	N
Kega Industries	KCB	2,325	Manufacturing	C	15	15	N
Sambu & Son	BBK	3,270	Service - Hotel	B + C	46	6	Y
Kilifi Bakery	BBK	1,500	Agribusiness	C	10	1	N
Kenya Vineyard	KCB	4,200	Agribusiness	B + C	30	1	N
Ngongro Tea Factory	KCB	7,500	Agribusiness	B + C	30	0	N
Raymond Woolen Mills	BBK	27,000	Manufacturing	B + C	70	0	N
Thika General Workshop	KCB	4,000	Manufacturing	C	1	0	N
Malindi General Engineering	SCB	6,000	Manufacturing	B + C	60	10	Y
Levilla Limited	KCB	3,000	Agribusiness	C	40	15	N
Balozi Saw Mills	BBK	900	Manufacturing	C	30	1	N
Agripfara	KCB	350	Agribusiness	A + B	9	1	N
Sasuma Saw Mills	SCB	1,301	Agribusiness	C	25	0	Y
Ufuta	SCB	12,000	Agribusiness	C	47	15	Y
United Millers	KCB	36,000	Agribusiness	C	39	1	N
AIC Kijabe Printing Press	KCB	3,000	Service-Printing	B + C	40	25	N
Ngaranda Gachuhi	BBK	250	Agribusiness	A + C	12	0	Y
Western Printers	KCB	450	Service-Printing	Ineligible	N/A	N/A	Y
Webuye Sisai Mills	KCB	2,000	Agribusiness	C + A	45	15	N
J.K. Mucheru	KCB	300	Service	A + C	10	1	N
Ena Meid Services	KCB	600	Service	C	5	1	N
Saaba Baraka Bakery	KCB	1,250	Agribusiness	C	7	0	N
J.K. Kamau	KCB	1,500	Service-Transport	A + C	20	0	Y
E.B. Udoto	KCB	136	Agribusiness	A + C	2	0	N
Magore Ligano	KCB	160	Agribusiness	A + C	2	0	Y
Bruce Madeta	KCB	175	Agribusiness	A + C	2	0	Y
F.M. Lutoma	KCB	90	Agribusiness	A + C	2	0	N
Vestra Fishmeal	KCB	705	Agribusiness	A + C	10	0	N
E. Ngondi	KCB	695	Agribusiness	A + C	23	15	Y
N. Ndigwa	KCB	120	Agribusiness	A + C	2	0	Y
J. Mbariri	KCB	740	Agribusiness	A + C	3	1	N
W.W. Muthangani	KCB	625	Agribusiness	A + C	7	1	N
Kakamega Food	KCB	3,000	Agribusiness	C	30	1	N
P.G. Ndigwa	KCB	92	Service-Hotel	A	6	2	N
Vision Dry Cleaners	KCB	815	Service	A	16	2	Y
Ngubia Wanyuta	KCB	300	Agribusiness	A + B + C	12	5	Y
Kwale Cashewnuts	KCB	20,000	Agribusiness	A + B + C	334	1	N
Cottona Ltd.	BBK	2,000	Manufacturing	B	121	1	N
Nyati Plough Contractors	KCB	1,400	Agribusiness	C	1	1	N
Balana Game & Fencing	BBK	22,000	Agribusiness	C	1	1	N
C. Dorman	BBK	3,500	Agribusiness	B + C	1	1	N
TOTALS		211,202			1,520	217	

Note: 1) BBK = Barclays; SCB = Standard Chartered; KCB = Kenya Commercial

2) Total Loan = RPE portion including commercial bank contribution

3) Eligibility Codes: A = Job creation; B = Forex; C = Market Development/Agribusiness

Casual labour is not included.

