PD-ABM-008

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS
2. USE LETTER QUALITY TYPE FONT OR PRINTER

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:
Mission or AID/W Office USAID/Kenya/PEO
(ES# _____)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?
Yes ☐ Slipped ☒ Ad Hoc ☐
Evaluation Plan Submission Date: FY ___ Q ___

C. Evaluation Timing
Interim ☐ Final ☒
Ex Post ☐ Other ☐

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated, if not applicable list title and date of the evaluation report.)

Project No.	Project/Program Title	First PRCAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost ($000)	Amount Obligated to Date ($000)
615-0238	Private Enterprise Development (Management and Entrepreneurial Development: Rural Enterprise Program)	Apr. 1987	Aug. 1995	$6,207	$6,207

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Complete feasibility and financial viability study of establishing subsidiary institution	K-REP	11/94
2. Re-organization (separation of financial and non-financial activities) in preparation for the transition	K-REP	12/94
3. Discussions with donors to help K-REP make transition into non-bank financial institution	K-REP/ Donors	6/95
4. Studies to develop new products/appropriate savings instruments	K-REP	6/95
5. Improve management information system -- to document key performance ratios	K-REP	8/95
6. Standardize policies and procedures across branches before further expansion	K-REP	8/95
7. Phase-out financial support to other NGOs	K-REP	8/95

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	PEO: Zack Ratemo	KREP: Kimanthi Mutua	prog: Stephen Ndele	DIR: George Jones
Signature	Zack Ratemo	Kimanthi Mutua	[signature]	George Jones
Date	May 30, 1995	June 5 1995	7/21/95	8/2/95

ABSTRACT

H. Evaluation Abstract (Continue on reverse if more space needed)

USAID/Kenya has supported K-REP since 1984, when K-REP was established as a project of World Education, an international NGO. Funding to K-REP was provided through two overlapping cooperative agreements under the Rural Private Enterprise (RPE) project and under the Private Enterprise Development (PED) project. The objectives of the support under the PED project which was a focus of the evaluation were to: strengthen and finance organizations that deliver financial and non-financial assistance to very small businesses; research, develop, and implement new ways of promoting small business growth; and assist K-REP in becoming a successful Kenyan development organization.

Overall, it can be concluded that those objectives have largely been met. In particular, USAID support has enabled K-REP to become a dominant player in microenterprise finance in Kenya. Through its in-house lending programs, K-REP has developed and refined methodologies for providing credit to large numbers of microentrepreneurs at low cost. An impact survey suggests that this provision of credit has contributed to business growth, reflected by an increase in employment in most of the businesses assisted through loans. Using employment growth as an indicator of the program's impact on the enterprises in the study, the evaluation revealed that, prior to the loans, the average rate of growth (12.4 percent) was below the national average (29 percent). After the loans, the rate of growth for these businesses was equivalent to the national average, and the rate of growth for manufacturing and service enterprises was higher than the national rate.

K-REP as an organization has made significant achievements over the past seven years. It has developed reasonable institutional capacity in delivering its services to the microenterprise sector. Key achievements include: making the transition from a World Education project to a strong, stable, and independent Kenya NGO, with a Kenyan board, management team, and staff; expanding from an intermediary organization that supports other NGO microenterprise programs to an organization that also carries out direct microenterprise lending activities; shifting from an integrated to a minimalist credit methodology; putting into operation two group lending methodologies that embrace commercial principles of management and successfully reach large numbers of people at low cost; linking Kenya and other African countries with worldwide experience in microenterprise development through training, research, information, and consultancy departments; establishing the only known research unit in Africa that specializes in operational and policy-oriented research on microenterprise development; building a strong, committed, and skilled staff at all levels; successfully attracting resources from several donors in addition to USAID to support its programs; and maintaining a clear vision of its mission.

K-REP's sustainability has improved dramatically in the last three years. By the end of 1993, it was operating at 68 percent level of self-sufficiency and expected to improve further as it increases its lending activity. At the credit level activities, K-REP is operationally self-sufficient, i.e. it fully covers the non-financial costs of operations (salaries and other administrative costs) with program revenues (interest and fees). However, the evaluation recommended that K-REP should strengthen its current programs, particularly Juhudi, prior to further expansion.
Continued on page 2a.

COSTS

I. Evaluation Costs

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Catherine Neil	DAI	DHR5448-Q-00-9081-00 Delivery Order No. 78	$119,076	PD&S Funds 615-0510
Mario Davalos	DAI			
Washington Kiiru	DAI			
Musembi Manundu	DAI			
Jennefer Sebstad	DAI			

2. Mission/Office Professional Staff Person-Days (Estimate) 30

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 10

Continuation Sheet: Page 2a.

Recommendations:

- o Consolidate current credit activities before further expansion
- o Use of certain financial performance ratios for managerial purposes
- o Standardize policies and procedures across branches
- o Develop strategies for promoting loyalty among K-REP clients
- o Continue to monitor Juhudi scheme carefully to control problem of arrears
- o Design credit methodologies that serve graduates of K-REP programs
- o Spin off retail credit activities which have a potential of becoming self-sustainable
- o Develop and test methodologies for promoting savings
- o Rationalize K-REP's organizational structure

Lessons Learned:

- o Group-based lending programs are effective in identifying microenterprises with growth potential - if larger loans are made available - because individuals can get successive loans as they pay off current ones. This suggests a need for complementary programs - those that serve the extremely poor, especially women, and those that serve graduates of group lending.

- o Also, given that poor groups operate businesses that are vulnerable to regular financial crises and insecurity, which can erode income gains, in its next project the mission might include a focus on the problem of income erosion for the poor and on strategies for sustaining income gains.

- o Minimalist lending schemes reach large numbers of borrowers at low cost.

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:

- PURPOSE OF EVALUATION AND METHODOLOGY USED

The purposes of this evaluation are to: a) assess K-REP's impact to date, b) provide recommendations for future directions of K-REP and future funding from USAID, c) assess the effectiveness of the project in achieving its principal goal and sub-goals, d) provide recommendations on any follow-on project, and e) provide broad lessons learned about micro-enterprise lending in Kenya. The information gathered and the analysis performed will be used by USAID, K-REP and other donors. More specifically, USAID will use the evaluation results to inform its strategic programming decision in micro-enterprise development and for the design of similar projects in the future.

Methodology used was interviews with USAID personnel, K-REP staff, K-REP assisted NGOs and other key players in microenterprise assistance in Kenya and document review.

- PURPOSE OF ACTIVITY EVALUATED

This report presents the findings of a final evaluation of the activities of the Kenya Rural Enterprise Programme (K-REP). The evaluation, at the conclusion of Cooperative Agreement No. AID-615-0238-A-00-7026-00 between K-REP and the U.S. Agency for International Development (USAID), was conducted under USAID's Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project. Under the agreement, the objectives of K-REP were to "continue its core function of providing technical assistance and finance to private voluntary organizations (PVOs); and finance research and related activities on small enterprise development." Under amendments to the agreement, K-REP also began its own direct lending program.

Support to K-REP was provided under USAID's Rural Private Enterprise (RPE) Project and USAID's Private Enterprise Development (PED) Project. The objectives of the RPE project were to establish and expand rural private enterprises in Kenya by promoting small enterprise development through nongovernmental organizations (NGOs) and by reaching high-end rural enterprises through commercial banks. The objective of the PED project was to increase growth in the private sector indirectly, by strengthening institutions working to improve Kenya's business environment and, directly, by encouraging business growth through the financial and technical assistance provided by those institutions. K-REP has contributed significantly to the realization of these USAID objectives both as a beneficiary of resources - a situation that has allowed K-REP to become a dominant player in microenterprise finance in Kenya - and as a provider of financial services and technical assistance to other microenterprise credit institutions. In addition, through its in-house lending programs, K-REP has developed and refined methodologies for providing credit to the microenterprise sector. An impact survey suggests that this provision of credit has contributed to business growth, reflected by an increase in employment in most of the businesses assisted through loans.

- FINDINGS AND CONCLUSIONS

- ORGANIZATIONAL ASSESSMENT

World Education, an international NGO, established K-REP in 1984 as an intermediary NGO to on-lend and provide technical assistance to other NGOs. Since its establishment, K-REP has gone through several stages in an attempt to develop an effective strategy for promoting microenterprise development. To date, K-REP has identified two effective methodologies or credit schemes, which it

has used to provide credit to large numbers of microentrepreneurs at low cost. The first of these methodologies, the Juhudi credit scheme, is a group lending model similar to that used by the Grameen Bank in Bangladesh. The second methodology, the Chikola credit scheme, is based on indigenous rotating credit and savings associations, also known as chikolas. K-REP has phased out much of its technical assistance to other NGOs, deciding instead to focus on financial support directly to firms.

While implementing its own direct financial services programs, K-REP has also established training, research, and innovation programs to support credit activities. In addition, K-REP has been successful in attracting support from other donors and in mobilizing resources from USAID, the Ford Foundation, and the Overseas Development Administration.

Building on successes in its direct lending programs, K-REP intends to expand its direct lending activities further. However, K-REP faces several strategic challenges that will affect the viability of the organization and its role in USAID's microenterprise strategy. These challenges include the need to strengthen organizational and management structures to lay the foundation for further expansion. There also is a need to develop and test methodologies for promoting savings within the context of the existing credit programs. In addition, there is a need to further develop and refine credit methodologies that serve the needs of K-REP's clientele; this may include designing an individual loan program that allows borrowers to graduate to larger loans, thereby cross-subsidizing smaller loans to K-REP's lower-income clientele.

Yet another challenge to K-REP involves the need to separate its retail credit activities from the other functions it maintains. As K-REP continues to expand its lending operations, it is important that it be able to clearly track the performance of the credit operations and that the credit operations become sustainable and independent of the functions that have less possibility for recovering costs. Because K-REP's credit programs are part of an organization that still relies on grants from donors, a sudden decrease in the flow of grants could threaten the survival of the credit programs.

K-REP's units on research, evaluation, innovation, and consultancy are evolving as important resources for microenterprise development organizations in Africa. At issue is the extent to which the activities of these units should support K-REP's own direct lending operations or address the needs of the larger microenterprise community.

IMPACT ASSESSMENT

K-REP has stated that its mission is to empower low-income people, promote their participation in the development process, and enhance their quality of life. It has included in its goals increases in employment and income opportunities for the poor through the provision of loans, training, and technical assistance to microenterprises and microenterprise institutions. The findings of an impact survey, conducted by the evaluation team, of 212 K-REP clients and clients of K-REP's affiliated NGOs indicate that K-REP is well on its way to realizing these goals.

By extending its resources to NGOs, K-REP has achieved a wider effect than it would have achieved by using only its own direct lending schemes. By year-end 1993, 10,938 loans had been disbursed to 8,360 clients through NGOs funded by K-REP. Women constituted 63 percent of the program participants in the affiliated NGOs, partly because some of these organizations targeted women entrepreneurs. By year-end 1993, K-REP had disbursed 4,622 loans to 3,590 clients through the Kibera and Eldoret branches of its Juhudi credit scheme; through its Chikola group lending scheme, K-REP had disbursed 141 loans to 3,635 clients. Women constituted 65 percent of the clients of the Chikola scheme because many pre-existing groups that sought loans were women's groups. Total number of firms assisted as of year end 1993 was 15,585.

The impact survey found that the majority of both men's and women's businesses in the sample were involved in commerce or trading activities. Although such businesses are normally smaller and require

less start-up capital than service and manufacturing enterprises, they have the potential to allow entrepreneurs to amass capital. The evaluation team also found that many entrepreneurs, particularly in the crowded urban markets, had diversified from a single business to include other activities.

One important difference between clients in this survey and earlier K-REP clients was that the enterprises of clients in this survey were older, on average. This seems to reflect a more stable clientele than K-REP had in its earlier stages. (K-REP has experienced a high rate of turnover in its Juhudi scheme since inception.)

A comparison of clients in the Juhudi and Chikola schemes revealed that more businesses run by Chikola clients were located in commercial and traditional markets than were businesses of Juhudi clients. Chikola clients also tended to be more satisfied with their current occupations and had more access to credit.

A comparison of the roles of microenterprises in rural and urban environments revealed that more urban households than rural households relied entirely on K-REP-assisted enterprises for their incomes. This supports the findings of other researchers and suggests a greater need for microenterprise development projects in urban areas, where entrepreneurs vie with one another to capture a small market share. Thus far, K-REP has concentrated its efforts - particularly the Juhudi scheme, which requires a minimum population density - in the more urban areas.

Using employment growth as an indicator of the program's impact on the enterprises in the study, the team discovered that, prior to the loans, the average annual rate of growth (12.4 percent) was below the national average (29 percent). However, the older age of these enterprises means that the growth that occurred was averaged over a longer period of time. After the loans, the rate of growth for these businesses was equivalent to the national average, and the rate of growth for manufacturing and service enterprises was higher than the national rate. Businesses that received loans under the Chikola credit scheme increased employment after receipt of loans slightly more than businesses that received loans under the Juhudi scheme. In addition, growth rates after second Juhudi loans were higher than after first loans, suggesting that larger loans allowed for greater structural change in the enterprise.

Most clients in the Juhudi scheme used the first loan as working capital to buy additional stock or supplies. Second loans, which were larger, allowed for a greater range of options, including relocation or the purchase or improvement of fixed assets. Although some borrowers used first loan monies to start or add to a second business activity, this was more prevalent among second loan borrowers, supporting the notion that diversifying one's business activities is a means of expanding one's economic base. The case studies demonstrate how loans allow microentrepreneurs to build their economic security and the security of their households in increments. Unfortunately, many at this level are never too far from a devastating setback that pushes them back to where they started.

The case studies also demonstrate the complex interaction of an assisted enterprise with the other activities in a household. The fact that many entrepreneurs have used the loan monies provided by K-REP to cover household expenses, purchase land, or pay their children's school fees underlines the reality of the situation for many Kenyan microentrepreneurs. When funds are available, they are used to meet the pressing needs of the household. Meeting these needs is essential for the entrepreneur's realization of other goals related to business expansion.

Although employment growth occurred for most of the businesses K-REP assisted, nearly 40 percent of the businesses had experienced no employment growth since receiving a loan. Questions of household security may have played a large role in the lack of growth for some of these businesses. These questions of household security constituted a concern for microenterprises, especially during troubled economic times - some continued to grow in spurts throughout these rough periods, but others were simply getting by and sometimes had to struggle not to lose their footholds.
Continued on Page 5a.

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FINANCIAL ASSESSMENT

K-REP's financial sustainability was examined at the level of the lending activities and at the level of the institution as a whole. At the credit level, both the Chikola and the NGO lending activities, with self-sufficiency levels well over 1.0, are making positive contributions to the net profit of the institution. Economies of scale have been achieved in all lending schemes, and these are especially impressive in the Chikola scheme. However, K-REP's Juhudi scheme has not yet been able to cover its allocated costs consistently. This is not only because of arrears, but also because of the relatively low loan-to-staff ratio at the new branches.

At the institutional level, K-REP is donor-supported. Credit, financial income from deposits, and consultancy services are the strongest income generations at this level. However, these activities cannot yet pay all expenses of the organization and, were it not for grants from donors, K-REP would have reported a year-end deficit of Ksh.14.4 million (US$248,300) for 1993. It should be noted that many expenses (such as training, grants to NGOs, certain travel expenses, donor reporting expenses, and others) are incurred only because they form an integral part of donor-funded projects and are designed to be covered by donors.

The evaluation team's financial analysis of the quality of K-REP's portfolio revealed that, despite problems with arrears at an earlier date, arrears within Juhudi now seem to be under control, although the large amounts that have been outstanding for long periods of time may lead to losses. Reports of high client arrears on outstanding loans to the NGOs indicate that these loans, although current, may be in jeopardy.

The financial assessment also supports the view that K-REP should strengthen its current programs, particularly Juhudi, prior to further expansion. The recent opening of new offices in Kawangware and Nyeri and the restructuring within the Kibera branch have slowed the growth of Juhudi, and it remains to be seen whether arrears within K-REP and in the NGOs will lead to heavy losses. The Chikola scheme, which is growing rapidly, has recently been integrated into K-REP's credit department. These changes and issues pose challenges to management - challenges that should be addressed in the near future. We propose that K-REP see a significant increase in productivity at its branch offices, accompanied by a reduction in arrears, prior to adding new branch offices. Any expansion should be planned carefully in order to be accommodated within organizational capacity.

LESSONS LEARNED

As the USAID mission looks toward developing its strategy for promoting economic growth and microenterprise development and for designing a new project, it needs to consider the lessons derived from the K-REP experience. The findings of the evaluation team's impact study suggest several lessons.

One of the benefits of group lending program is that they are effective in identifying microenterprises with growth potential - if larger loans are made available - because individuals can get successive loans as they pay off current ones. This suggests a need for complementary programs - those that serve the extremely poor, especially women, and those that serve graduates of group lending.

Also, given that poverty groups operate businesses that are vulnerable to regular financial crises and insecurity, which can erode income gains, in its next project the mission might include a focus on the problem of income erosion for the poor and on strategies for sustaining income gains.
Continued on Page 5b.

Given the enormous demand for credit by microenterprises and the demonstrated potential for minimalist lending schemes to reach large numbers of Kenyans at low cost, it makes sense for USAID to emphasize credit in its microenterprise strategy. Experience in many countries has shown that few organizations have the commitment and the competence to develop strong microenterprise finance programs. Indeed, there is not a large pool of winning credit programs to choose from in Kenya. Many of the successful programs already have access to other sources of support. K-REP's decision to scale back its support of other NGOs suggests that USAID should reassess its objectives for intermediary institutions, in order to determine the role K-REP or another institution can and should play in microenterprise development in Kenya.

RECOMMENDATIONS FOR K-REP

- K-REP would like to expand its credit operations, but before doing so, it is in the organization's best interest to strengthen its current operations by building its loan portfolio through existing capacity. The opening of two new branches in late 1993 has highlighted some areas, such as K-REP's management information system, that should be improved before further expansion takes place.

- With respect to its management information system, K-REP should reassess all the information it collects, in order to determine whether the information is organized to be useful for managerial purpose. The team suggested that K-REP include certain financial performance ratios in its monthly monitoring reports that would allow management to track yields, track average cost of funds, and track cost pressures on the portfolio.

- K-REP should standardize its policies and procedures across branches before further expansion occurs. This will ensure K-REP's more efficient operation. Policies should change to fit Kenya's changing economic climate as necessary, and sufficient time should be allowed for such changes to take effect. Also, the consequences of policy changes must be monitored (which is difficult, at best, if policies overlap).

- Because the Juhudi scheme has experienced a high turnover rate, K-REP should consider developing strategies for promoting loyalty among K-REP clients. One means of doing this is to increase the clients' ability to identify with the organization rather than simply to encourage client groups to bond among themselves. Other organizations have fostered this client-institution relationship in many ways, from the simple (calendars and stickers) to the more complex (lotteries, ceremonies, ownership of shares, and so on).

- Questions have been raised about whether it makes sense to continue the Juhudi scheme, which has had problems with arrears, yet the scheme serves a clientele that would not otherwise be served by K-REP. Steps have been taken to manage arrears, but progress may take a while longer to become fully visible. The team recommends that K-REP continue to monitor the Juhudi scheme carefully, using uniform means of tracking its performance to allow for a thorough assessment after a reasonable period of time.

- Several enterprises supported by the Juhudi and Chikola schemes show the potential to grow, but, to do so, they need larger loans that are administered under different lending methodologies. A challenge for K-REP is to develop and test effective methodologies to lend to graduates of K-REP's programs. The aim should be to retain and serve the best clients within the context of their own programs.

Continued on Page 5c.

Continuation Sheet: Page 5c.

- To ensure a sustainable credit program over the long run, and to prepare for future growth and expansion, K-REP needs to spin off its credit operations, which have the potential to become self-sustainable, from its other microenterprise support activities, which are not self-sustaining.

- A challenge for K-REP is to develop a credit and savings system that serves as a true financial intermediary for the microenterprise community. This is important in light of the fact that current savings deposits are held by commercial banks that do not invest in microenterprises.

- K-REP is a complex organization involved in a broad range of activities with different purposes, objectives, and potentials for sustainability. Once K-REP's board of directors and management decide on its new direction, further rationalization of K-REP's organizational structure and the way its various units relate to one another will be required.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary. Always attach copy of full evaluation report, even if one was submitted separately. Other studies, surveys, etc. from recipients, evaluations, relevant to the evaluation report.)

Full Evaluation Report

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

USAID Comments:

USAID found the evaluation balanced and concurs in the general findings and conclusions of the evaluation. The evaluation confirms that USAID objectives in supporting K-REP have largely been achieved, particularly in assisting K-REP to become a successful Kenyan development organization. The project provides rich lessons on effective approaches for assisting microenterprise development in Kenya.

K-REP Comments:

We found the evaluation report fairly comprehensive and useful. In many respects the findings strengthened our faith in some of the strategies we are implementing or are about to. Generally, the report reflects a true and fair picture of the experiences and lessons learned by K-REP under the USAID support.

XD-ABM-008
9624

The Kenya Rural Enterprise Programme under Cooperative Agreement No. AID-615-0238-A-00-7026-00:

A Final Evaluation

GEMINI Technical Report No. 77

GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814

DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International • Management Systems International, Inc. • Opportunity International • Technoserve • World Education

11

The Kenya Rural Enterprise Programme under Cooperative Agreement No. AID-615-0238-A-00-7026-00:

A Final Evaluation

by

Catherine Neill
Mario Davalos
Washington Kiiru
M. Manundu
Jennefer Sebstad

September 1994

This work was supported by the U.S. Agency for International Development through a buy-in to the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, contract number DHR 5448-Q-82-9081-00.

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ACKNOWLEDGMENTS

We would like to thank the Kenya Rural Enterprise Programme staff, who assisted us in innumerable ways during the course of this evaluation. We are especially grateful to the managing director, Kimanthi Matua, and to Christopher Aleke-Dondo, Susan Njuguna, and Martin Koyabe.

We greatly appreciate the time taken by the program's clients and by the clients of Tototo Home Industries, NCCK-Nakuru, and the Kenya Women Finance Trust to answer our questions and share their life stories. There are many others who contributed to this effort, including the research assistants, many of whom had worked on the 1993 GEMINI nationwide survey of microenterprises, and the field and office staff of the branches we visited.

The evaluation team worked closely with the staff of USAID/Kenya — in particular, Mary McVay and Zachary Retemo, who were helpful throughout the evaluation. We are also grateful for the comments and suggestions of Matt Gamser and Beth Rhyne.

The authors take full responsibility for any mistakes or omissions in this report.

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	vii
SECTION ONE INTRODUCTION	1
OBJECTIVES OF USAID/KENYA's SUPPORT TO K-REP	1
RELATIONSHIP OF K-REP TO USAID's STRATEGIC GOALS	2
PREVIOUS EVALUATIONS	4
MILESTONES IN K-REP's DEVELOPMENT	4
Organization	4
Objectives	5
Methodology	6
SECTION TWO INSTITUTIONAL AND FINANCIAL VIABILITY	7
CREDIT METHODOLOGIES	7
Juhudi Credit Scheme	7
Chikola Credit Scheme	11
Lending to NGOs	17
TRAINING DEPARTMENT	20
Accomplishments	21
Issues and Challenges	22
CONSULTANCY SERVICES	22
Accomplishments	22
Issues and Challenges	23
RESEARCH AND EVALUATION DEPARTMENT	23
Research and Evaluation	23
Innovations and Development	25
ORGANIZATION AND MANAGEMENT	27
Principal Achievements	27
Organizational Structure	27
Staffing	28
Leadership	28
Role of the Board	31
Donor Relations	31
FINANCIAL PERFORMANCE	31
Description of Lending Activity	32
Savings	37
Financial Performance	38
Quality of Portfolio	46
Global Overview	49
MANAGEMENT INFORMATION SYSTEMS	52

14

SECTION THREE
CLIENT IMPACT 53

RESEARCH QUESTIONS 53
Clients 53
Household Security 53
Socioeconomic Systems 54
Rural and Urban Environments 54
Key Indicators 54
METHODOLOGY 55
PROGRAM SCALE 56
MACROECONOMIC CONTEXT AND SURVEY SAMPLE 57
Macroeconomic Context 57
Clients 58
Enterprises 59
IMPACT 62
Case Studies 62
Aggregate Effects 67
SUMMARY 70

SECTION FOUR
STRATEGIC CHALLENGES AND FUTURE DIRECTIONS FOR K-REP 73

SECTION FIVE
STRATEGIC CHALLENGES FOR USAID/KENYA 77

SECTION SIX
SUMMARY AND RECOMMENDATIONS 81

SUMMARY OF MAJOR ACHIEVEMENTS 81
RECOMMENDATIONS FOR K-REP 81

BIBLIOGRAPHY 83

ANNEX A: SCOPE OF WORK A-1

ANNEX B: QUESTIONNAIRE USED IN IMPACT STUDY B-1

ANNEX C: METHODOLOGICAL ISSUES RELATED TO IMPACT STUDY C-1

ANNEX D: TABLES FROM IMPACT STUDY D-1

ANNEX E: FINANCIAL TABLES E-1

ANNEX F: PERSONS INTERVIEWED F-1

15

LIST OF TABLES

Table		Page
1	Distribution of Chikola Entrepreneurs, by Region	13
2	Sectoral Distribution of Chikola Enterprises, by Region	14
3	Number of Loans Granted at K-REP Level and Client Level	32
4	Amounts of Loans Disbursed at K-REP Level and Client Level	33
5	Nominal and Real Rates of Growth in Amounts of Annual Loan Disbursements	34
6	Average Loan Size Disbursed at Client Level, in Nominal and Constant 1990 Prices	35
7	Active Borrowers and Outstanding Portfolio	36
8	Number of Loans per Loan Officer and Amount Outstanding per Officer, K-REP Level	37
9	Number of Active Savers and Amount of Savings Balances	38
10	Composition of Assets, Juhudi	39
11	Profit-and-Loss Statements, Juhudi	40
12	Basic Portfolio Indicators, Juhudi	41
13	Composition of Assets, Chikola	43
14	Profit-and-Loss Statements, Chikola	44
15	Basic Financial Indicators, Chikola	45
16	Savings Foreclosed	46
17	Loan Quality Ratios, NGOs and Juhudi	47
18	Aging of Loan Portfolio, Juhudi	48
19	Grants Received per Year	49
20	Consolidated Profit and Loss	50
21	Composition of Sample, by Branch	57
22	Composition of Sample, by Location and Gender	58

16

23	Average Enterprise Size before Loans, by Sector	60
24	Average Enterprise Size after Loans, by Sector	61
25	Comparison of Employment Growth Rates before and after Loans with Nationwide Sample, by Sector	68
26	Comparison of Employment Growth Rates before and after Loans with Nationwide Sample, by Gender	68
27	Labor Force Changes since Receipt of Loan	69

LIST OF FIGURES

Figure		Page
1	Organizational Chart, January 1993	29
2	Current Organizational Chart	30

EXECUTIVE SUMMARY

This report presents the findings of a final evaluation of the activities of the Kenya Rural Enterprise Programme (K-REP). The evaluation, at the conclusion of Cooperative Agreement No. AID-615-0238-A-00-7026-00 between K-REP and the U.S. Agency for International Development (USAID), was conducted under USAID's Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project. Under the agreement, the objectives of K-REP were to "continue its core function of providing technical assistance and finance to private voluntary organizations (PVOs); expand its services to new target groups (business associations and community-based enterprises); and finance research and related activities on small enterprise development." Under amendments to the agreement, K-REP also began its own direct lending program.

Support to K-REP was provided under USAID's Rural Private Enterprise (RPE) Project and USAID's Private Enterprise Development (PED) Project. The objectives of the RPE project were to establish and expand rural private enterprises in Kenya by promoting small enterprise development through nongovernmental organizations (NGOs) and by reaching high-end rural enterprises through commercial banks. The objective of the PED project was to increase growth in the private sector — indirectly, by strengthening institutions working to improve Kenya's business environment and, directly, by encouraging business growth through the financial and technical assistance provided by those institutions. K-REP has contributed significantly to the realization of these USAID objectives both as a beneficiary of resources — a situation that has allowed K-REP to become a dominant player in microenterprise finance in Kenya — and as a provider of financial services and technical assistance to other microenterprise credit institutions. In addition, through its in-house lending programs, K-REP has developed and refined methodologies for providing credit to the microenterprise sector. An impact survey suggests that this provision of credit has contributed to business growth, reflected by an increase in employment in most of the businesses assisted through loans.

ORGANIZATIONAL ASSESSMENT

World Education, an international NGO, established K-REP in 1984 as an intermediary NGO to on-lend and provide technical assistance to other NGOs. Since its establishment, K-REP has [illegible]e through several stages in an attempt to develop an effective strategy for promoting microenterprise development. To date, K-REP has identified two effective methodologies or credit schemes, which it has used to provide credit to large numbers of microentrepreneurs at low cost. The first of these methodologies, the Juhudi credit scheme, is a group lending model similar to that used by the Grameen Bank in Bangladesh. The second methodology, the Chikola credit scheme, is based on indigenous rotating credit and savings associations, also known as *chikolas*. K-REP has phased out much of its technical assistance to other NGOs, deciding instead to focus on financial support in the form [illegible] loans.

While implementing its own direct financial services programs, K-REP has also established training, research, and innovation programs to support credit activities. In addition, K-REP has been successful in attracting support from other donors and in mobilizing resources from USAID, the Ford Foundation, and the Overseas Development Administration.

Building on successes in its direct lending programs, K-REP intends to expand its direct lending activities further. However, K-REP faces several strategic challenges that will affect the viability of the organization and its role in USAID's microenterprise strategy. These challenges include the need to strengthen organizational and management structures to lay the foundation for further expansion. There

also is a need to develop and test methodologies for promoting savings within the context of the existing credit programs. In addition, there is a need to further develop and refine credit methodologies that serve the needs of K-REP's clientele; this may include designing an individual loan program that allows borrowers to graduate to larger loans, thereby cross-subsidizing smaller loans to K-REP's lower-income clientele.

Yet another challenge to K-REP involves the need to separate its retail credit activities from the other functions it maintains. As K-REP continues to expand its lending operations, it is important that it be able to clearly track the performance of the credit operations and that the credit operations become sustainable and independent of the functions that have less possibility for recovering costs. Because K-REP's credit programs are part of an organization that still relies on grants from donors, a sudden decrease in the flow of grants could threaten the survival of the credit programs.

K-REP's units on research, evaluation, innovation, and consultancy are evolving as important resources for microenterprise development organizations in Africa. At issue is the extent to which the activities of these units should support K-REP's own direct lending operations or address the needs of the larger microenterprise community.

IMPACT ASSESSMENT

K-REP has stated that its mission is to empower low-income people, promote their participation in the development process, and enhance their quality of life. It has included in its goals increases in employment and income opportunities for the poor through the provision of loans, training, and technical assistance to microenterprises and microenterprise institutions. The findings of an impact survey, conducted by the evaluation team, of 212 K-REP clients and clients of K-REP's affiliated NGOs indicate that K-REP is well on its way to realizing these goals.

By extending its resources to NGOs, K-REP has achieved a wider effect than it would have achieved by using only its own direct lending schemes. By year-end 1993, 10,938 loans had been disbursed to 8,360 clients through NGOs funded by K-REP. Women constituted 63 percent of the program participants in the affiliated NGOs, partly because some of these organizations targeted women entrepreneurs. By year-end 1993, K-REP had disbursed 4,622 loans to 3,590 clients through the Kibera and Eldoret branches of its Juhudi credit scheme; through its Chikola group lending scheme, K-REP had disbursed 141 loans to 3,635 clients. Women constituted 65 percent of the clients of the Chikola scheme because many pre-existing groups that sought loans were women's groups.

The impact survey found that the majority of both men's and women's businesses in the sample were involved in commerce or trading activities. Although such businesses are normally smaller and require less start-up capital than service and manufacturing enterprises, they have the potential to allow entrepreneurs to amass capital. The evaluation team also found that many entrepreneurs, particularly in the crowded urban markets, had diversified from a single business to include other activities.

One important difference between clients in this survey and earlier K-REP clients was that the enterprises of clients in this survey were older, on average. This seems to reflect a more stable clientele than K-REP had in its earlier stages. (K-REP has experienced a high rate of turnover in its Juhudi scheme since inception.)

A comparison of clients in the Juhudi and Chikola schemes revealed that more businesses run by Chikola clients were located in commercial and traditional markets than were businesses of Juhudi clients.

Chikola clients also tended to be more satisfied with their current occupations and had more access to credit.

A comparison of the roles of microenterprises in rural and urban environments revealed that more urban households than rural households relied entirely on K-REP-assisted enterprises for their incomes. This supports the findings of other researchers and suggests a greater need for microenterprise development projects in urban areas, where entrepreneurs vie with one another to capture a small market share. Thus far, K-REP has concentrated its efforts — particularly the Juhudi scheme, which requires a minimum population density — in the more urban areas.

Using employment growth as an indicator of the program's impact on the enterprises in the study, the team discovered that, prior to the loans, the average rate of growth (12.4 percent) was below the national average (29 percent). However, the older age of these enterprises means that the growth that occurred was averaged over a longer period of time. After the loans, the rate of growth for these businesses was equivalent to the national average, and the rate of growth for manufacturing and service enterprises was higher than the national rate. Businesses that received loans under the Chikola credit scheme increased employment after receipt of loans slightly more than businesses that received loans under the Juhudi scheme. In addition, growth rates after second Juhudi loans were higher than after first loans, suggesting that larger loans allowed for greater structural change in the enterprise.

Most clients in the Juhudi scheme used a first loan as working capital to buy additional stock or supplies. Second loans, which were larger, allowed for a greater range of options, including relocation or the purchase or improvement of fixed assets. Although some borrowers used first loan monies to start or add to a second business activity, this was more prevalent among second loan borrowers, supporting the notion that diversifying one's business activities is a means of expanding one's economic base. The case studies demonstrate how loans allow microentrepreneurs to build their economic security and the security of their households in increments. Unfortunately, many at this level are never too far from a devastating setback that pushes them back to where they started.

The case studies also demonstrate the complex interaction of an assisted enterprise with the other activities in a household. The fact that many entrepreneurs have used the loan monies provided by K-REP to cover household expenses, purchase land, or pay their children's school fees underlines the reality of the situation for many Kenyan microentrepreneurs. When funds are available, they are used to meet the pressing needs of the household. Meeting these needs is essential for the entrepreneur's realization of other goals related to business expansion.

Although employment growth occurred for most of the businesses K-REP assisted, nearly 40 percent of the businesses had experienced no employment growth since receiving a loan.[1] Questions of household security may have played a large role in the lack of growth for some of these businesses. These questions of household security constituted a concern for microenterprises, especially during troubled economic times — some continued to grow in spurts throughout these rough periods, but others were simply getting by and sometimes had to struggle not to lose their footholds.

[1] Some businesses may have grown in ways that cannot be captured with employment data.

FINANCIAL ASSESSMENT

K-REP's financial sustainability was examined at the level of the lending activities and at the level of the institution as a whole. At the credit level, both the Chikola and the NGO lending activities, with self-sufficiency levels well over 1.0, are making positive contributions to the net profit of the institution.[2] Economies of scale have been achieved in all lending schemes, and these are especially impressive in the Chikola scheme. However, K-REP's Juhudi scheme has not yet been able to cover its allocated costs consistently. This is not only because of arrears, but also because of the relatively low loan-to-staff ratio at the new branches.