\* = estimate unavailable

KENYA RURAL PRIVATE ENTERPRISE PROJECT

Budget Review to March 4, 1989

(All figures in U.S. Dollars)

		<u>ACTUAL</u>	<u>BUDGET</u>
1.	Direct Labor	280,475.	301,976.
2.	Overheads	394,678.	468,853.
3.	Travel & Allowances	228,895.	199,877.
4.	Consultants		
	DH+S/Africa	520,294.	569,763.
	Technoserve	41,748.	77,084.
	Other Consultants	28,386.	90,386.
5.	Other Direct Costs	92,783.	117,514.
6.	G & A	289,048.	277,150.
7.	Fixed Fee	46,720.	64,487.
	<u>GRAND TOTAL</u>	<u>1,923,027.</u>	<u>2,167,090.</u>

RPE Work Plan - for the period 4/80 - 3/90  
 revised as of March 7, 1989

APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER JANUARY FEBRUARY MARCH

Exhibit A

**MONITORING**

a) Supervision and Control	----->											
b) Loan Portfolio & Reports	----->	----->	----->	----->	----->	----->	----->	----->	----->	----->	----->	----->
c) WBI Audits - quarterly	----->	----->	----->	----->	----->	----->	----->	----->	----->	----->	----->	----->
annual												
sub-grantees												----->

**STUDIES**

a) Supervision and Control	----->											
b) Feasibility Studies	----->											
c) Special Studies												----->

**DIRECT MANAGEMENT ASSISTANCE (DMA)**

a) Supervision and Control	----->											
b) Individual DMA	----->											
c) IBSC	----->											

**PROMOTION**

a) Branch Visits (20)			----->									
b) Meetings-Bo. Community			----->	----->								
c) Brochures	----->											
d) Articles-Bank Newsletters			----->									
e) Slide Presentation			----->									

**ASSISTANCE TO BANKS**

a) Supervision and Control	----->											
b) RPE Manual-design & prep	----->											
c) Workshops - Head Office			----->									
(3) manuals/forms			----->									
(1) L/C's			----->									
(1) to be determined			----->									
d) Workshops - Branches			----->									

**TRAINING**

a) Commercial Banks	----->											----->
b) CBK & ECB overseas	----->											----->

**MANAGEMENT INFORMATION SYSTEMS**

a) Reporting	----	----	----	----	----	----	----	----	----	----	----	----	----
b) Systems developmt/control													
CBK "diag" audits	----	----	----	----	----	----	----	----	----	----	----	----	----
CBK programming	----->												
CBK systems review													----->

**PROCUREMENT**

a) Supervision and Control	----->											
b) IBSC	----->											

Note the following revisions:

- 1) Preparation of the brochures has been moved forward, to begin in April, 1989.
- 2) Preparation of the slide presentation will begin later in the 1st quarter.
- 3) Overseas training for ECB, funded by its grant funds, has been scheduled for October.
- 4) Additional programming time has been allotted in September, for developing the systems capacity to administer the Revolving Fund.

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BPK Contract Extension - Level of Effort  
 Estimated Person Hours - Revised as of March 7, 1989

Staff Position	General Supervision Admin. & Control	Monitoring Banks	WEI Audits	DNA Feasibility Studies	Promotion	Special Assistance Studies	Training to Banks	Procurement Support	Clerical Support	Total Hours			
<b>DR&amp;S/AFRICA</b>													
Asst Project Mgr.	180	350	500			300				1,760			
Admin. Assistant	350					50			800	1,760			
Field Director		180								180			
Consultants			210	1,420	1,920	150	100	1,030	1,920	6,810			
Audit Partner				180						180			
Audit Manager				360						360			
Auditors				1,250						1,250			
<b>DR&amp;S/WASHINGTON</b>													
Project Director	60	60								120			
Engagement Manager		120								120			
Project Manager	450	800	350		20	300	20	100	40	2,080			
Administrator	100									100			
Contract Administrator	200									200			
Others						160	80	120		360			
<b>AMEG</b>									600	600			
Others				500						500			
<b>TOTAL HOURS</b>	<b>750</b>	<b>800</b>	<b>350</b>	<b>0</b>	<b>500</b>	<b>20</b>	<b>300</b>	<b>180</b>	<b>180</b>	<b>120</b>	<b>640</b>	<b>0</b>	<b>16,380</b>

Note (a): IESG input is not calculated on the basis of person hours. We have estimated 10 consultant-experts will be requested during the coming year.

Note (b): General administration, supervision and control will be done entirely by the Project Manager, the Assistant Project Manager and the Administrative Assistant.