At the institutional level, K-REP is donor-supported. Credit, financial income from deposits, and consultancy services are the strongest income generators at this level. However, these activities cannot yet pay all expenses of the organization and, were it not for grants from donors, K-REP would have reported a year-end deficit of K Sh14.4 million (US$248,300) for 1993. It should be noted that many expenses (such as training, grants to NGOs, certain travel expenses, donor reporting expenses, and others) are incurred only because they form an integral part of donor-funded projects and are designed to be covered by donors.

The evaluation team's financial analysis of the quality of K-REP's portfolio revealed that, despite problems with arrears at an earlier date, arrears within Juhudi now seem to be under control, although the large amounts that have been outstanding for long periods of time may lead to losses. Reports of high client arrears on outstanding loans to the NGOs indicate that these loans, although current, may be in jeopardy.

The financial assessment also supports the view that K-REP should strengthen its current programs, particularly Juhudi, prior to further expansion. The recent opening of new offices in Kawangware and Nyeri and the restructuring within the Kibera branch have slowed the growth of Juhudi, and it remains to be seen whether arrears within K-REP and in the NGOs will lead to heavy losses. The Chikola scheme, which is growing rapidly, has recently been integrated into K-REP's credit department. These changes and issues pose challenges to management — challenges that should be addressed in the near future. We propose that K-REP see a significant increase in productivity at its branch offices, accompanied by a reduction in arrears, prior to adding new branch offices. Any expansion should be planned carefully in order to be accommodated within organizational capacity.

LESSONS LEARNED

As the USAID mission looks toward developing its strategy for promoting economic growth and microenterprise development and for designing a new project, it needs to consider the lessons derived from the K-REP experience. The findings of the evaluation team's impact study suggest several lessons.

One of the benefits of group lending programs is that they are effective in identifying microenterprises with growth potential — if larger loans are made available — because individuals can get successive loans as they pay off current ones. This suggests a need for complementary programs — those that serve the extremely poor, especially women, and those that serve graduates of group lending.

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[2]A self-sufficiency ratio of 1.0 indicates a break-even point.

Also, given that poverty groups operate businesses that are vulnerable to regular financial crises and insecurity, which can erode income gains, in its next project the mission might include a focus on the problem of income erosion for the poor and on strategies for sustaining income gains.

Given the enormous demand for credit by microenterprises and the demonstrated potential for minimalist lending schemes to reach large numbers of Kenyans at low cost, it makes sense for USAID to emphasize credit in its microenterprise strategy. Experience in many countries has shown that few organizations have the commitment and the competence to develop strong microenterprise finance programs. Indeed, there is not a large pool of winning credit programs to choose from in Kenya. Many of the successful programs already have access to other sources of support. K-REP's decision to scale back its support of other NGOs suggests that USAID should reassess its objectives for intermediary institutions, in order to determine the role K-REP or another institution can and should play in microenterprise development in Kenya.

SECTION ONE

INTRODUCTION

This report presents the findings from an evaluation of the Kenya Rural Enterprise Programme (K-REP), at the conclusion of a Cooperative Agreement between the U.S. Agency for International Development (USAID) and K-REP. The agreement (No. AID-615-0238-A-00-7026-00) provides $5,938,958 over a seven-year period between June 30, 1987, and June 30, 1994. The evaluation was performed under USAID's Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project. The report is organized as follows:

- Section One summarizes the objectives of USAID support to K-REP and the relationship of this support to USAID's strategic goals in Kenya;
- Section Two assesses K-REP's institutional and financial viability;
- Section Three presents the findings of an impact survey of 212 clients of K-REP and other nongovernmental organizations (NGOs);
- Section Four discusses lessons, strategic challenges, and options for K-REP as a microenterprise support institution;
- Section Five discusses lessons, strategic challenges, and future options for USAID to expand microenterprise credit and savings; and
- Section Six summarizes the evaluation's findings and recommendations.

OBJECTIVES OF USAID/KENYA's SUPPORT TO K-REP

USAID has supported K-REP since 1984, when K-REP was established as a project of World Education, an international NGO. K-REP's mission is to empower low-income people, promote their participation in the development process, and enhance their quality of life. Its goals, which are built on poverty alleviation principles, are to strengthen microenterprise credit programs and institutions and increase employment and income opportunities through loans, training, and technical assistance that facilitate microenterprise development.

USAID/Kenya has funded K-REP through two overlapping cooperative agreements. The first agreement provided $7.7 million to World Education under the Rural Private Enterprise (RPE) Project (615-0220) between 1984 and 1991. The second agreement, funded under the Private Enterprise Development (PED) Project (615-0238), provided $5.9 million directly to K-REP from 1987 to 1994.

The RPE project aimed to establish and expand rural private enterprises in Kenya in two ways — by reaching high-end rural enterprises through the commercial banks and by promoting small enterprise development through NGOs. The promotion of small enterprise development built on a 1983 study that identified the institutional development needs of six NGOs involved in microenterprise credit in Kenya.

With funding from the project, World Education established K-REP as an intermediary support body to provide grants to NGOs involved in the informal sector and in microenterprise activities. It also carried out training and technical assistance to strengthen NGO staff skills and NGO management and administration, especially in credit. During this phase, World Education explored possibilities for institutionalizing these functions on a longer term.

The PED project aimed to increase growth in Kenya's private enterprise sector indirectly by strengthening institutions working to improve Kenya's business environment and directly by encouraging business growth through the financial and advisory assistance provided by those institutions. The project components, which reflected USAID/Kenya's private sector strategy, focused on policy and investment promotion, financial system development, and managerial and entrepreneurial development.

Support for small businesses fell under managerial and entrepreneurial development and focused on strengthening three support organizations, including K-REP. K-REP was the only one of the three that concentrated on very small businesses or that provided credit. The primary rationale for continued USAID support to K-REP included the demonstrated absorptive capacity of the NGO sector for K-REP assistance, the need to experiment with other ways of assisting the microenterprise sector, and the interest of members of K-REP's review committee and staff for the program to become an independent indigenous Kenyan NGO.

The objectives of the second grant to K-REP were to:

- Strengthen and finance organizations that deliver financial and nonfinancial assistance to very small businesses;
- Research, develop, and implement new ways of promoting small business growth; and
- Assist K-REP in becoming a successful Kenyan development organization.

Under PED, K-REP was to continue its core function of providing technical assistance and finance to NGOs. It also was to expand its services to new target groups, including business associations and community-based enterprises, and was to finance research and related activities on small business development. This agreement made provisions for K-REP itself to extend credit to NGOs to on-lend to microenterprises and community-based enterprises. The program was registered as a local company limited by guarantee (WEREP Ltd.), and USAID funding under PED was provided directly to this Kenyan organization. World Education's participation in K-REP continued to be funded through the RPE project, but a plan was put into place for gradually phasing out World Education's support and making K-REP an independent Kenyan organization.

RELATIONSHIP OF K-REP TO USAID's STRATEGIC GOALS

USAID/Washington's global strategy focuses on promoting sustainable development through programs in four related areas: the protection of the environment; the stabilization of world population growth and the protection of human health; the building of democracy; and the encouragement of broad-based economic growth. In economic growth, USAID now focuses on poverty issues and on expansion of economic opportunities for less advantaged people.

To this end, microenterprise development has become a centerpiece of USAID's new strategy. This emphasis is reflected in USAID's focus on directly promoting microenterprises through innovative

financial services and training and on creating an enabling environment for microenterprise development through policy reforms, infrastructure improvement (markets, storage, and transport), and development of supportive institutions, especially those that facilitate broad-based participation by disadvantaged groups.

In light of USAID/Washington's new poverty-focused approach to economic growth, USAID/Kenya is rethinking its current private sector strategy, which focuses on increasing agricultural productivity and farm incomes through technology development and improvement of agricultural market efficiency and on expanding private enterprise employment through the promotion of nontraditional exports and small and medium-scale enterprise development.

It is important to note that a focus on the informal sector and microenterprise development constitutes a considerable shift in the way USAID/Kenya has viewed this sector in the past. The mission did include informal sector assistance as one of six interventions in its 1985-1990 private sector strategy. However, this was dropped in the 1990-1995 private sector strategy, based on the mission's assessment of the difficulty of establishing sustainable informal sector interventions and the limited potential of the informal sector to contribute to the economy or to absorb labor. On these grounds, the mission decided to shift its emphasis to "more promising segments of the economy" where "sustainable interventions" were possible. Since 1990, the private sector strategy has stressed small and medium-scale enterprises.[1]

Against this backdrop, USAID/Kenya now directs more attention to microenterprise development. The shift is justified on several grounds:

- Better information on the critical importance of microenterprises as a source of employment and economic growth in Kenya;
- Breakthroughs in recent years in developing a financial systems approach to poverty lending — an approach that has proven to be sustainable in other places; and
- USAID's central concern for addressing poverty issues in developing countries.

As the mission looks ahead in developing its future strategy for promoting economic growth and in designing a follow-on project, employment generation and support for microenterprise development will be core activities. In the follow-on project, the mission plans to direct support to two main areas: financial sector reform and microenterprise credit. Planned activities in the financial sector include the development of appropriate financial instruments, the expansion of opportunities for individual Kenyans to invest their savings, and an increase in the number of financing options for enterprises. In designing the microenterprise component of this project, the mission will draw on the lessons of K-REP and the organizations it supports; the experiences of other local and international organizations that support microenterprises; and the findings of a 1993 baseline survey of microenterprises in Kenya (Parker & Torres, 1994), conducted by the Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project. The survey estimates that 7 out of 10 Kenyans employed in the private sector work in microenterprises.

Given K-REP's focus on microenterprise credit as a strategy to reduce poverty, K-REP has in many ways been an organization ahead of its time in relation to USAID's strategic goals. As a mature organization, and as one of the few of its kind in Africa, K-REP provides rich lessons on effective approaches for assisting microenterprise development in Africa.

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[1] "USAID/Kenya Private Enterprise Strategy," October 1990.

PREVIOUS EVALUATIONS

Since it began in 1984, K-REP has had only one outside evaluation, a mid-term evaluation during RPE funding, conducted by USAID in 1987. An evaluation planned for 1991, at the end of the RPE project and the middle of the PED project, was not carried out.

The 1987 evaluation concluded that, during its first three years, K-REP had strengthened the capacity of NGO staff and had laid a foundation for impact in future years. While recognizing K-REP's important strides in institution building and its energetic and experienced staff, the evaluation found costs were high in relation to impact.

The 1987 evaluation recommended that USAID provide additional assistance to K-REP to enable the organization to explore innovative ways to offset costs with revenue. The evaluation suggested that K-REP begin to measure impact not only in terms of jobs and income but also in terms of innovation. The evaluation questioned K-REP's direct work with two community-based enterprises, citing the amount of staff time the enterprises consumed and the dearth of local support organizations that could provide day-to-day assistance. The evaluation recommended that K-REP try to find local support institutions that could help such groups, rather than support them directly. The team identified K-REP's training materials on market analysis for small firms and on credit management for clients as critical in ensuring financial accountability, and encouraged other microenterprise organizations take advantage of these materials. A final recommendation was for K-REP to use its resources in innovation to link with the growing number of worldwide microenterprise projects — through exchange visits, conferences, electronic networking, and shared technical assistance.

In retrospect, the evaluation team's recommendations paved the way for K-REP to institutionalize its functions in evaluation and monitoring and in research and innovations. Stronger links with worldwide microenterprise projects led to adaptation of the Grameen Bank lending model, through the Juhudi scheme. Counter to the evaluation's recommendation, K-REP intensified, rather than cut back, its work with community-based enterprises. Although K-REP's support for community-based enterprises did not succeed, it led K-REP to lend to rotating credit and savings groups — an activity that has developed into a major direct lending program.

MILESTONES IN K-REP's DEVELOPMENT

Microenterprise development worldwide has matured since K-REP's establishment in 1984. K-REP has been an active participant in the maturation of microenterprise development. Its organizational growth and development reflect a learning process in better understanding the dynamics and needs of microenterprises in Kenya and the evolution of effective strategies for meeting these needs.

Organization

An important landmark in K-REP's organizational development was its registration in 1987 as an independent Kenyan NGO. The decision was supported by World Education, which systematically phased out its direct support of K-REP between 1987 and 1992. This enabled K-REP to become an autonomous organization with a skilled management team responsible for day-to-day operations of the organization and with a committed board of directors providing strong organizational leadership in policy. K-REP was led by two expatriate managing directors, supported through World Education, between 1984

and 1992. The transition to an independent Kenyan organization was successfully completed in 1992 with the appointment of a Kenyan managing director.

Objectives

K-REP's initial programmatic objective was to strengthen and finance other NGOs and to facilitate inter-agency cooperation on microenterprise development. Over time, K-REP's role as an umbrella organization supporting other NGOs has narrowed and its role in providing direct assistance to microenterprises has expanded.

In 1986, K-REP's role in facilitating inter-agency coordination was dropped when USAID began funding Voluntary Agencies in Development Assistance (VADA), an NGO umbrella organization. Because VADA had a broad mandate to work with NGOs in a variety of sectors, the decision for K-REP to drop this role was made jointly by USAID and K-REP in order to avoid duplication of effort and to enable K-REP to focus more intensively on a few areas. Under its mandate to strengthen and finance other NGO microenterprise programs, K-REP experimented with various strategies for doing so up to 1988. During this period, K-REP worked with as many as 20 NGOs, most of them social welfare organizations with limited experience in credit. K-REP promoted an integrated credit methodology, combining individual loans with business training and management assistance. It provided the NGOs with grant financing and training to strengthen staff skills in the delivery of credit and training.

In 1988, K-REP staff carried out an internal assessment and decided to channel credit funds to a much smaller number of NGOs based on their capacities and the efficiency of their programs. This reflected a growing concern for improving cost efficiencies, the volume of lending, recovery rates, and credit administration. At this time, K-REP decided to change its lending methodology from an integrated approach to a minimalist approach — providing financial services but no training or management assistance. K-REP selected four NGOs and changed the terms of its financial assistance to NGOs from 100 percent grant financing to 30 percent grant financing and 70 percent loan financing. In keeping with this narrower approach, the training department moved from a focus on the transfer of basic skills to NGOs to problem-specific training and technical assistance.

As K-REP trimmed back its role as an intermediary support organization in the 1980s, it expanded its role in directly supporting community-based enterprises. This built on earlier support to two community-based enterprises and laid the groundwork for further growth of direct lending activities from 1990 on. In 1990, K-REP initiated its own direct lending scheme, Juhudi, to address its concerns with self-sufficiency and to "put into practice what it had learned over the years." In addition, by 1991 K-REP had begun lending to individual businesses through existing rotating savings and credit associations (ROSCAs, also known as *chikolas*, or merry-go-round groups). Building on the lessons of a pilot phase, K-REP began scaling up its Juhudi and Chikola credit schemes in 1993. Since the shift to minimalist lending, the training department has focused primarily on in-house training for K-REP staff on credit management and the building of NGO organizational capacity to manage credit.

Although K-REP decreased the number of NGOs it supported with credit and technical assistance, it expanded work in research and evaluation. In 1987, with support from the Ford Foundation, a separate department was established with the principal role of monitoring and evaluation. Over time, the department's functions have broadened to include operations research, policy studies, documentation, information dissemination, and innovations.

Methodology

K-REP's initial methodology promoted an integrated assistance package for microenterprises on a project-by-project basis. Over time, K-REP has shifted to a minimalist lending model and a financial systems approach for extending financial services to the poor (see Rhyne and Otero, 1994).

K-REP's early integrated approach empnasized appraisal, credit, training, and technical assistance to individual clients. By 1988, K-REP-supported NGOs were experiencing problems with this methodology. Disbursements were low, recovery rates were disappointing, costs were high, and the administrative burdens were heavy. K-REP was concerned with cost efficiencies and the limited potential for scaling up this method. These concerns led K-REP to cut back on the number of NGOs it supported and concentrate on a few that it could monitor closely. However, the record of this approach continued to be disappointing.

In 1990, K-REP completely revamped its credit methodology, drawing on worldwide experience gained through previous exchange visits to poverty lending programs in Bangladesh, India, and Latin America; participation in regional and international workshops; interaction with donors and international NGOs; early experiments in Kenya by K-REP-supported NGOs such as PRIDE; and general involvement in microenterprise development. K-REP decided to work with four NGOs — Chogoria, Tototo, PRIDE, and the National Council of Churches in Kenya (NCCK) — to redesign the NGO credit programs while initiating an experimental project of its own in Kibera, a low-income community in Nairobi. Juhudi drew on the lessons from K-REP and successful microenterprise development programs in other parts of the world. It was based on the Grameen Bank's group-based poverty-lending model and embodied a financial systems approach — which stressed a market perspective, savings, and financial self-sufficiency. Between 1990 and 1993, K-REP expanded its Juhudi program to four branches.

At the same time, K-REP began to experiment with another credit model, the Chikola credit scheme, which provided loans to existing ROSCAs, or chikolas. This experiment coincided with K-REP's decision to discontinue lending to community-based enterprises because of the disappointing results from these groups. The Chikola model, which grew out of the experimental community-based enterprise program, has evolved alongside the Juhudi model and makes up about half of K-REP's loan portfolio.

SECTION TWO

INSTITUTIONAL AND FINANCIAL VIABILITY

CREDIT METHODOLOGIES

This section presents the lending methodologies currently implemented by K-REP. It should be noted that the group-based model is implemented slightly differently by the NGOs than it is by K-REP. For example, initial loan sizes have been smaller (K Sh5,000) for the NGO borrowers. Several of these programs have also experimented with group sizes and while K-REP credit officers meet weekly with every group, some of the other programs do not require that the credit officers always be in attendance. While the description which follows applies specifically to K-REP's direct implementation of its lending methodologies, some of the issues, particularly with respect to Juhudi, relate to the NGO programs as well.

K-REP has three credit methodologies. One methodology is the Juhudi credit scheme, wherein K-REP lends directly to microentrepreneurs through a group-based lending scheme operated through four branches. Another methodology is the Chikola credit scheme, whereby K-REP lends directly to existing rotating credit groups called *chikolas*, which retail the loans to their members. In a third methodology, K-REP lends wholesale to NGOs (five in 1993, six in 1994), which use the Juhudi scheme to on-lend to clients

Juhudi Credit Scheme

The Juhudi credit scheme is loosely fashioned after the group lending methodology developed by the Grameen Bank in Bangladesh in 1979. It involves the formation of groups of five borrower-savers, federated into a higher group. The Bangladesh model involves compulsory weekly savings and joint guarantees of the village group members. The groups of five members and the larger group into which they are clustered ensure mutual accountability among participants. Loans are individual; guarantees are collective.

Background

K-REP introduced the Juhudi scheme in 1987 when it became apparent that the lending practices implemented by the NGOs, through which K-REP was providing credit to microentrepreneurs, had limited outreach and were not cost-effective. The methodology in use at that time hindered self-sufficiency and independence from grant funding. The Juhudi methodology was developed as a minimalist approach to providing credit to the urban and rural poor on a commercially viable basis. In essence, Juhudi provides individual loans that depend on cross-group guarantees and weekly savings.

After initial testing by one NGO, K-REP selected four promising NGOs to test the Juhudi methodology in 1989. Nevertheless, because the new methodology, which was being tested and adapted to Kenya, in some ways conflicted with the corporate culture of the NGOs, K-REP began to question the adequacy of the NGOs as channels to deliver credit. To put into practice what it had learned through the years, K-REP opened a pilot Juhudi branch in Kibera in September 1990.

Procedures

The genesis of a Juhudi loan, as practiced by K-REP, starts with a public meeting, in which a K-REP officer explains the Juhudi scheme and gives information about where interested parties can get additional details. Individuals are encouraged to form groups of five members in order to participate in the scheme. Subsequent smaller meetings lead to an assessment by the K-REP field officer of the eligibility of prospective members, who must be Kenyan citizens over 18 years old. Applicants were initially intended to be informal sector entrepreneurs whose businesses are located in a designated area and whose business assets do not exceed K Sh300,000 (US$5,000).

Eligible applicants who have formed a group of five (although in practice these may vary from four to seven members) constitute a *watano*. Six watanos are organized into a business association called a *Kiwa*, which has a chairperson, a secretary, and a treasurer. Kiwa members are usually within close proximity of one another and have common financing needs, although, in the past, Kiwas have been formed as ad hoc groups based on those who attended the public meetings. The Kiwa chooses a name and is registered as a self-help group with the Ministry of Culture and Social Services.

In our survey of K-REP clients, a greater percentage of women (40.3 percent) than men (22.2 percent) said that Juhudi was the only credit program known to them. Other reasons given for participation in K-REP's program included that there was no security or collateral requirement, participants were introduced by friends, or they liked the terms of the loan. It should be noted that, although K-REP does not require security other than the requisite amount of savings prior to receiving a loan, many Kiwas (as well as many groups in the Chikola scheme) now require security items from their members.

Once a Kiwa is formed, all members of the watanos agree to a savings program of a minimum of K Sh50 (US$0.85) per week. These savings are collected at weekly Kiwa meetings and are deposited into an account opened in a commercial bank in the name of the Kiwa, although the K-REP officer must also authorize withdrawal of funds from this account. Each member of the scheme has a Juhudi savings passbook, provided by K-REP at K Sh75 (US$1.25), in which the savings balances are registered by officers at Kiwa meetings. Members are also charged an initial K-REP membership fee of K Sh150 (US$2.50).

When a Kiwa has saved without interruption for eight weeks, six members of the Kiwa — one in each watano — are eligible for loans. Each watano decides who gets the loan. In another four weeks, a second group of twelve members, or two persons in every watano, becomes eligible for loans. The remaining twelve watano members are granted credit in another four weeks. After repaying the first loan, a member may apply for a second loan. Second and subsequent loans require that the borrower has saved 20 percent of the requested loan amount.

In our survey of K-REP borrowers, we found that the main motivating factor behind loan repayment was to maintain eligibility for another loan. Some of the other reasons given for loan repayment were the help the loan had provided to the business, group pressure, the feeling of a personal obligation, and the fear of loss of reputation.

Loan applications are made individually. An application form with general information on the prospective borrower and the loan purpose, signed by every member of the watano, is filed with K-REP. Loan applications are first assessed by the Kiwa loan appraisal committee, composed of the chairperson, the secretary, the treasurer, and three members of other watanos, assisted by the credit officer from K-REP. Applicants must justify the need for the loan, indicate the intended use, and show the possibilities for repayment. The credit officer then endorses the approval, after visiting the applicant's place of

business. The signature of all the watano members constitutes a formal joint agreement forfeiting savings in case of default. All Kiwa members become guarantors of the loan, although Kiwas have, as was mentioned above, begun to ask members to grant liens on some personal assets in case of default.

Loans are approved by the Kiwas and then by the field officer. A list of individual borrowers is drawn by the officer, who submits it to the area credit manager, who counterchecks it and authorizes the branch accountant to process the loan checks. In this way, approval and disbursements of loans are decentralized and each branch handles its own loan operations.

Disbursements are made by check to the individual borrowers, and checks are delivered at the weekly Kiwa meetings, where participants are reminded of their weekly payments. The credit officer usually visits the member at the place of business within a week of disbursement to verify use of funds. All transactions with K-REP (savings, loan applications, loan disbursements, and collections) are carried out at the Kiwa weekly meeting. Loan payments are also made at the weekly Kiwa meetings, and the Kiwa itself is responsible for depositing the proceeds into a K-REP account. When payments are made at the Kiwa meeting, the credit officer issues a receipt to the individual borrowers and co-signs the deposit slip. The cash flow of the business is the first source of payment. The member's own savings is a first-level guarantee; the watano savings and the Kiwa savings are alternate successive sources of repayment.

Borrowers who do not meet their payments are asked for a reason at the Kiwa meeting, and are monitored. Although officers are immediately aware of a missed payment, the first round of pressure is exerted by the Kiwa itself. Branch officers do not follow up on the delinquency until after the second week (the third week at the Kibera branch). Considering the history of problems with arrears in K-REP's branches, particularly in Kibera, this delayed reaction to delinquent payments may be too lenient. In fact, the most successful credit programs respond immediately to missed payments in order to determine whether and how the problem can be corrected. K-REP management feels that it has made important changes in handling of arrears to rectify previous problems. At the time of the evaluation, it was difficult to tell whether such changes were paying off in terms of improved delinquency rates.

In the survey of K-REP and NGO clients, the team found that 50.7 percent of the women and 68.3 percent of the men belonged to groups that had had problems with defaults by one or more members. This suggests that a significant portion of K-REP's current clients in the Juhudi scheme have been affected by defaults. The most frequently used method of dealing with such defaults is to attach the security item listed on the loan document. This takes place when the defaulted member's savings do not cover the outstanding loan balance.

Generally, Kiwa members expressed a strong reluctance to using the group members' savings to repay a defaulted loan. Although K-REP has become more active in recouping its losses through savings, it recognizes the negative impact that recouping losses through savings has on group morale, as noted in its study on defaulters (Oketch and Aleke-Dondo, 1993). In the team's interviews with borrowers, many expressed a desire to see K-REP become more active in pursuing defaulters, particularly through legal means. In K-REP's study on defaulters, it also found that 64 percent of non-defaulting borrowers and 21 percent of defaulters themselves felt that Juhudi had not been aggressive enough in pursuing defaulters. Those who had defaulted suggested that Juhudi credit officers and management had reacted too slowly.

Defaults and arrears are common to all credit institutions. How an institution handles these problems determines whether it will be able to maintain the quality of its portfolio.

Terms and Conditions

According to K-REP policy, the first loan may be a maximum of K Sh10,000 (US$166) for 26 weeks. In the older branches (Kibera and Eldoret), initial loans may reach K Sh15,000 (US$250) for 52 weeks. Second loans may go up to K Sh25,000 (US$416), and third loans up to K Sh50,000 (US$833), although a third loan has gone as high as K Sh100,000 (US$1,667). K-REP reports that it has been more flexible in the sizes of second and third loans, attempting to better match the real business needs of clients. It seems appropriate to tailor the sizes of subsequent loans to the clients, who must have the requisite 20 percent in savings in order to borrow under the Juhudi scheme. In discussions with K-REP clients, many reported that the initial loan size was too small, and that the second loan size of K Sh25,000 was much more in line with the capital requirements of their businesses.

Prior to March 1993, interest rates K-REP charged to its Juhudi members were 28 percent per year, on a declining balance, with a 1 percent initial application fee. Since March 1993, interest rates have been set at 35 percent per year, with a 1 percent application fee and a 0.5 percent insurance fee. The effective interest rate is 40 percent per year, although interest rates are sometimes quoted as "18.9 percent flat rate on principal," in order to seem more in line with commercial bank rates. The insurance fee goes into a fund, administered by K-REP, that covers the balance of the loan in the event of death, prolonged illness, or incapacity.

Branch Operations

Each of K-REP's four Juhudi branches — Kibera, Eldoret, Kawangware, and Nyeri — is considered a profit center, with its own profit-and-loss statements and monthly activity reports. Usually, a Juhudi branch has a staff of 12 — the area credit manager, 6 or 7 field officers, an accountant, and 4 support personnel. The branch manager, or the area credit manager, reports to the Juhudi Credit Department manager at the head office. Loan officers are typically high school graduates with at least two years of postsecondary education.

A new branch requires about US$20,000 for initial purchases of fixed assets. New branches are typically established by a combination of a loan at a 10 percent annual interest rate from the head office and capital assigned by the head office. Operating expenses for the first three years are also covered by the head office through an operational grant to match net losses. Branches are expected to cover their costs within three years, although that has not yet occurred at any branch. Apportioned expenses for head office staff are not currently allocated to branches.

According to projections, when fully mature a branch is targeted to maintain 2,100-2,800 clients, with a total portfolio of about K Sh17 million (US$293,000). These goals have not been met in any branch, partially because of problems encountered, especially in 1992, by the older branches, which piloted the methodology for K-REP. K-REP feels that an over-optimistic assessment of the market potential for the older branches may have contributed to unrealistic projections early in the program. In the current situation, however, these projections for a credit officer's client load are not unrealistic for either new or old branches.

Juhudi combines its financial accounting of decentralized retail outlets with the activities of its head office. At year-end 1993, all four Juhudi branches had a consolidated outstanding loan portfolio of K Sh18.4 million (US$27,000 at exchange rates for year end 1993). The balance represented 16.8 percent of the total consolidated K-REP loan portfolio. The first quarter of 1994 registered a consolidated K-REP Juhudi portfolio of K Sh20.9 million (US$349,300).

Issues

The evaluation team observed the following issues in relation to the operation and management of K-REP's Juhudi credit scheme:

- There has not been a standardization of policies and procedures within K-REP's branches. This needs to occur in the near future, prior to further expansion. As the organization grows, it will be harder to manage if there is not uniformity across branches. The rules on late payment and default, in particular, need to be applied consistently by all staff to all customers.

- The Juhudi methodology is still developing. Although some branches still attempt to form 30-member Kiwas, the team was told of experimentation with the sizes of watanos and Kiwas. Although continued refinement of the methodology may enhance its outreach and effectiveness, management needs to be clear on what aspects of the methodology should not be tampered with.

- Although the problem with arrears that occurred earlier at Kibera has somewhat steadied, there is a need not to lose focus of how to manage arrears. Organizations that have low arrears respond to missed payments immediately. Loan officers often visit clients within a day or two of the missed payment. Immediate response and a clear message of no tolerance should be strengthened within Juhudi.

- With the effective annual interest rate set at 40.0 percent during a time when the overall inflation rate within Kenya is running much higher (46.5 percent for 1993), it remains to be seen how K-REP can maintain the value of its portfolio over time. This will be discussed further in the section on financial viability.

- There has been a great deal of turnover within the Juhudi scheme. This seems related to problems with arrears and to the fact that internal cohesion among groups that were formed early on was not strong, because watanos were joined somewhat arbitrarily with other watanos to form Kiwas. More recent approaches of allowing the Kiwas to replace their members is proving to build more cohesive groups, which are essential to the group guarantee aspect of this program. Further strengthening of the group's bond or loyalty to Juhudi would boost morale and encourage continued participation in the program. K-REP should consider promoting loyalty both to the group and to K-REP through measures that have been tried at the Grameen Bank and elsewhere.

- One point that should be considered in relation to loan size is the implication of increasing the loan sizes for a handful of members within a Kiwa while the Kiwa continues to bring in new people. Although these new members will receive initial loans of only K Sh15,000, they may be co-guaranteeing loans of K Sh50,000-100,000. This disparity among members could overburden the Kiwa members in the event of a single default by a member with a large loan. One means of avoiding this situation is to graduate clients who desire much larger loans to an individual loan program.

Chikola Credit Scheme

The Chikola credit scheme is the second credit methodology employed by K-REP. Developed in 1991, the Chikola scheme aims to provide credit to individual microentrepreneurs through indigenous rotating savings and credit groups.

Background

In 1986, under the USAID-funded Rural Private Enterprise Project, K-REP was given the authority to directly provide loans to community-based enterprises. These were local groups that jointly performed some aspect of operation, such as ownership of a single production unit or joint marketing. Under the Private Enterprise Development Project, USAID earmarked another US$550,000 for K-REP to continue with this activity. However, by 1991, an assessment of loan repayment records over four years for the enterprises assisted under this scheme indicated that the community-based enterprise strategy was not effective. K-REP continued to lend to community-based enterprises through 1992, although some loans were carried in K-REP's books until mid-1993, when K-REP charged the remaining balances to losses.

Nevertheless, it was during those four years that K-REP became aware of the existence of other self-help associations or groups, known as chikolas or merry-go-rounds. These rotating savings and credit associations and other business associations, such as the *jua kali* (informal sector) associations, were established for promoting enterprises that are individually owned by members. Particularly attractive was the fact that most business-oriented groups included a savings component. Thus, in June of 1991, K-REP started promoting the Chikola credit scheme.

The Chikola credit scheme provides a single loan to an established and registered self-help group, which retails and distributes the loan to the individual members. The economies of scale for K-REP in handling a single large loan are enhanced by the group guarantee within a naturally formed and previously existing group, in which each member is responsible for the performance and repayment of the single loan received by the group.

Chikola Groups

Only self-help groups, or chikolas, registered in the Ministry of Culture and Social Services qualify for loans under the Chikola credit scheme. The group must have been in existence at least one year. On the average, a group has 20 members, although there is at least one with 150 members. The criteria for approval by K-REP include that the group operates or intends to operate a revolving loan fund, that it is made up primarily of low-income people without access to conventional services and credit, and that it has members who operate small to medium-scale businesses. The applicant group must also have a group bank account with savings of not less than 10 percent of the loan requested.

In principal, K-REP has given priority to chikola groups whose members are primarily women and involved in off-farm enterprises. Because there is a long tradition of women's groups in Kenya, many of these pre-existing groups have been able to access K-REP funds through the Chikola scheme. Historically, Kenyan men are less frequently involved in these groups and, hence, are less represented among K-REP's Chikola scheme clients. Table 1 shows a breakdown of Chikola scheme membership by gender, for each region.

TABLE 1

DISTRIBUTION OF CHIKOLA ENTREPRENEURS, BY REGION

Region	Male		Female		Total[1]	
Nyeri	379	(48%)	418	(52%)	797	(100%)
Nairobi	92	(22%)	323	(78%)	415	(100%)
Meru	210	(39%)	323	(61%)	533	(100%)
Kiambu	122	(24%)	392	(76%)	514	(100%)
Kajiado	2	(7%)	26	(93%)	28	(100%)
Machakos	31	(14%)	195	(86%)	226	(100%)
Kirinyaga	142	(49%)	149	(51%)	291	(100%)
Murang'a	2	(20%)	8	(80%)	10	(100%)
Embu	17	(35%)	31	(65%)	48	(100%)
Total	997	(35%)	1,865	(65%)	2,862	(100%)

Emphasis has also been given to production- or service-oriented businesses rather than trade, and to groups that already have a lending scheme of their own. As can be seen in Table 2, the microenterprises under the Chikola credit scheme are dominated by manufacturing activities, which account for about 61 percent of total enterprises. This is probably because many women's groups that participate in the Chikola scheme are engaged almost exclusively in textile production.

The predominance of manufacturing activities among Chikola scheme clients differs from the distribution of enterprises involved in the Juhudi scheme, which is dominated by enterprises engaging in trade or commerce. The pattern of sectoral distribution of Chikola enterprises holds for almost all the regions, with the exceptions of Kajiado, Machakos, Kirinyaga, and Embu, where commerce is the dominant sector, followed by manufacturing.

[1] In all tables, totals may not equal 100 percent because of rounding.

TABLE 2

SECTORAL DISTRIBUTION OF CHIKOLA ENTERPRISES, BY REGION

Region	Manufacturing		Commerce		Services		Total	
Nyeri	530	(69%)	181	(24%)	53	(7%)	764	(100%)
Nairobi	203	(56%)	136	(38%)	21	(6%)	380	(100%)
Meru	263	(53%)	200	(40%)	81	(6%)	494	(99%)
Kiambu	391	(82%)	75	(16%)	11	(2%)	477	(100%)
Kajiado	6	(21%)	22	(79%)	0	(0%)	28	(100%)
Machakos	87	(44%)	100	(51%)	11	(6%)	198	(101%)
Kirinyaga	132	(45%)	126	(44%)	30	(10%)	288	(99%)
Murang'a	6	(6%)	4	(40%)	0	(0%)	10	(100%)
Embu	19	(38%)	28	(56%)	3	(6%)	50	(100%)
TOTAL	1,637	(61%)	872	(33%)	160	(6%)	2,669	(100%)

K-REP first tested the Chikola methodology in Central Province, where there is a strong tradition of group formation for economic reasons. Social welfare groups, on the other hand, are prevalent throughout the country. In its survey of K-REP clients, the team inquired into the different origins of the groups and found that groups had originated for a variety of purposes: one was a religious group, several were formed to help members buy household items, several welfare groups were oriented toward helping with larger expenses such as funerals and weddings, and two groups said they had formed upon hearing about the Chikola scheme. The team observed that the last type of group was much younger than the other types. K-REP should follow closely the progress of groups that formed recently, as they may be less cohesive than other groups.