It is estimated that:

- o the Project Manager will spend 60% of her time on these activities;
- o the Assistant Project Manager will allot 40% of time available to these activities; and
- o the Administrative Assistant will spend 50% of her time on secretarial support, 20% on general administration and the remainder in the areas of procurement and assistance to banks.

RPE Monitoring Trips

Schedule of Site Visits

May-June, 1988:

Sasuma Saw Mills  
Kakamega Food Industries  
Bruce Madete  
Magore Ligono  
John Kamau  
Webuye Nursing Home  
Ngorongo Tea Factory  
P.G. Ndwiga  
Ezekiel Ngondi  
Gachui Ngaranda

August, 1988:

Levilla Limited  
Vision Dry Cleaners  
A.I.C. Kijabe Printing Press  
New Era Enterprise Ltd.  
Balози Industries

January-February, 1989:

Bedi Investments Ltd	G.G. Gichoru
Kega Industries Ltd.	Sambu & Sons
Kilifi Bakery Limited	Kenya Vineyard Ltd.
Ngorongo Tea Factory	Raymond Woolen Mills
Thika General Workshop	Malindi General Engineering
Levilla Ltd.	Balози Industries
Agrip Farm Ltd.	Ngaranda Gachuhi
Webuye Sisal Mills	Western Printers and Stationers
J. Kariuki Mucheru	Ena Meid Services
Saaba Baraka Bakery Ltd.	J.K. Kamau
E.B. Udoto	Majore Ligano
Bruce Madeta	Francis Mubutsi Lutomia
Vestra Fishmeal Ltd.	Ezekiel Ngondi
Noar Ndwiga	J.M. Mbiriai
W.W. Muthangani	Kakamega Food Industries
P.G. Newiga	Vision Dry Cleaners
Ngubia Wanyutu	Tapioco Ltd.
Autofine Filters & Seals	

A. Portfolio Profile:

Total # of Approved Loans: 42

Total Shilling Value 211,202,000.  
(approximately 33% of the total loan facility of USD 36.0 Million)

## Total # &amp; Amount of Loans by range:

Range	#	Amount (KSh 000's)
<350,000	10	1,979
350,000 - 750,000	5	3,110
750,000 - 1 Million	3	2,621
1 - 5 Million	16	39,992
5 - 10 Million	2	13,500
10 - 18 Million	1	12,000
18 - 24 Million	2	42,000
> 24 Million	<u>3</u>	<u>96,000</u>
Totals	42	211,202

Smallest loan: KSh 96,000.

Largest loan: KSh 36,000,000.

Total # of Jobs Created: 1,520 (casual labour excluded)  
or 30% of the RPE project target  
of 5,000 jobs.

Of which # designated for women: 217 or 14.3 %

## Loans by Activity Sector:

Agribusiness	26
Manufacturing	7
Services	9

## Breakdown by Eligibility Criteria:

Job Creation	19
Forex	12
Market Development/ Agribusiness	35

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

The Shilling value of the approved loan portfolio represents 33% of the USD 36.0 Million available, while the number of loans amounts to only 15% of the estimated 275 projects to be financed under the RPE program. This suggests that to date the loans advanced are larger 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 used for the intended purpose except in the following cases:

- 1) New Era Enterprise: The monitoring exercise revealed that the sub-borrowers have decided against using the RPE facility. The bank offer will be withdrawn. No BBK funds were disbursed but CBK reimbursement has been effected. BBK is taking steps to reverse the transaction.
- 2) Balozi Industries: Although BBK supports the project, questions of security and land title have delayed completion of the formalities. No local branch funds have been disbursed but CBK reimbursement and the incentive payment have been made. These transactions will be reversed.

C. Eligibility Criteria:

All projects reviewed during this monitoring exercise meet the RPE criteria except for Western Printers and Stationers. This project, financed by KCB Kakamega branch, involved the purchase of an existing printing press operation almost as an on-going concern. Therefore the project does not involve the establishment of a new enterprise nor the expansion of an existing operation and there has been no noticeable economic impact. The entire loan of KSh 450,000. has been fully disbursed. The transaction should be reversed and any adjustments to the loan terms made by KCB.

D. Incentive Payments:

CBK requests to USAID for processing of incentive payments have all been made for qualifying projects with the exception of Balozi Industries Ltd., as reported above.