Not all of these groups manage their loan monies in the same way, and K-REP has not tried to interfere with the groups' internal organization. Fifty-nine percent of the groups said that everyone in the group was obliged to receive and repay the same size loan as his or her peers in the group; this decision had been made by the group as a whole. The other groups had a more flexible approach to loan size, allowing the individuals to decide for themselves how much they wanted. Approximately half the groups require weekly payments of their members, some of which goes into savings and some of which is used for the loan payment. Sometimes additional money is collected for other ROSCA purposes. Most groups mentioned that they had at least one other rotating fund running concurrently with the loan from the Chikola scheme.

Procedures

Chikola scheme members are required to save an agreed amount on a monthly or weekly basis, usually K Sh75 (US$1.25). These savings are collected by a chikola group's officers and are deposited into the group savings account. The initial debt-to-equity ratio of the group is a minimum of 10:1 when the loan is granted, but it increases as members save on a regular basis and the loan balance is reduced by regular monthly payments. The signatories to the group savings account are usually the group chairperson, secretary, and treasurer and a credit officer from K-REP, the area credit manager. No

withdrawals are permitted from the savings account as long as members have loans with the Chikola credit scheme.

An application for a loan under the Chikola scheme is filed by a group and is evaluated by the field officer, using a loan appraisal format that looks at the purpose and the financial feasibility of the loan. The assessment includes both the group and the individual. It tries to evaluate the legitimacy of the group and the group's representation, as well as the commitment, cohesion, and motivation of the members and the leadership of the group. At the outset of the Chikola scheme, groups were few in number and, hence, were easier to assess. The recent burst of interest in this program, however, is increasing the workload of the loan officers and is testing their abilities to recognize stable groups. As was noted above, K-REP should continue to monitor the process of group selection closely to ensure that group cohesion is not sacrificed for K-REP's organizational goal of achieving greater economies of scale.

K-REP also evaluates the status and balance of the group's savings program and the group's experience and managerial capacity to operate a revolving loan fund.[2] At the individual level, K-REP addresses the business experience of the members, the legality of the businesses involved, the size and potential of the businesses, and financial requirements.

Loans under the Chikola scheme are subject to approval by the area credit manager, and then by the Chikola credit scheme loan review committee. The committee is based at the head office and comprises the area credit manager; the deputy managing director for credit, administration, and finance; and the managing director. Once the loan agreement is signed, K-REP issues a check to the group. When this check has cleared, the group issues individual checks to its members.

Loan repayments are executed through preset bank transfers from the group's current account to K-REP's loan repayment account. This compels the group members to pay on time, because the funds are automatically transferred to K-REP on the day of disbursement. Groups encourage their members to pay on time so that the payment to K-REP may be cleared Each group is provided with a loan repayment schedule to ensure prompt collection from members.

Terms and Conditions

Currently, the maximum first loan to a group is K Sh25,000 (US$416) per individual member. Subsequent loans may vary in size according to the needs of the group and the individuals. The size of a loan is based on an assessment of need, carried out by the group and the K-REP credit officer. The savings of the group, which must equal 10 percent of the loan amount, serve as collateral for the loan, and each member of the group agrees to forfeit his or her savings in the event of a default by any group member. This guarantee agreement is clearly stipulated in K-REP's loan agreement with the group. Most groups meet on a monthly basis to conduct the group activity, collect savings, make payments, and discuss general topics regarding the group. Others meet weekly. A record book is kept with attendance, savings, loan payments, and the like.

Loans to groups are granted at 35 percent annual interest, calculated on declining balances, with an initial service charge of 1 percent of the loan, paid at the time of the loan application. Payments are made monthly. The effective interest rate for a 12-month group loan is 40.1 percent. The terms are

[2] In its survey, the team found that, although K-REP views ROSCAs as pre-existing savings vehicles, many ROSCA group members did not — they stated that they had no prior experience with savings.

usually up to 12 months for first loans and up to 24 months for subsequent loans, although longer periods may be considered for fixed capital loans.

Operations

The Chikola credit scheme operates through two area credit managers, based at the head office, each managing an area credit office. One area consists of the Mt. Kenya region; the other area comprises Nairobi and its surroundings. Three credit officers serve each region and report to the area credit manager. Each area credit office has the objective of managing 150 groups with approximately 20 members each, for a portfolio reaching 3,000 business persons. This would result in a staff-to-client ratio of 1:1,000. The current staff-to-client ratio is about 1:450, based on the lists of active chikola groups.

Support functions (accountant, loan clerk, and secretary) are based at the head office. Office space has been leased in the areas where the Chikola scheme is operating — Kerugoya, Machakos, Thika, Nkuba, and Nairobi.

K-REP has plans to merge the administration of the Chikola and the Juhudi credit schemes so that they are differentiated only as products available through common offices, rather than as different credit activities. As of December 1993, Chikola credit outstanding stood at K Sh50.5 million, or approximately US$740,000. This amount represented 46 percent of K-REP's loan portfolio. Large loan sizes and high staff-to-client ratios are just two of the factors that make this program cost-effective and efficient in reaching large numbers of Kenyan entrepreneurs.

Issues and Challenges

The evaluators observed the following issues and challenges with respect to the continued growth and expansion of the Chikola credit scheme:

- Although K-REP has projected that the market for this lending vehicle is extremely large, some questions remain. The estimates K-REP had originally used for similar groups in Kenya (see Oketch and Kioko, 1993) are based on government estimates of registered groups; however, many of these groups may no longer exist. Additional market research may be needed to explore the potential of this methodology.

- In addition, K-REP should continue to regard the group selection process as integral to the strong functioning of the program. Existing groups, which were established for a variety of purposes, should be monitored to observe whether certain types of groups, such as groups formed to pool capital for business purposes, are more cohesive than other groups. Newly formed groups need to be watched the most closely.

- Because the Chikola scheme was begun on a pilot basis, a decision was made at the outset to keep it distinct from Juhudi. The opening of a Chikola branch office in Nyeri, across town from a Juhudi branch office, suggests that there needs to be more coordination in the future (indeed, some increase in coordination is already occurring). By locating in the same office, promotion and outreach for both credit schemes can be enhanced, as clients who pass through hear of other K-REP activities. The Chikola scheme is being brought into the credit department at the head office; this action is a step toward consolidation of the two schemes.

- K-REP has suggested that there is a potential link between the Juhudi and Chikola schemes, whereby Kiwas under Juhudi may evolve into chikola groups. This has already occurred in at least three instances.[3] Groups should be monitored to ensure that they are ready to make the transition. K-REP should not encourage groups to make this shift simply to achieve greater economies of scale.

Lending to NGOs

A major objective of the USAID cooperative agreement with K-REP was to strengthen and finance organizations that deliver financial and nonfinancial assistance to very small businesses. K-REP has done this in two ways: indirectly, by strengthening NGO microenterprise credit schemes and, directly, by financing grassroots business associations such as community-based enterprises and ROSCAs. This section focuses on K-REP's support to other NGOs.

Background

Although K-REP had technical assistance and training relationships with more than 20 NGOs from 1984 to 1990, only 12 NGOs were disbursed grants for revolving credit funds. Through 1990, K Sh25.5 million were disbursed for credit.

Under the grant scenario then prevailing, NGOs would present projects to K-REP, with both a revolving credit fund and an operational subsidy component. K-REP would evaluate the proposals, and discuss them with the applicant NGOs, in order to arrive at a mutually agreed-upon project. The final projects were submitted to K-REP's board for approval, and a grant agreement was eventually signed. NGOs would send a monthly statement to K-REP tracking loan activity and costs incurred.

In 1989, after limited success in using an integrated model of credit delivery, K-REP decided to reduce the number of NGOs and promote a minimalist lending methodology. This decision was based on its earlier experiences, which demonstrated that not all NGOs could be effective in delivering credit, and on a growing concern for improving cost efficiencies, the volume of lending, recovery rates, and credit administration. K-REP selected four organizations to work with, selected on the basis of their capacity and the potential efficiency of their programs: the National Council of Churches of Kenya (NCCK), PRIDE, Chogoria Hospital, and Tototo Home Industries. The Kenya Women Finance Trust (KWFT) joined the group in 1992, following a period of collapse and organizational restructuring. Three of these organizations are involved in broader development activities, and two are credit-specific organizations. Each organization agreed to on-lend K-REP funds, using a group-based lending methodology.

[3] In Nyeri, we found that several chikolas had begun as Kiwas organized by the National Council of Churches of Kenya. In Karatina, we spoke with members of a Kiwa of the Kenya Women Finance Trust that was planning to apply for a loan under the Chikola scheme, and, in the coastal region, we spoke with a Kiwa formed by Tototo that was preparing to apply for a loan under Tototo's own Chikola-style program.

Terms and Conditions

Since 1990, K-REP's support to these NGOs has focused primarily on financial assistance in the form of wholesale credit and grant support. Before 1990, K-REP had funded the NGOs on a 100 percent grant basis; this was changed to 30 percent grant and 70 percent loan, at about one-third of market rates. These loans constitute about half of K-REP's loan portfolio.

Under the Private Enterprise Development Project, NGOs present projects to K-REP, as before, and these are evaluated and approved by the K-REP board before a loan agreement is signed. Loans are provided at varying rates of interest and with different terms, according to the nature of the project. Rates have ranged from 5 percent to 10 percent on a declining balance. Recently, under a scenario of high inflation, K-REP has granted credit to NGOs at a rate equivalent to about one-third the retail rate charged by commercial banks. The most recent NGO loan, signed in April 1994, was granted at 10 percent. This wholesale rate is meant to allow a financial spread to NGOs without making loans to clients excessively expensive.[4]

Terms on the NGO loans have been four to seven years, almost always in quarterly installments. A grace period has been granted for the payment of principal or for both principal and interest. NGOs must send regular reports on the activities conducted, with associated financial information.

Operations

The wholesaling activity of K-REP to NGOs is a substantial one. At year-end 1993, the K-REP balance sheet carried an amount (net of reserves) of K Sh40.7 million (US$600,000 million) in outstanding balances due from NGOs, representing 37 percent of the total outstanding balance.

Although there have been arrears in the past, all the NGOs are current in their obligations to K-REP. It is clear that K-REP's operation of the NGO "window" within its lending activities, which includes the introduction of the group-based lending methodology, has been instrumental in improving the quality of NGO lending to the Kenyan microenterprise sector.

Issues and Challenges

Over the years, K-REP has provided to the NGOs technical assistance that has included training in credit management, setting of accounting systems, and assistance in the design of systems for studying impact. Recently, however, K-REP has played a relatively low-key role in backing up these NGO programs with technical assistance and training, given the demands of running its own retail lending operations. Currently, there is no full-time K-REP staff person to support other NGOs. The credit program is implemented by the deputy director for credit, who spends about one-fourth of his time on this activity. The training department has conducted several courses for NGO credit officers on the group lending methodology. Otherwise, K-REP plays a limited role in providing technical assistance to the NGOs.

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[4] Although the low interest rates on loans to NGOs may seem a disincentive for K-REP to make such loans, the low administrative overhead related to these loans also ensures that, barring default by the NGOs, K-REP will receive a good return on its investment.

The NGOs have all succeeded in instituting the group lending methodology, and have vastly improved their outreach, cost efficiency, credit administration, and recovery rates compared with the earlier integrated approaches. Moreover, they are all servicing their loans. Nonetheless, several NGOs are experiencing problems in their retail lending programs — problems related to general credit administration and management, attainment of disbursement targets, handling of arrears and defaults, achievement of sustainability, and, in at least one organization, misappropriation of funds by field staff. Some of the retail lending programs continue to be mismatched with their parent institutions, especially as the programs try to pursue commercial principles of management. Unless the above problems are addressed, they eventually will affect the ability of the NGOs to repay their K-REP loans.

The experience of each NGO program is unique; each also has its strengths and weaknesses. It is difficult to generalize about the types of organizations that do better or worse. NCCK has a broad-reaching program but has suffered from misappropriation of funds at the field level in two of its branches. PRIDE is a dynamic credit-specific organization, but has suffered from the collapse of the Baringo branch and from financial crisis in its original parent organization. KWFT is still young but is expanding rapidly; it may be raising expectations beyond its immediate organizational capacity to deliver. Tototo has long experience and a strong base of rural and peri-urban women's groups to work through, but has slowed down disbursements because of problems with defaults — thus affecting its ability to cover costs. Chogoria Hospital is perhaps the best-performing program in terms of disbursements, repayments, and management, despite the fact that it works in remote rural areas and is by no means a credit-specific organization. But its potential for expansion is limited because the hospital has a confined geographic target area. It is clear that institutional commitment and good management are necessary, although not sufficient, conditions for success.

Over time, K-REP has changed its role in supporting NGO microenterprise credit organizations to providing a mix of grants and loans to a few select NGOs that focus training and technical assistance on credit management. In addition, K-REP has directed more attention and resources to its own direct lending program. This reflects a shift in the original intent of the Cooperative Agreement with USAID, but has a strong basis for justification. USAID is fully aware of these changes.

Not all organizations have understood or accepted this change. In part, this is because K-REP has not effectively articulated or communicated its new role to the NGO community. In addition, some NGOs feel that K-REP has used for its own programs donor funds originally earmarked for other NGOs. Moreover, K-REP is lending funds to other NGOs but is granting funds to its own credit program.

It is clear that there is unmet demand from other NGOs for training and technical assistance in credit management. K-REP has made a policy decision to continue support for a few select NGO credit programs, emphasizing financial assistance in the form of wholesale loans for loan capital and specialized technical assistance in credit management. This course of action appears sound, because it enables K-REP to continue to transfer the learning from its own program and to work toward the development of a few strong programs that can, in turn, provide valuable human and managerial resources and technical and methodological know-how for the development of smaller NGO programs with broad outreach to poverty groups throughout Kenya. This policy decision poses several strategic and organizational challenges for K-REP:

- Selecting which organizations to assist — for example, credit-specific NGOs versus NGOs involved in broader development activities, or strong NGOs with high potential for scale and cost recovery versus higher risk, smaller organizations with broad outreach to the poor. Although K-REP would like to focus its support on a few select NGOs with high potential for scale and cost recovery rather than on a larger number of smaller, higher risk programs, only

41

a few programs of the former type exist in Kenya, and most have access to other sources of support;

- Defining the mix of grant and loan assistance to provide;

- Ensuring that other institutional development needs of these organizations are met — for example, strengthening management and strategic planning capacity, which are outside the scope of K-REP; and

- Coordinating efforts of K-REP departments in providing support to other NGOs. At present, different departments work in different ways with a variety of Kenyan NGOs. For example, the credit and evaluation departments work mainly with K-REP-funded NGOs, the training and research departments collaborate with K-REP-funded and other organizations, and the innovations department supports experimental efforts of smaller NGOs outside the core group.

  K-REP's policy decision to focus on loan support and specialized technical assistance in credit management differs somewhat from the organization's current support to NGOs. Moreover, K-REP staff have varying views on what K-REP's short- and long-term roles should be in supporting other NGOs. Further clarification of ways different departments plan to work with other NGOs, what services they will provide, and how their efforts will be coordinated would be timely.

These issues should be revisited following the completion of the Mugwanga study, followed by a strategic planning exercise on how to structure, finance, and institutionalize this support. This could ensure that the NGO support program mutually reinforces K-REP's credit, training, research, evaluation, and innovations activities. Once a strategy for supporting other organizations is in place, K-REP should carry out an information campaign to communicate to the NGO community the nature of this role to avoid unrealistic or unmet expectations.

TRAINING DEPARTMENT

Training and technical assistance have been carried out through K-REP's training department since it was formed in 1988. The department aims to:

- Identify and assess the training needs and resources of informal sector entrepreneurs;

- Design and develop appropriate training materials for the sector;

- Provide or facilitate provision of training and empowerment to informal sector entrepreneurs;

- Provide or facilitate provision of training on micro and small enterprise promotion to K-REP and to K-REP-supported NGOs; and

- Facilitate K-REP staff development.

During the 1980s, K-REP's training focused on improving client business skills through training of trainers. In 1989, the training focus changed from training of trainers in client business skills to training staff in the design and management of microenterprise credit programs. Since 1990, K-REP has concentrated primarily on in-house training for K-REP credit officers and other field staff and, to a lesser

degree, on external training for other NGO staff. The emphasis has been on training all levels of staff (field staff, support staff, and managers) in Juhudi and Chikola lending policies and procedures, credit management, group processes, team building, and the development of people-to-people skills for working at the community level. The training methodology includes a combination of lectures, role playing, case studies, and practical experience at the field level. The training department also organizes specialized training sessions and workshops — for example, to introduce staff to a new management information system (MIS) system, or to facilitate team building for staff.

The training department has a competent and committed staff, comprising the department head, a senior training officer, and a secretary. They organize and carry out the training with support from other K-REP management staff. Although K-REP clearly has the human resources to carry out staff training in credit management and community participation, it is not equipped to provide the range of technical assistance many Kenyan NGOs need.

Accomplishments

The training department has played an important role in moving K-REP and other NGOs from an integrated to a minimalist lending methodology. The training has been weighted to in-house staff training, as shown in the following estimates of the number of person-days of training between 1992 and 1994 involving K-REP staff and staff of other NGOs:

	K-REP Staff	Other NGOs
1992	971	713
1993	1,595	305
1994	95	130
Total	2,661	1,148

Since 1990, K-REP has not emphasized client training, but has referred organizations interested in this to other training institutions in Kenya (such as Improve Your Business, and the Kenya Institute of Management).