The following requests have been processed thus far:

Mr. & Mrs. P.G. Ndigwa	KSh. 9,200.
Ezekial Ngondi	35,000.
Magore Ligono	16,000.
Bruce Madete	16,500.
Ngwanda Gachuhi	25,000.
Balozi Industries	<u>35,000.</u>
Total	136,700.

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A number of requests should be submitted:

J.K. Mucheru	30,000.
Ena Meid Services	35,000.
E.B. Udoto	13,600.
F.M. Lutomia	9,600.
Vestra Fishmeal	35,000.
J. Mbiriai	35,000.
W.W. Muthangani	35,000.
N. Ndigwa	12,000.
Vision Dry Cleaners	35,000.
Ngubia Wanyuta	30,000.
Agripfarm	35,000.
<b>Total</b>	<b>305,200.</b>

E. Bank Disbursements & CBK Drawdowns:

The monitoring exercise revealed that at the branch level, there is confusion about when and how to effect CBK reimbursement requests. In a number of cases there was no awareness of the need to initiate the claim. In part, this uncertainty explains the gap between branch disbursements and CBK transfers to the commercial banks.

At the same time, the status of actual transactions which follows indicates that with the exception of New Era Enterprises and Balozi, CBK reimbursements are in keeping with commercial bank disbursements to date:

Project	-----Disbursements (KSh 000's)-----		
	<u>Bank</u>	<u>CBK</u>	<u>Offshore</u>
Western Printers	450	300	---
Webuye Sisal Mills	600	---	---
J.K. Mucheru	300	---	---
Ena Meid Services	600	---	---
Saaba Baraka Bakery	618	---	---
J.K. Kamau	1,600	1,067	---
E.B. Udoto	137	---	---
Magore Ligano	160	107	---
Sambu and Sons	1,500	1,000	---
Kenya Vineyard Ltd.	1,400	---	---
Ngorongo Tea Factory	4,509	---	---
Levilla Ltd.	1,730	---	2,100
Malindi General Eng.	5,000	4,000	---
Bruce Madete	175	110	---
F.M. Lutomia	96	---	---
Vestra Fishmeal	635	---	---
E. Ngondi	695	463	---
J.M. Mbiriai	670	---	---
Ngaranda Gachuhi	250	167	---
Kakamega Food Industries	200	167	---
P.G. Ndwiga	92	61	---
Vision Dry Cleaners	815	---	---
Ngubia Wanyutu	300	200	---
New Era Enterprises	---	2,000	---
Balozi Industries	---	600	---
Ufuta Ltd.	12,000	12,000	---
Sasuma Saw Mills	602	167	700
AIC Kijabe Printing	3,000	---	---
United Millers	14,000	---	---

F. Commodity Procurement - Source & Origin:

Sub-borrower procurement activities under RPE is summarized in the following. Note that where possible cost of taxes, working capital and buildings have been excluded.

<u>Project &amp; Commodities</u>	<u>KSh Value</u> <u>(000's)</u>	<u>Source</u>	<u>Origin</u>
Webuye Sisal - 2 pickups	906	Kenya	Kenya/Japan
J.K. Mucheru -			
table bench	10	Kenya	Kenya
spray unit	70	Kenya	W.Germany
lathe	50	Kenya	UK
drilling machine	6	Kenya	Italy
riveting machine	30	Kenya	UK
table grinder	28	Kenya	Brazil
Ena Meid Services -			
disk rolling machine	270	Kenya	India
Saaba Baraka Bakery			
2 delivery vans	618	Kenya	Kenya/Japan
mixer	270	Kenya	Italian
oven	362	Kenya	British
J.K. Kamau - 2 lorries	1,600	Kenya	Kenya/Japan
E.B. Udoto - hammer mill	137	Kenya	Kenya
Magore Ligano - hammer mill	160	Kenya	Kenya
Kenya Vineyard			
tractor, spraying equip.	1,400	Kenya	Italian
Ngorongo Tea Factory			
elevated troughs	959	Kenya	Kenya
Sirocco dryers	1,176	Kenya	Kenya
boilers (2)	2,576	Kenya	UK
fluid bed dryers	2,033	Kenya	Kenya
CTC machine	1,151	Kenya	India
Levilla - bakery equipment	2,100	Sweden	Sweden
Malindi General Eng.			
tilting furnace	1,500	Kenya	Kenya
cupola furnace	400	Kenya	Kenya
buffing machines	30	Kenya	UK
oil burners	360	Kenya	UK
oven & moulds	400	Kenya	Kenya
Bruce Madete - hammer mill	175	Kenya	Kenya
F.M. Lutomia - hammer mill	118	Kenya	Kenya
Vestra Fish Mill -			
engines (4)	515	Kenya	Japan
boat	120	Kenya	Kenya

E. Ngondi - coffee pulping plant	584	Kenya	Kenya
J.M. Mbiriai coffee pulping plant	379	Kenya	Kenya
Ngaranda Gachuhi machanical press	120	Kenya	Kenya
dies	100	Kenya	Kenya
P.G. Ndiwiga - deep fryer	15	Kenya	Switzerland
deep freezer	15	Kenya	Italy
cooker, cooler & misc.equip.	52	Kenya	Kenya
Ngubia Wanyutu - coffee pulping plant	118	Kenya	Kenya
water pump & sprayer	73	Kenya	Denmark
Sasuma Saw Mills - machinery & accessories	1,151	Finland	Finland
power saw	50	Kenya	Kenya
tractors	100	Kenya	Kenya
AIC Kijabe Printing coulour press	3,000	Kenya	W.Germany

G. Direct Management Assistance:

Requests for technical assistance subsequent to project implementation have been made for the following:

Vestra Fishmeal	Accounting systems & controls
Bedi Investments	Production & export marketing
Kega Industries	Production & accounting systems
Gichoru	Hotel management systems
Sambu & Sons	Hotel management systems
Thika General Workshop	Accounting systems, costing & controls
Levilla Ltd.	Accounting systems, production
Balozi Saw Mill	Costing system
E. Ngondi	Bookkeeping
Kakamega Food	Production & Marketing
Vision Dry Cleaners	Accounting & controls
Webuye Sisal Mill	General management
Saaba Bakery	Costing & production

Note: An IESC consultant has been working with Sambu & Son since January. IESC has begun searching for consultants to assist a number of small bakeries, BEDI Investments and Kega Industries.

DH&S staff consultants are already providing technical assistance to Kega Industries.

MONITORING QUESTIONNAIRE

Project: \_\_\_\_\_

Project Location: \_\_\_\_\_

Sub-borrower: \_\_\_\_\_

Bank: \_\_\_\_\_

Contact: \_\_\_\_\_

Branch: \_\_\_\_\_

Date: \_\_\_\_\_ Visit #: \_\_\_\_\_

Manager: \_\_\_\_\_

-----  
PROJECT DESCRIPTION

-----  
LOAN TERMS

Duration: \_\_\_\_\_

Approval Date: \_\_\_\_\_

Grace Period \_\_\_\_\_

Interest Rate: \_\_\_\_\_

Security Offered: \_\_\_\_\_

Disbursement Status: \_\_\_\_\_

Repayment Status: \_\_\_\_\_

Comments: \_\_\_\_\_

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**PROJECT COST AND FINANCING PLAN**  
(KSh 000's)

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

**PROCUREMENT**

Total Cost: \_\_\_\_\_

<u>Item</u>	<u>Cost (KSh 000's)</u>	<u>Source</u>	<u>Origin</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Selection Criteria: \_\_\_\_\_

Current Status: \_\_\_\_\_  
\_\_\_\_\_

Comments: \_\_\_\_\_  
\_\_\_\_\_

**COMPLIANCE INDICATORS**

Location: \_\_\_\_\_

Profit oriented: \_\_\_\_\_

Source Certificate: \_\_\_\_\_

ECN No. 19:

Markings: \_\_\_\_\_

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ELIGIBILITY CRITERIA

Jobs:

Forex:

Market Development:

-----  
SUB-BORROWER PROFILE

Ownership Structure:

Management Structure:

Previous Experience:

Future Plans:

-----  
DEVELOPMENTAL IMPACT

Employment:

Other Economic Effects:

Social Effects:

Environmental Impact:

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COMMENTS ON SITE VISIT

Status of Implementation:

Performance:

Other Comments:

Nature & Extent of DH&S Subcontractor Involvement:

-----  
ISSUES AND ACTION POINTS 1

TA Needs:

Other Issues:

Action Points:

Date: \_\_\_\_\_  
 RPE Form-1     New     Amended

RPE FORM-1

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

Project: \_\_\_\_\_  
 Bank and Branch: \_\_\_\_\_  
 Contact Person: \_\_\_\_\_

LOAN DESCRIPTION

Amount: \_\_\_\_\_ Rate of Interest: \_\_\_\_\_

Date Approved: \_\_\_ / \_\_\_ / \_\_\_

Loan Terms: \_\_\_\_\_

Repayment period (months): \_\_\_\_\_ Grace Period (months): \_\_\_\_\_

Security collateral provided and value: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Borrower relationship    New     Existing

Eligibility criteria met:

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

PROJECT COST/FINANCING PLAN

Cost Category	Owner	Bank	U S A I D		Total
			Foreign	Local	
Land	_____	_____	_____	_____	_____
Site Development	_____	_____	_____	_____	_____
Building	_____	_____	_____	_____	_____
Machinery/Equipment	_____	_____	_____	_____	_____
Pre-Operation Exp.	_____	_____	_____	_____	_____
Contingencies	_____	_____	_____	_____	_____
Other Costs	_____	_____	_____	_____	_____
Working Capital	_____	_____	_____	_____	_____
<b>TOTAL</b>	_____	_____	_____	_____	_____

MACHINERY/OTHER GOODS	Cost	Source	Origin
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

BORROWER INFORMATION

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

Name and Title of Principal Officers:  
Mr./Mrs. \_\_\_\_\_  
Mr./Mrs. \_\_\_\_\_  
Mr./Mrs. \_\_\_\_\_

Name of Principal Equity Holders	% Equity	Nationality
_____	_____	_____
_____	_____	_____
_____	_____	_____

Nature of Enterprise: \_\_\_\_\_ New \_\_\_\_\_ Expansion

Estimated start-up date: \_\_\_\_\_

Describe business activity: \_\_\_\_\_

Type of Products: \_\_\_\_\_

Target Market (region, city, export) \_\_\_\_\_

Legal Form of Enterprise (tick one)

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

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PRODUCT INFORMATION

Business Sector (tick one)

Agriculture	_____
Mining & Quarry	_____
Manufacturing	_____
Electricity & Water	_____
Building & Construction	_____
Transportation/Communication	_____
Trade (Retail & Wholesale)	_____
Trade (Food and Lodging)	_____
Trade (Crafts & Repair)	_____
Tourism	_____
Financial/Business Services	_____
Community & Personal Services	_____
Other (specify)	_____

Size of Enterprise

Annual Sales Volume: \_\_\_\_\_ Kshs. of which \_\_\_\_\_ % for export  
 \_\_\_\_\_ % domestic.

Number of Employees:	Current		Increase
	Men	Women	
Full Time	_____	_____	_____
Part Time/Seasonal	_____	_____	_____
Non-paid	_____	_____	_____
Total	_____	_____	_____

Total Assets (in Kshs.): \_\_\_\_\_

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

Debt/Equity Ratio (Gearing): \_\_\_\_\_

Inputs - Source:

Raw Materials	Domestic _____%	Imported _____%
Semi-Finished Goods	Domestic _____%	Imported _____%

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

Raw Materials (non-agricultural)	_____	_____%
Labor	_____	_____%
Agricultural Inputs	_____	_____%
Products	_____	_____%

What percentage of products are inputs to other industries? \_\_\_\_\_%

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Date: \_\_\_\_\_  
 RPE Form-2 \_\_\_\_\_ New \_\_\_\_\_ Amended

**RPE FORM-2**

**RURAL PRIVATE ENTERPRISE REIMBURSEMENT REQUEST**  
 (Required for each new loan and each amendment to a loan)

BANK \_\_\_\_\_ BRANCH \_\_\_\_\_  
 CUSTOMER'S NAME \_\_\_\_\_

**LOAN AMOUNTS DISBURSED**

Total Loan Amount \_\_\_\_\_ (1)  
 Local Disbursements by Bank \_\_\_\_\_ (2)  
 Total Offshore Disbursements \_\_\_\_\_ (3) = (13)  
 Total Disbursements Made \_\_\_\_\_ (4) = (2+3)  
 Undrawn Balance \_\_\_\_\_ (5) = (1-4)