Through exchange programs, the training department has also helped link K-REP to national and regional experience in microenterprise development. Since 1992, the department has hosted visitors from other Kenyan organizations and from Malawi, Nigeria, and Namibia. K-REP staff also have participated in a best-practices workshop that involved organizations from throughout Africa. The training department also organized an exchange program for credit officers, involving K-REP staff, four K-REP-supported organizations, and CARE Kenya.

Several field staff found the exchange visits to be particularly valuable in providing new ideas and in enabling them to view their own efforts in relation to others. They expressed a desire for more exchange visits in the future. They also found the credit officer induction training to be very good, but suggested more refresher training so that they can continue to improve their credit management skills. In identifying gaps, some staff commented that the training did not fully prepare them for the day-to-day reality and challenge of organizing credit groups, but that these community-organizing skills were probably best learned through practice. They suggested refresher training on group organizing and recommended a policy that would assign new credit officers to one or two pre-existing groups, rather than having them start from scratch in organizing new groups.

The training department has played -- and will continue to play -- an important role in the expansion of K-REP's direct lending activities. At the same time, the department recognizes that it has not fully addressed the training needs of other NGOs. As it looks ahead, the department sees three areas of demand for training: in-house staff development training; staff development training for other microenterprise development organizations; and client training. Over the longer term, K-REP is considering the possibility of establishing an independent regional training institute that focuses on all three areas. But it will await the recommendations of the Mugwanga report on new directions before it formulates a specific agenda for the future.

Issues and Challenges

Some of the challenges facing the training department as it develops an agenda include the following issues.

- The training department will need to determine how it will relate to K-REP credit activities if the training department is separated from other K-REP programs.
- The department will have to balance in-house training needs with training needs of other NGOs. This will have implications for the range of training services provided, cost recovery, and donor funding needs.
- If K-REP decides to become more outward-looking in its support to other NGOs, the training department will have to develop appropriate training courses, build capacity to deliver technical assistance, and organize more exchange visits.
- As K-REP considers the possibility of establishing a regional training center, it should coordinate efforts with other organizations (such as PRIDE, Food for the Hungry, and ESAMI) that also provide (or are thinking about providing) regional training and microenterprise support services.

CONSULTANCY SERVICES

Given their experience in microenterprise development, K-REP staff members are in high demand to carry out consultancies. The consultancy unit has provided a vehicle for K-REP staff to advise other organizations on project design and implementation and to carry out specialized research studies on issues related to microenterprise development. This experience and the lessons learned from other programs are invaluable to the staff as they continue to refine their own methodologies. The unit also links the organization with the international community and makes it easier for donors to tap into K-REP's unique expertise in microenterprise development. Consultancies earn unrestricted income for K-REP and enable staff to contribute their knowledge and broaden their experience within and outside Kenya.

Accomplishments

Since 1991, K-REP staff have carried out 15 consultancy assignments, 9 of which were completed in 1993. Although the 1993 work generated over K Sh7 million (US$116,000), it reduced the amount of staff time devoted to ongoing K-REP work. At the same time, one of the major studies, the 1993 GEMINI baseline survey of microenterprises in Kenya, was directly related to K-REP's own

programmatic and policy work. In recent months, some K-REP staff members have cut back on consultancies, in comparison with the previous year.

Issues and Challenges

Some challenges facing the consultancy unit include:

- Limiting the portion of time individual staff members allocate to consultancies;
- Being more selective in the types of consultancies accepted, focusing on those that are relevant to ongoing K-REP work; and
- Streamlining the amount of time staff spend related to consultancies. One possibility might be to hire a secretary or administrative assistant to support the work of the unit. The salary for this position could be paid out of the consultancy income.

RESEARCH AND EVALUATION DEPARTMENT

The research and evaluation department was established in 1987 with the objectives of:

- Identifying and testing innovative methods for the promotion of development through microenterprise and informal sector enterprise;
- Enhancing understanding of microenterprise development by conducting research and evaluation; and
- Facilitating policy dialogue on microenterprise development.

The department is set up to carry out four functions — monitoring and evaluation to provide feedback on the performance and impact of K-REP operations; research to deepen understanding of sustainable credit models and the problems and opportunities of microenterprises to feed into the development of program strategies and policies; documentation and dissemination of program reports, literature, and other information on micro and small enterprise development; and identification and testing of innovative methods and technologies for developing micro and small enterprises.

Research and Evaluation

Accomplishments

In monitoring and evaluating its own programs, K-REP's research and evaluation department has undertaken in-house evaluations of three affiliated NGOs. It has also performed in-house evaluations of the two older Juhudi branches, Kibera and Eldoret. To its credit, K-REP has continued to look for weaknesses in its implementation of the group-based methodology in order to refine and strengthen the approach.

The research and evaluation department has also had responsibility for implementing an approach to impact evaluation by its branches and by the NGOs. A baseline report form has been revised and standardized. Successive versions of this form have been used in the collection of time series data from K-REP clients, although the original sample size of 233 clients has been reduced significantly for several reasons, including exits from the program. K-REP notes that its program attrition rate has been as high as 25 percent per year. Although the evaluation team had intended to use K-REP's profile data on clients as a baseline of comparison with the borrowers in the team's impact survey, the team found that a great deal of turnover had occurred within the Kiwas visited. Hence, data compiled for K-REP's earlier clients did not correspond with those the team interviewed.

In "Revised Impact Evaluation System," dated January 1994, K-REP describes its approach to impact — an approach that includes the collection of case studies. Although a great deal of effort had been put into setting up a system of studying impact, new research problems and issues seem to have caused a shift in focus away from the analysis of impact. This shift may be temporary. Many of the baseline data for K-REP's current clientele are still in the field and have not been verified by the research and evaluation department.

Among its activities, the research and evaluation department has carried out many studies on the informal sector in Kenya, some in conjunction with Ministries and other organizations. These studies have been a useful resource to donors and to other private development organizations working in Kenya. At least seven studies in K-REP's Research Paper series are of general interest to those engaged in microenterprise in Kenya. Topics include a description of the legal and policy constraints affecting Kenyan microentrepreneurs, a description of microenterprise assistance organizations, and a description of informal financial markets. The findings of these studies are published and have been disseminated through seminars. The 1993 GEMINI nationwide survey of microenterprises, in which K-REP participated, has also played an important part in documenting the size and nature of the *jua kali* sector.

In its role as a research institution, K-REP has completed several other studies with particular relevance to innovations in its own programs, including the baseline survey of Kibera, which preceded the implementation of the Juhudi scheme, and profiles of Juhudi borrowers in Kibera and Eldoret. Studies on the Chikola scheme include an analysis of the group-based lending model, an analysis of reasons for default in Chikola programs, and three subsector analyses. As K-REP has become more institutionally focused on expanding its direct lending programs, its research also has become more oriented toward the analysis of issues related to its methodologies.

In its activities in documentation and dissemination, the research and evaluation department manages an in-house library; produces a quarterly newsletter; and holds periodic seminars, which draw an audience of donors and other players in microenterprise development in Kenya. K-REP was awarded a contract by the Ministry of Planning and National Development to create a computerized database of the literature and assistance organizations in the *jua kali* sector. The database has been completed and is now available.

Issues and Challenges

- One of the department's functions is the production of the monthly monitoring report, which summarizes the activities of the credit operations. As K-REP seeks to separate the credit operations from the other functions of the head office, it will need to shift this function out of the research and evaluation department.

- In 1993, the research and evaluation department became the research and consultancy department, reflecting an added emphasis on consulting to other organizations both in Kenya and abroad. As the consultancy function of K-REP expands in response to growing demand, K-REP's research priorities must be clearly defined so that human resources can be allocated appropriately.

- Staffing issues in the department could be resolved by hiring another research associate or someone with greater authority to follow through on major research projects in the absence of the two senior research staff. K-REP may want to consider hiring short-term research consultants (Research Fellows) in order to enhance its research capacity.

- The methodology for impact evaluation should be reassessed in light of previous results, particularly the high rate of attrition from K-REP's programs. (K-REP is considering a study of program drop-outs that would provide some insight.) Approaches to impact that have been tested in Latin America, where a similar group methodology has been widely employed, should be investigated to determine their applicability (see Otero, 1989). However, it is important for K-REP to think through the issues that are most relevant to its clientele, in order to select key indicators it can reasonably measure over time.[5]

Innovations and Development

The objective for K-REP's innovations and development function is to carry out studies to identify opportunities for and constraints on informal sector businesses and appropriate interventions to address these opportunities and constraints. Objectives specified in the 1993 proposal to the Ford Foundation include:

- Undertaking subsector studies aimed at identifying opportunities and niches where micro and small businesses have a comparative advantage;

- Identifying policy, legal, and regulatory constraints that hinder the development of the sector, and determining strategies for appropriate intervention;

- Through pilot projects, developing and testing new financial instruments and nonfinancial services; and

- Determining and designing ways of providing micro-agribusinesses with access to credit.

Accomplishments

Activities have focused on the development of the Juhudi and Chikola lending models. Upcoming efforts will focus on the development and testing of subsector and savings strategies and on research on policy, legal, and regulatory constraints. K-REP has a pool of flexible funds it can use to support promising innovations.

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[5] Another useful tool is "Monitoring and Evaluating Small Business Projects: A Step by Step Guide," edited by Shirley Buzzard and Elaine Edgcomb, New York: PACT, 1987.

47

K-REP sees a potential for the development and testing of other credit methodologies (for example, the village banking model, individual loans for graduates of group lending schemes, and development of methodologies based on other indigenous informal financial systems). Other areas of experimentation might include testing different institutional approaches to the promotion of microenterprise credit (for example, approaches of microenterprise retail banks, microenterprise wholesale banks, and credit specific NGOs versus NGOs involved in other development activities; and approaches that involve commercial banks) and carefully monitoring the Juhudi and Chikola models to understand better the optimum scale of schemes in relation to their management and sustainability.

K-REP might also consider reviewing sectoral strategies of several organizations in India and Bangladesh (for example, Andhra Pradhesh Dairy Development Board, Grameen Bank, and BRAC). These organizations have devised creative ways of organizing poor people to collectively overcome constraints along the supply, production, and marketing chain in certain rural resource sectors (poultry, dairy, livestock, fisheries, forestry, and sericulture) and handicraft sectors (weaving). In certain sectors, BRAC, Grameen, and their clients have become major actors.

Issues and Challenges

Issues and challenges for enhancing K-REP's approach to innovations include:

- Devoting more staff time to this function without overextending staff who have other responsibilities. Innovations are carried out under the research and evaluation department; until recently, K-REP did not have a full-time staff person devoted to this function. The recent assignment of a full-time staff person to this department should move K-REP further ahead in this area;

- Developing a more systematic approach to innovation in determining what to test, where to test it, and how to implement new products. A particular challenge is the testing of new strategies in the context of existing credit and savings programs without undermining the viability of ongoing activities;

- Identifying collaborating institutions, especially NGOs, without running into the same institutional context constraints that stymied experimental programs during K-REP's early years; and

- Linking innovations to problems that emerge in the context of efforts to promote microenterprise development.

ORGANIZATION AND MANAGEMENT

Principal Achievements

K-REP's organizational achievements over the past seven years include:

- Making the transition from a World Education project to a strong, stable, and independent Kenyan NGO, with a Kenyan board, management team, and staff;
- Expanding from an intermediary organization that supports other NGO microenterprise programs to an organization that also carries out direct microenterprise lending activities;
- Shifting from an integrated to a minimalist credit methodology;
- Putting into operation (directly and indirectly) two group lending methodologies that embrace commercial principles of management and successfully reach large numbers of people at low cost;
- Linking Kenya and other African countries with worldwide experience in microenterprise development through training, research, information, and consultancy departments;
- Establishing the only known research unit in Africa that specializes in operational and policy-oriented research on microenterprise development;
- Successfully attracting resources from several donors in addition to USAID to support its programs;
- Building a strong, committed, skilled, and energetic staff at all levels; and
- Maintaining a clear vision of its mission.

Organizational Structure

K-REP is going through a period of rapid growth and institutional change. It has grown dramatically over the past three years, with the volume of lending for its direct lending operations alone increasing from K Sh14.3 million to K Sh83.5 million, the number of clients rising from 1,292 to 4,331, the number of branches expanding from two to four, and the staff size more than doubling from 40 to 81. Programmatically, it has held on to most of its past activities — support to NGOs, training, research, evaluation, innovations, consultancies — and has added new ones, such as direct lending. K-REP has dropped its community-based enterprise program, but has replaced it with the Chikola credit scheme, currently the organization's fastest-growing program. The range of programs and activities adds up to an complex organization that is challenging to manage.

During this period, K-REP has benefited from good leadership and staff and from a participatory planning process that has involved the board, management, and staff. This has been important, because the program's growth has posed organizational and management challenges. In response to these challenges, K-REP has expanded its tier of mid-level managers and has added one executive manager, and is reorganizing the two credit departments. K-REP has been in the process of reorganization over the past years, in an ongoing effort to evolve a structure appropriate for managing its programs. Figure 1

shows K-REP's organizational structure in January 1993. Figure 2 shows the most recent organizational structure.

Until recently, K-REP was guided by a five-year managed-growth plan developed in 1992. However, recent changes have made parts of this plan out of date. A new strategic planning exercise (the Mugwanga study) was initiated in April 1994 to study options for separating the credit activities. Pivotal questions at this point are whether, when, and how K-REP will spin off its direct lending activities from its other work, and what direction K-REP should take in supporting microenterprise development programs of other NGOs. To a large extent, the results of this study will determine the most appropriate organizational structure for the future.

In the meantime, K-REP management should be cautious about the frequency of organizational changes, because change of any kind is more difficult to manage now that K-REP is bigger. Separation of credit activities will require further restructuring, and K-REP should hold off on any more changes until the results of the Mugwanga study are in. At that time, K-REP may want to consider contracting the services of a management consultant to assist in this phase of transition and restructuring.

Staffing

One of K-REP's strengths is the quality of its staff. Staff at all levels are skilled, committed, and well trained for their jobs. They understand and share K-REP's mission, and are introspective and open about the challenges of their jobs and of the organization. Recruitment is very selective and time-consuming for upper management, but it has paid off.

Some of the challenges related to staffing include:

- Maintaining selective recruitment of staff, but reducing the amount of time required by upper management in the process;
- With expansion, maintaining the current high standard of staff training, which is critical to a well-functioning credit program;
- Retaining key management staff, especially in the finance and MIS departments;
- Reducing staff turnover to less than 10 percent -- turnover has been higher this year. Management should pay close attention to this issue before it becomes more of a problem; and
- Encouraging the participation of women on the board and in upper and middle management positions. There is only one woman on the board (out of nine positions), no women in executive management (out of three positions), and only one woman department head (out of five departments).

Leadership

K-REP has benefited from good leadership. The managing director is well respected by the staff, management, board, and donors. He has been with K-REP since it started, has grown up with the organization, and knows what is going on. He is forward-thinking, committed, pragmatic, technically proficient, and very hard-working.

FIGURE 1

ORGANIZATIONAL CHART, JANUARY 1993

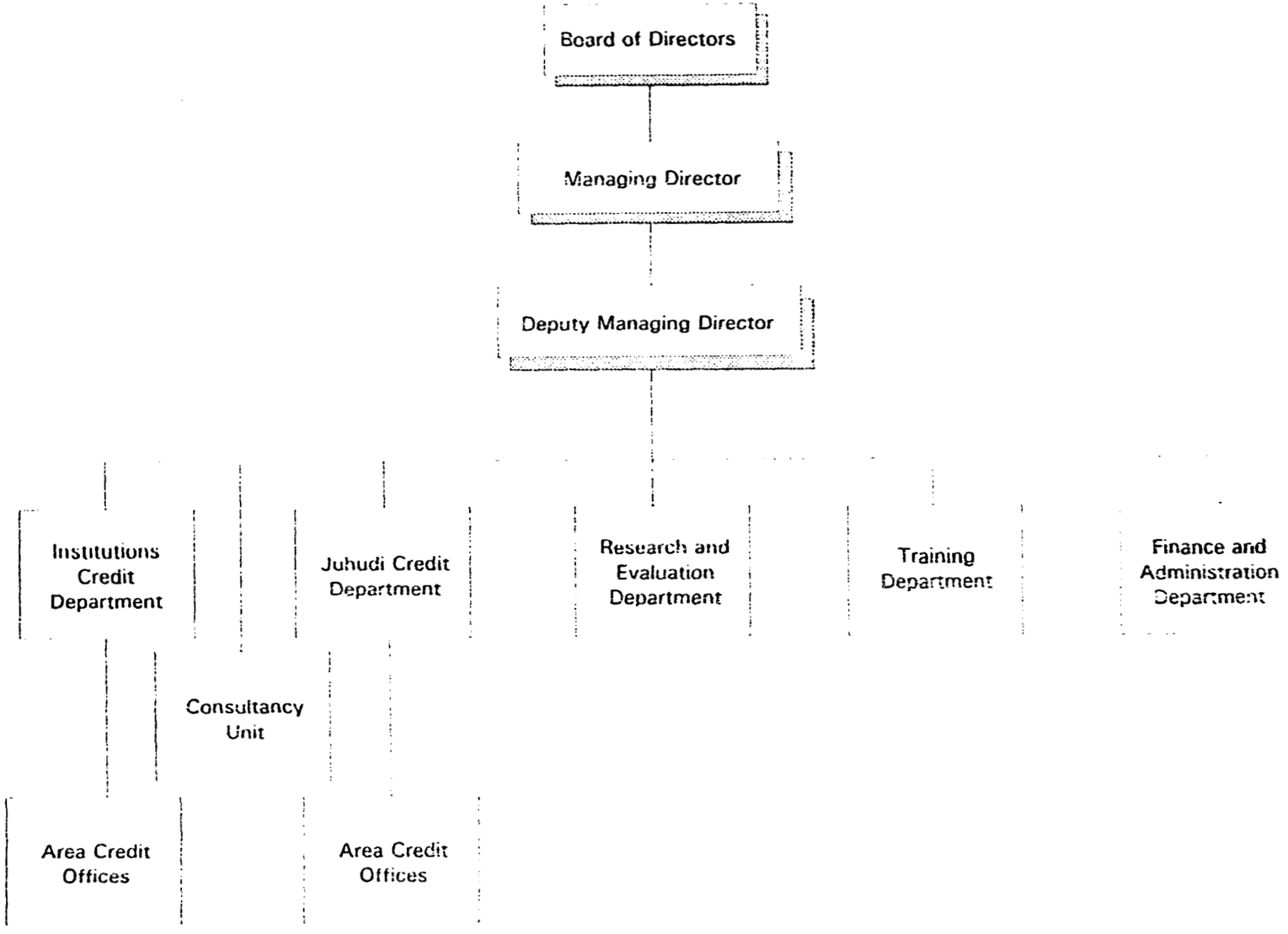
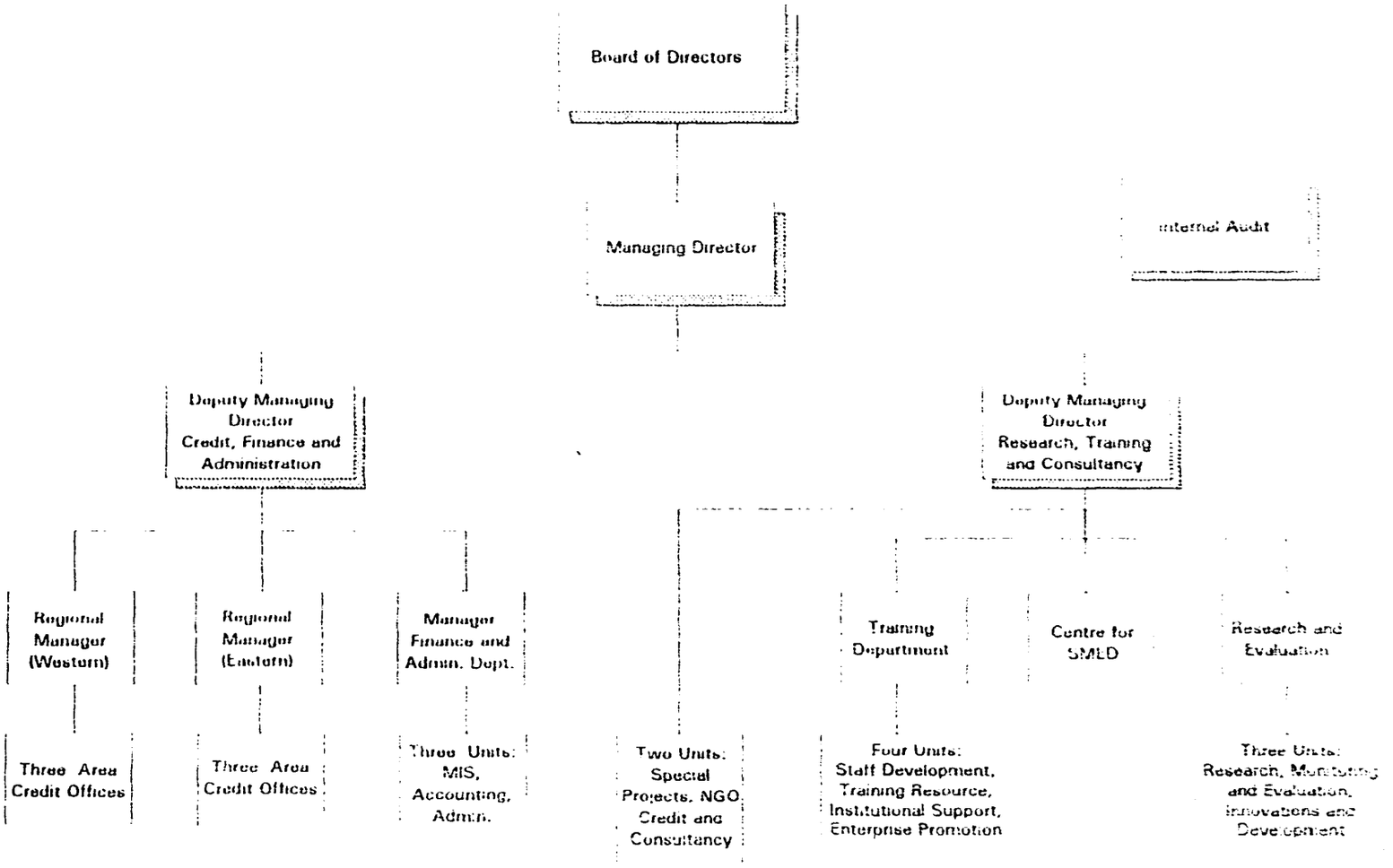


FIGURE 2

CURRENT ORGANIZATIONAL CHART



One challenge for the managing director is to delegate day-to-day management responsibilities to his deputies and other managers. He has been overworked over the past year because of vacancies in two key positions — the finance and administration manager and the financial analyst. The tasks normally handled at these positions fell on the managing director, as he had been responsible for this work prior to his appointment to the executive level. K-REP now has two deputy managing directors, a new finance and administration manager, and several new finance and computer specialists, so this burden should be eased.

Another challenge is the need for the managing director to devote more time to projecting the corporate image of K-REP in the community. In the past, K-REP intentionally has not publicized itself widely. However, the organization could benefit from a greater amount of informal interaction with donors and other NGOs and from a low-key public relations campaign to let people in the community know what K-REP does. Such a public relations campaign would help K-REP clarify its role with the NGO community — a role that has not been well understood.

Role of the Board

K-REP has a strong board that plays an important role in providing vision and addressing strategic and policy issues. Appropriately, it does not interfere in K-REP's day-to-day management or decision-making process. Board members have a good mix of skills and background and have good relationships with K-REP management.

A challenge for the board is to consider involving more bankers, a development person, and a management expert on the board. The K-REP board and management should make every effort to identify women candidates for these board positions.

Donor Relations

K-REP has supportive and competent donors (USAID, the Ford Foundation, and the Overseas Development Agency); in addition, several new donors are considering support for K-REP. Good donor coordination has helped K-REP in formulating a strong program. However, it has been more than a year since K-REP convened a joint donor meeting. Current donors, including USAID, would like K-REP to revive regular donor coordination meetings; the donors have found the meetings — one of K-REP's strengths — extremely useful. Renewed donor coordination will be especially important as K-REP decides on its future directions, revamps its organizational structure, involves new donors, and opens discussions with USAID on future support. Good communication with and among donors will help K-REP maintain a clear vision, plan for future development, and avoid getting pulled in too many directions.

FINANCIAL PERFORMANCE

This section describes the lending activities and the financial performance of K-REP as a direct lending institution and as a wholesale lending institution from 1991 to 1993.

Description of Lending Activity

The tables in this discussion of financial performance provide a description of K-REP's activities in two ways: "K-REP Level" entries refer to the units and amounts of loans that were delivered directly by K-REP and are registered as such in K-REP's books; "Client Level" numbers include the retail loans and outstanding balances that reached customers.

In summary, the numbers provided by K-REP on its lending activities reveal that:

- There has been nominal growth in the amounts disbursed yearly by the Juhudi credit scheme, although increased yearly lending became negative in real terms by 1993, because of high inflation;
- There is a dramatic positive rate of growth in the Chikola credit scheme, in both nominal and real terms and in both absolute and relative numbers;
- There has been substantial recent growth in K-REP's lending to NGOs, because of the provision of two loans during the period that almost doubled K-REP's net NGO portfolio. Nevertheless, the effective NGO activity at the client level, as reported to K-REP, is significantly shrinking, in both nominal and real terms; and
- Productivity, as measured by numbers of loans and by amounts disbursed and outstanding per lending officer, reveals outstanding growth for Chikola but a decrease for Juhudi for 1993, mostly because of the opening in 1993 of new branches with fully staffed personnel and minimal portfolio.

Table 3 displays the number of loans granted by K-REP at both levels of activity from 1991 through 1993.

TABLE 3

NUMBER OF LOANS GRANTED AT K-REP LEVEL AND CLIENT LEVEL
1991-1993

	1991	1992	1993	Totals
K-REP Level				
Juhudi	1,235	1,599	1,770	4,604
Chikola	4	16	125	145
NGO	0	1	2	3
TOTAL	1,239	1,616	1,897	4,752
Client Level				
Juhudi	1,235	1,599	1,770	4,604
Chikola	57	340	2,561	2,958
NGO	3,865	4,288	2,551	10,704
TOTAL	5,157	6,277	6,882	18,266

(Source: K-REP Accounting Department)

54

During the three years analyzed, K-REP granted 4,752 loans. These loans reached 18,276 clients by the wholesale multiplying effect of the Chikola methodology and the NGO activity, resulting in an overall multiplying factor (client level/K-REP level) of 3.84. In other words, K-REP effectiveness in reaching clients has been multiplied 3.84 times through its wholesaling approach to lending.[6]

The numbers provided show that the number of loans for the Juhudi credit scheme increased by 29 percent during 1992 and 10.7 percent during 1993. The number of loans granted at the NGO client level increased by 11 percent in 1992 and decreased by 40 percent for 1993.

It should be noted that, in 1992, K-REP itself through the Juhudi and Chikola schemes, granted 31 percent of all loans disbursed at the client level. In 1993, the expansion of the Chikola scheme increased K-REP's volume to 63 percent of loans disbursed at the client level. The Chikola scheme increased the number of loans disbursed at the client level by a factor of four during 1992 and sevenfold in 1993. Also, the number of clients served by the Chikola scheme increased sixfold in 1992 and more than sevenfold in 1993.

Table 4 shows amounts disbursed during 1991-1993. Currency amounts are expressed in Kenyan shillings and in U.S. dollars at the average exchange rate prevailing during the period, shown at the bottom of the table.

TABLE 4

AMOUNTS OF LOANS DISBURSED AT K-REP LEVEL AND CLIENT LEVEL
1991-1993
(In K Sh 000s and US$ 000s)

	1991		1992		1993		Totals
	K Sh	US$	K Sh	US$	K Sh	US$	US$
K-REP Level							
Juhudi	12,663	460	17,791	551	25,956	448	1,459
Chikola	1,601	58	5,431	168	57,578	993	1,219
NGO	0	0	2,500	77	25,000	431	508
TOTAL	14,264	518	25,722	796	108,534	1,872	3,185
Client Level							
Juhudi	12,663	460	17,791	551	25,956	448	1,459
Chikola	1,601	58	1,601	168	57,578	993	1,219
NGO	35,131	1,277	25,998	805	25,963	448	2,530
TOTAL	49,395	1,795	45,390	1,524	109,497	1,888	5,208

	1991	1992	1993
Average US$ Exchange Rate	27.5	32.3	58.0

[6] The team is aware of no other programs that combine retail and wholesale lending schemes; therefore, a comparison of this multiplying factor to wholesale loan programs is inappropriate.

K-REP had directly disbursed the equivalent of US$3.2 million in 1991-1993. Nevertheless, because of the reflows of loans and the fact that NGOs already had received K Sh20 million in loans by K-REP at year-end 1990, the amount loaned at the client level is substantially larger -- the equivalent of US$5.2 million. In U.S. dollars, the Juhudi scheme accounts for 28 percent of the loans received by clients; the Chikola scheme reflects 23 percent and NGOs the remaining 49 percent

Table 5 presents the nominal and real rates of growth in annual disbursements by K-REP and NGOs.

TABLE 5

NOMINAL AND REAL RATES OF GROWTH IN AMOUNTS OF ANNUAL LOAN DISBURSEMENTS
1992-1993

	Amount Disbursed in1992/ Amount Disbursed in 1991	Amount Disbursed in1993/ Amount Disbursed in 1992
NOMINAL RATE OF GROWTH		
K-REP Level		
Juhudi	40.5%	45.9%
Chikola	239.2%	960.2%
NGOs	--	1,000.0%
Client Level		
NGOs	-26.0%	-0.1%
Average Inflation Rate (CPI Composite Rate, Nairobi)	27.5%	47.1%
REAL RATE OF GROWTH		
K-REP Level		
Juhudi	13.0%	-1.2%
Chikola	211.7%	913.1%
NGO	--	952.9%
Client Level		
NGO	-53.5%	-47.2%
Average US$ Exchange Rate	32.3	58.0
RATE OF GROWTH IN US$ TERMS		
K-REP Level	19.8%	-18.7%
Juhudi	189.7%	419.1%
Chikola	--	459.7%
NGO		
Client Level	58.6%	23.9%
NGO		

Although the nominal rate of growth of Juhudi loan disbursement was more than 40 percent for both 1992 and 1993, inflation eroded this increase and resulted in a real growth rate of 13 percent in 1992 and -1.2 percent in 1993. Chikola, on the contrary, had enormous rates of growth in both nominal and real terms. This is not completely because of the small base from which it started; the absolute values of disbursements are also quite significant. Moreover, although K-REP disbursements to NGOs increased substantially, the NGO activity at the client level actually shrank in both nominal and real

terms. This is partially because of write-offs and partially because the equivalent of US$431,000, disbursed by K-REP to NGOs during 1993, was disbursed in the last quarter of the year.

Table 6 shows the annual average value of loans disbursed, in nominal and constant 1990 prices.

TABLE 6

AVERAGE LOAN SIZE DISBURSED AT CLIENT LEVEL, IN NOMINAL AND CONSTANT 1990 PRICES 1991-1993 (K Sh 000s)

	1991		1992		1993	
	K Sh	US$*	K Sh	US$	K Sh	US$
Nominal Values						
Juhudi	10.3	375	11.1	404	14.7	535
Chikola	28.1	1022	16.0	582	22.5	818
NGO	9.1	331	6.3	229	10.2	371
Constant 1990 Prices						
Juhudi	8.6	313	7.3	265	6.6	240
Chikola	23.5	855	10.5	382	10.4	378
NGO	7.6	276	4.1	149	4.6	167

* US$ exchange rate was 27.5.

As may be seen, the average loan disbursed has nominally increased in the Juhudi credit scheme but has not been able to offset inflation. This is not uncommon in credit programs, because of the lag in compensating inflationary effects. Nonetheless, the long-term effects of inflation will erode the value of the loan portfolio.

Table 7 shows the numbers of active borrowers and loan amounts outstanding at year end. The increases in outstanding portfolios and active borrowers constitute a true measure of the reach of the institution at any given moment, since it tells how much credit is really with the clients.

K-REP's expanding portfolio shows a growth mode of substantial magnitude, especially during 1993. The number of active borrowers at the K-REP level increased by 68 percent for 1992 and by 28 percent during 1993. Although there are no figures available for number of retail loans outstanding at the NGOs, the number of loans outstanding at Juhudi and Chikola client levels increased by 93 percent for 1992 and 120 percent for 1993, reflecting the expansion of Chikola and the effect of new disbursements to two NGOs during 1993. Because of fluctuations in the exchange rate, in US$ terms, these growth rates for K-REP's outstanding portfolio balances change to a negative 8.6 percent for 1992 and revert to an impressive 78 percent for 1993.

TABLE 7

ACTIVE BORROWERS AND OUTSTANDING PORTFOLIO
1991-1993[a]

	1991	1992	1993
Active Borrowers at K-REP Level			
Juhudi[b]	1,188	1,993	2,438
Chikola	7	16	123
NGO[c]	4	5	7
TOTAL	1,199	2,014	2,568
Client Level			
Juhudi	1,188	1,993	2,438
Chikola	57	413	2,865
NGO	NA	NA	NA
TOTAL	1,245	2,406	5,303
Outstanding Balances (in K Sh 000s at year end)			
Juhudi	6,213	10,355	18,402
Chikola	1,441	4,631	50,510
K-REP Loans to NGOs	23,687	23,339	40,670
TOTAL	32,531	38,325	109,582
TOTAL OUTSTANDING PORTFOLIO — K-REP (in US$ 000s at year end)	1,158	1,059	1,889

[a] Excludes loans to community-based enterprises that showed outstanding amounts of K Sh1.2 million for 1991, K Sh260,000 for 1992, and nothing for 1993.

[b] The actual number of active borrowers is not available, since K-REP keeps track of active members and not active borrowers. By agreement with K-REP's management, a proxy value of 90 percent of members was taken as a better measure of active borrowers.

[c] The NGOs are presented as borrowers in this table, as are chikolas, to demonstrate the changes in numbers of loans made by K-REP over time. The number of clients receiving loans is included for the chikolas and not the NGOs, because the Chikola scheme loans were handled directly by K-REP.

The number of loans outstanding per loan officer and the amount of loan balance per loan officer provide a typical measure of productivity. In K-REP's case, these ratios, number of loans per loan officer and amount of loan balance per loan officer — apply only to the Juhudi credit scheme, which is a retail outlet, since the ratios principally measure the productivity based on transactions of the lending institution and not of the population reached. Nevertheless, because the Chikola scheme does entail visits to clients, these ratios have also been applied to the Chikola scheme's active borrowers.

TABLE 8

NUMBER OF LOANS PER LOAN OFFICER AND AMOUNT OUTSTANDING PER OFFICER
K-REP LEVEL, YEAR-END 1991-1993

	1991	1992	1993
Number of Loans Per Officer + Manager			
Juhudi	132	142	98
Chikola			
K-REP	7	5	21
Client	57	138	477
NGO	NA	NA	NA
Balance of Loans Per Officer + Manager			
Juhudi	690	740	736
Chikola	1,441	1,544	8,418
NGO	NA	NA	NA

Productivity ratios for Juhudi show an improvement during 1992 but a decrease for 1993. This is mostly because of the effect of two new branches that opened in the latter part of 1993. Each of these has a moderate portfolio, although six lending officers are posted in each branch. The productivity ratios for Juhudi are below those of other well-known large microenterprise credit institutions, but there is a significant difference in the scale of operations between K-REP and these other institutions. In addition, ratios related to the amount of active portfolio per loan officer vary widely from program to program. Rhyne and Rothblatt (1994) report the following loan-to-staff ratios for four other credit programs: the Grameen Bank, 180 loans per officer; BRI, 115 loans per officer; BancoSol, 269 loans per officer; and Actuar, 226 loans per officer. K-REP productivity is not far off and is in a growth mode.