**DISBURSEMENT ANALYSIS**

AID Contribution \_\_\_\_\_ (6)  
 AID Contribution Net of Foreign Payments \_\_\_\_\_ (7) = (6-3)  
 Less Shilling Amount to Bank by CBK \_\_\_\_\_ (8)  
 Shillings Due to Bank from CBK \_\_\_\_\_ (9) = (7-8)  
 Commercial Bank Term Credit \_\_\_\_\_ (10)  
 Commercial Bank Working Capital \_\_\_\_\_ (11)  
 Total Commercial Bank Contribution \_\_\_\_\_ (12) = (10+11)  
 = (2 - 7)

**OFFSHORE DISBURSEMENT DETAILS**

Date of U.S. USAID Payment	FEAL Number	Foreign currency Disbursement (indicate currency)	Exchange Rate	Shilling Equivalent

TOTAL OFFSHORE DISBURSEMENT IN SHILLINGS \_\_\_\_\_

(13)  
 (carry to Line 3)

We certify that this loan has been approved and disbursed in accordance with the requirements of the USAID Rural Private Enterprise program.  
 Approval Signatures:

1) \_\_\_\_\_ Date: \_\_\_\_\_ 2) \_\_\_\_\_ Date: \_\_\_\_\_

November 10, 1988 Workshop

Hilton Hotel

LIST OF PARTICIPANTS

U.S.A.I.D.

D. Kline  
J. Omolo  
H. Wise  
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Central Bank of Kenya

M.J. Onyango  
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Barclays Bank of Kenya

H. Singh  
A. Hassan

Standard Chartered Bank

J. Mburu  
P.M. Githenji

Kenya Commercial Bank

S. Misigah  
R. Mugwimi

Deloitte Haskins + Sells

J. Beckwith  
M. Thiribi  
J. Coates  
K. Shante

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Central Bank of Kenya RPE Monitoring System  
Disbursements to Banks by CBK  
From start to end

Date: 05/01/89 (KShs) Page: 1

Kenya Commercial Bank Ltd

Branch	Loan	Date	Borrower	Amount Due
14	✓5	28/07/88	JOHN KARUGA KAMAU	
22	✓1	07/07/88	Mr and Mrs P G Ndwiga	
22	✓2	07/07/88	NGONDI EZEKIEL	
35	7	06/12/88	MRS. NGUBIA WANYUTU	
50	3	22/07/88	MAGORE JAMEN LIGONO	
50	✓4	22/07/88	BRUCE MADETE	
50	6	06/12/88	WESTERN PRINTERS	

Total Disbursements : -----

Central Bank of Kenya RPE Monitoring System  
Disbursements to Banks by CBK  
From start to end

Date: 05/01/89 (KShs) Page: 2

Barclays Bank of Kenya Ltd

Branch	Loan	Date	Borrower	Amount Due
18	✓2	07/07/88	SAMBU & SONS	
37	✓1	18/09/88	NGARANDA GACHUHI	
38	✓3	04/08/88	NEW ERA ENTERPRISES LTD	
38	✓4	07/07/88	BALOZI INDUSTRIES LTD	

Total Disbursements : -----

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Central Bank of Kenya RPE Monitoring System  
Disbursements to Banks by CBK  
From start to end

Date: 05/01/89 (KShs) Page: 3

Standard Chartered Bank Kenya Ltd

Branch	Loan	Date	Borrower	Amount Due
33	2	21/10/88	Malindi General Engineering	
39	1	13/04/88	SASUMWA SAW MILLS	

Total Disbursements : -----

Central Bank of Kenya RPE Monitoring System  
Disbursement to Banks: Summary  
From start to end

Date: 05/01/89 (KShs) Page: 4

<u>Bank</u>	<u>Bank Name</u>	<u>Amount Due</u>
1	Kenya Commercial Bank Ltd	
2	Barclays Bank of Kenya Ltd	
3	Standard Chartered Bank Kenya Ltd	
	Total Disbursements made to all Banks	----- -----

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