In contrast, numbers for the Chikola scheme show consistent improvement over 1992 and 1993. Because of the wholesaling nature of the Chikola methodology, the productivity ratios are substantially better at this level than in the Juhudi scheme.

In general, it may be said that the Chikola methodology is showing better efficiency and greater outreach, as reflected in nominal and real numbers and in amounts loaned and outstanding balances. The overall productivity of the Juhudi scheme has been affected by the opening of two new branches. The productivity of the Chikola scheme is high and is increasing

Savings

In addition to credit, K-REP also mobilizes savings of its members. Funds saved by members are not kept at K-REP but at local financial institutions that do not lend to the informal sector; hence, the funds do not support microenterprises. This is a topic K-REP should address in the near future so that the cash and wealth stream created by the microenterprise sector may be used by savers in funding their own operations. Table 9 shows the savings mobilized through K-REP's savings program, which accompanies its credit schemes.

TABLE 9

NUMBER OF ACTIVE SAVERS AND AMOUNT OF SAVINGS BALANCES
YEAR-END 1991-1993

	1991	1992	1993
ACTIVE SAVERS			
Juhudi	2,280	2,437	2,564
Chikola	57	413	2,865
NGOs	5,234	6,386	7,464
TOTAL	7,571	9,236	12,893
SAVINGS BALANCES (K Sh 000's)			
Juhudi	2,241	4,741	7,802
Chikola	160	543	5,758
NGOs	7,093	10,517	15,440
TOTAL	9,494	15,801	29,000

Savings balances at year-end 1993 are the equivalent of US$430,000. As may be seen, active savers have been on the rise, increasing by 22 percent during 1992 and 40 percent during 1993. In addition, outstanding savings balances at year-end increased by 66 percent during 1992 and 84 percent during 1993. These are not small growth rates in nominal or real terms — for savers or for the amounts saved. K-REP and its associated NGOs have been successful in mobilizing financial resources — although, as noted, these are currently used to finance other sectors.

Financial Performance

To assess the financial performance of K-REP, the analysis will be separated by credit scheme. At the time of the evaluation, K-REP kept two separate accounting systems for the Juhudi and Chikola credit schemes. NGO lending is recorded in the head office's books, with all noncredit activities (training, consultancy, technical assistance, research, and publications). The consolidation of all three accounting systems takes place only at year end.

K-REP is not consistent in how it carries interest on its deposits and on its outstanding loan portfolio in its books. Interest on deposits by K-REP in banks and financial institutions is registered monthly and accrued; uncollected interest is taken into income at year end. This accrued but uncollected interest from banks is carried in the consolidated statements as interest receivable. Interest accrued on the loan portfolio, however, is not registered as interest receivable nor shown as income at year end. Rather, it is shown as income only when payments by borrowers are made. Thus, K-REP uses a cash accounting system for the recognition of credit income and an accrual system for income on its bank deposits. Typically, institutions follow either a cash or an accrual accounting system, and do not mix them. By showing credit income only when it is received, K-REP reduces its reported and outstanding income from borrowers.

K-REP's standard procedure is that, when borrowers make their loan installments, payments are applied to uncollected interest, and the remainder is applied to past due principal balances. This approach is not unusual at financial institutions; usually there are restrictions on the timing for such actions and

the amount that may be shown as income. In any case, the approach has the effect of improving the profit-and-loss statements and negatively affecting arrears ratios.

Until 1993, K-REP had the policy of immediately charging to expenses the cost of all fixed assets purchased, except land and building. This is an uncommon practice, and was discontinued in 1993. Deloitte & Touche has mentioned this practice in its annual audit reports on K-REP. For the purpose of the following analysis, K-REP's figures for general and administrative expenses have been presented as recorded, which does not change the results significantly. Nevertheless, the effect of this policy is shown in the consolidated K-REP annual profit-and-loss-statement, in Annex E.

Up to the present, K-REP has not allocated general overhead to individual programs. Each Juhudi branch, for example, carries its own expenses and those of the department at the head office that supervises the scheme. This is also true for the Chikola scheme. But general overhead and staff salaries are not allocated. This must be taken into account in interpreting the numbers shown for credit operations.

Juhudi Credit Scheme

The analysis of Juhudi is based on the year-end audited statements for 1991 through 1993. These figures, with the quarterly balance sheets and profit-and-loss statements for the four Juhudi branches, are shown in Annex E. Total assets for Juhudi show a moderate change in 1992, with a 64 percent increase during 1993, primarily because of K Sh10 million provided by the head office and because of the temporary registration as a liability of K Sh4 4 million in savings from borrowers. These funds had been placed into a troubled financial institution, and Juhudi and K-REP management decided to withdraw these funds and temporarily deposit them with K-REP.

The most significant aspect of Juhudi's balance sheet is the composition of assets — namely, the contribution of cash, time deposits, and the loan portfolio to total assets. Table 10 reveals this composition.

TABLE 10

COMPOSITION OF ASSETS
JUHUDI, 1991-1993
(K Sh 000s)

	1991	1992	1993
Total Assets	27,282	29,432	48,252
Cash & Equivalents	20,344	17,855	25,696
Loan Portfolio	6,213	10,355	18,402
Cash/Portfolio	3.27	1.72	1.40
Cash/Total Assets	74.6%	60.7%	53.3%
Portfolio/Total Assets	22.8%	35.2%	38.1%

Juhudi has substantial amounts of cash, both in absolute terms and in relation to its total assets. These amounts of money have been supplied by donors specifically for loan purposes and have played an important role in the profit-and-loss statements for Juhudi during the past three years. This role should decrease yearly as a growing portfolio is developed. Table 11 reveals this effect.

TABLE 11

PROFIT-AND-LOSS STATEMENTS, JUHUDI
DECEMBER OF EACH YEAR, 1991-1992
(K Sh 000s)

	1991	1992	1993
INCOME			
Interest + Application Fees from Loan Portfolio	1,026	2,513	3,670
Other Credit Program Associated Income	25	87	268
TOTAL PORTFOLIO INCOME	1,051	2,600	3,939
Income from Investments	1,965	2,450	2,473
Financial Expense	0	0	150
TOTAL FINANCIAL INCOME	3,016	5,050	6,412
GENERAL AND ADMINISTRATIVE COSTS			
Salaries and Benefits	1,232	2,305	4,937
Office Expenses	453	674	1,394
Other General and Administrative Costs (Includes Depreciation)	247	888	1,064
TOTAL GENERAL AND ADMINISTRATIVE COSTS	1,932	3,867	7,395
Other Income (Expense)	166	234	537
RESULTS FROM OPERATION	1,250	1,417	597
Loan Loss Reserve	0	1,000	600
NET RESULTS FROM OPERATIONS	1,250	417	(1,197)

The numbers for the Juhudi credit scheme reveal that:

- Income derived from the portfolio was not enough in any of the three years to cover general and administrative expenses and loans loss reserve. In 1992, portfolio income was enough to cover the salaries and benefit category, but this was not true in 1993, mostly because of the opening of the Kawangware and Nyeri branches. However, it should be noted, that, over time, the income from portfolio activities has covered an increasing percentage of expenses; and

- The return on investments, mostly from funds deposited in banks, was responsible for the net profits generated in 1991 and 1992, and significantly reduced the loss that occurred in 1993. The financial strategy of using investment income to cover the credit income deficit until the branches broke even was a conscious one on the part of K-REP. The participation of this income in total income is decreasing on a yearly basis.[7]

[7] New loan disbursement was also slowed when K-REP encountered arrears problems in the Kibera branch in 1992. This contributed to the delay in reaching the break-even point at that branch.

The yield of the portfolio ((income from interest and application fees)/average portfolio) measures the actual average return on the portfolio. The cost per monetary unit loaned (measured as general and administrative costs, excluding loan loss reserve, over the loans disbursed) does not show the actual cost of disbursing a monetary unit. This is because general and administrative costs are not incurred for the sole purpose of delivering new credit, but also are incurred in collecting loans already disbursed, maintaining an accounting system, and so forth. Many factors affect this ratio. For example, larger loans tend to improve (decrease) this ratio, and short repayment periods tend to increase it, because of the shorter term of the loan disbursed. The ratio is only an indicator of a trend that should be watched over the years. Other financial indicators are presented in Table 12.

TABLE 12

BASIC PORTFOLIO INDICATORS
JUHUDI, 1991-1993

	1991	1992	1993
Credit Interest Income/ Average Portfolio	NA	0.284	0.259
Credit Interest and Loan Application/ Average Portfolio	NA	0.314	0.298
General and Administrative Costs/ Average Portfolio	NA	0.467	0.514
General and Administrative Costs Funds Disbursed	0.153	0.217	0.285
Credit Income/ Total Expense	0.531	0.516	0.484
Total Income/ Total Expense	1.655	1.087	0.921

The following explanatory comments are in order:

- K-REP was in a start-up process in 1991, when it was building its basic portfolio. Later, in 1993, it opened two new branches that have installed idle and expensive capacity.[3] This puts added weight on general and administrative costs, without a sizable portfolio. Thus, the ratios that include general and administrative costs are adversely affected. To avoid this effect, the team looked at the established branches. The Kibera branch, for example, has a ratio of 0.3857 for general and administrative costs/portfolio for the last quarter of 1993 and 0.4174 for the first quarter of 1994. Kibera had a portfolio interest income yield equivalent to 0.3967 for the last quarter of 1993, and 0.2379 for the first quarter of 1994. The Eldoret branch showed 0.4330 for general and administrative costs/portfolio for the last quarter of 1993 and

[3] The evaluation team is aware of few other organizations that have attempted to open new branches fully staffed. ACCION in Latin America typically opens a new branch with two credit officers until the branch has reached targeted levels of productivity.

0.3582 for the first quarter of 1994. These ratios approximate the ratios of programs with similar portfolios.[9]

- Until March 1993, Juhudi charged its clients 28 percent in annual interest, plus a closing fee. Since that date, the interest charged has been 35 percent. Nevertheless, the interest yield of the portfolio actually decreased in 1993, to 25.9 percent. This suggests an arrears problem.

During 1992, the Juhudi portfolio yielded 31.4 percent. In order to cover all general and administrative costs, the actual average portfolio should have yielded 46.7 percent. This cost pressure on the portfolio was well above the rate charged. Nevertheless, because of the substantial financial income derived from deposits, the net results were positive (K Sh417,000 or US$12,910) and the self-sufficiency ratio, measured as total income/total expense, was 1.08 for that year. The cost per monetary unit loaned increased from 0.1526 in 1991 to 0.217 in 1992.

Juhudi's performance in 1993 exhibited a decline in certain financial ratios. The portfolio yielded 25.9 percent in interest income, and 29.8 percent when loan application fees were also considered. This decrease reflects the net effect of arrears coupled with the fact that, until March 1993, K-REP had charged 28 percent on its portfolio; in March 1993, K-REP increased this rate to 35 percent per year.[10] In 1993, the cost pressure of the portfolio to cover general and administrative costs increased to 0.514, and the cost per monetary unit loaned also increased to 0.285.

Other well-known retail credit programs have much lower costs per monetary unit disbursed than K-REP, and their break-even points for general and administrative costs are substantially lower. However, the size of the program is a big factor — K-REP's Juhudi portfolio is small in comparison with many other successful retail credit programs. The volume of the portfolio would have to be increased, without additional general and administrative marginal costs, to make a profit. K-REP is in a good position for this to take place, as idle lending capacity is available in all four branches. With increased volume in lending, the ratios should improve accordingly. The evaluators feel strongly that current capacity holds the possibility for achieving a greater level of sustainability. Further expansion of staff and offices should be predicated on increased productivity and better use of existing resources.

On a consolidated basis, the Juhudi credit scheme has not yet achieved self-sufficiency. Losses would be substantial, were it not for the financial income derived from K-REP's deposits. To assess whether this situation was because of the opening of the new branches at Kawangware and Nyeri, the quarterly balance sheets and profit-and-loss statements of the older branches at Kibera and Eldoret were examined. These statements appear in Annex E. From these figures, it may be concluded that, although the Kibera and Eldoret branches show profits for the last quarter of 1993 and the first quarter of 1994, these profits are mostly because of the financial income reflected as deposits in other banking institutions. If not for that recorded income, Kibera would have made a profit of K Sh70,000 (US$1,026) in the last quarter of 1993 and would have lost K Sh334,000 (US$5,560) during the first quarter of 1994. The Eldoret branch would have lost K Sh294,000 (US$4,310) in the last quarter of 1993 and K Sh94,000 (US$1,567) in the first quarter of 1994.

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[9] ADOPEM, a Women's World Banking affiliate in the Dominican Republic, showed a ratio of general and administrative costs/average portfolio of 0.37, and a ratio of general and administrative costs/monetary unit loaned of 0.14, when its portfolio was about US$600,000 (about twice that of Juhudi at year-end 1993). ADOPEM has since improved these ratios significantly, with a current portfolio of US$1 million.

[10] In addition, an adverse economic environment, with high inflation and devaluation, has affected K-REP's finances, especially during 1993. Some general and administrative items had to be adjusted accordingly.

In general, it may be stated that Kibera and Eldoret are hovering around the break-even point, and Kawangware and Nyeri have excessively high general and administrative costs for the level of portfolio being handled. This is especially true in Kawangware, where the first quarter of 1994 saw a portfolio balance of K Sh705,000 (US$11,750), with general and administrative costs of K Sh754,000 (US$12,567) for that same period. This situation should change.

Chikola Credit Scheme

The Chikola credit scheme has significant economies of scale. For K-REP, it is a wholesale operation that cuts costs, and, for the chikola groups, it is a retail operation. To evaluate the financial performance of the groups, the quarterly balance sheets and profit-and-loss statements for the previous 10 quarters were examined, from September 1991 to December 1993.

The total assets of the Chikola scheme increased dramatically from K Sh1.6 million in December 1991 to K Sh7.3 million at year-end 1992 and K Sh68.5 million (US$1 million) by year-end 1993. These outstanding rates of growth — 350 percent and 835 percent, respectively — were financed by funds, transferred from the head office, that stemmed from donor monies granted to K-REP for its credit programs. Table 13 shows the Chikola scheme's composition of assets on an annual basis.

TABLE 13

COMPOSITION OF ASSETS
CHIKOLA, 1991-1993
(K Sh 000s)

	1991	1992	1993
Total Assets	1,628	7,320	68,493
Cash and Equivalents	187	1,254	16,496
Loan Portfolio	1,441	4,630	50,510
Cash/Portfolio	0.129	0.278	0.327
Cash/Total Assets	0.114	0.171	0.248
Portfolio/Total Assets	0.885	0.633	0.737

Unlike the Juhudi scheme, the Chikola scheme does not depend on income derived from its deposits to cover its costs. Because of the methodology involved and the size of the portfolio managed by a single credit officer, general and administrative expenses are moderate. Table 14 shows the Chikola scheme's profit and loss for 1991-1993.

TABLE 14

PROFIT-AND-LOSS STATEMENTS
CHIKOLA, 1991-1993
(K Sh 000s)

	1991	1992	1993
INCOME			
Interest and Application Fees from Loan Portfolio	27	256	3,594
Other Credit Program Associated Income		5	
TOTAL PORTFOLIO INCOME	27	261	3,594
Income from Investments			
Financial Expense			
TOTAL FINANCIAL INCOME	27	261	3,594
GENERAL AND ADMINISTRATIVE COSTS			
Salaries and Benefits	128	285	916
Office Expenses			
Other General and Administrative Costs		39	310
TOTAL GENERAL AND ADMINISTRATIVE COSTS	128	315	1,226
Other Income (Expense)			
RESULTS FROM OPERATION	(101)	(54)	2,368
Loan Loss Reserve			
NET RESULTS FROM OPERATIONS	(101)	(54)	2,368

By December 1993 -- that is, 30 months after start-up -- the Chikola scheme covered all its allocated costs. In addition, it contributed K Sh2.4 million (approximately US$40,825, at the average exchange rate for 1993) to consolidated profits. The rate of growth of general and administrative expenses for the Chikola scheme is well below the growth of portfolio income.

Table 15 presents the Chikola scheme's financial indicators.

TABLE 15

BASIC FINANCIAL INDICATORS
CHIKOLA, 1991-1993

	1991	1992	1993
Credit Interest Income/ Average Portfolio	NA	0.097	0.159
Credit Interest and Loan Application/ Average Portfolio	NA	0.097	0.179
General and Administrative Costs/ Average Portfolio	0.178	0.117	0.061
General and Administrative Costs/ Funds Disbursed	0.080	0.054	0.022
Credit Income/ Total Expense	0.211	0.829	2.9315
Total Income/ Total Expense	0.211	0.829	2.9315

Chikola operations currently cover all the scheme's costs, with a self-sufficiency ratio that improved from 0.21 in 1991 to 2.93 percent at year-end 1993. A rapidly increasing outstanding portfolio, with expenses that have increased only slightly, has improved the cost per monetary unit loaned from 0.08 in 1991 to 0.02 in 1993. This ratio is lower than the ratios of any other known retail credit program.

Despite charging an interest rate of 35 percent per year, the interest yield of the outstanding Chikola portfolio is registered at 15.9 percent for 1993. This low yield is explained by two factors:

- The use of three interest rates during the year. Various tranches of loans outstanding were performing at 16 percent, 20 percent, and 35 percent (starting in September), yielding an average performing rate of 25.78 percent for 1993; and

- The lag between recording a loan and its first interest payment due. Although the average outstanding portfolio for the year was K Sh20.1 million, the average outstanding portfolio with interest payments due throughout the period was only K Sh12.1 million. This lag is primarily because of administrative problems in delivering credit and clearing disbursement checks. K-REP has become aware of this problem, its cost, and its impact, and is in the process of solving this matter. If income over portfolio is adjusted to account for only the portfolio with interest payments due, the interest yield on the portfolio increases to 25.8 percent. It increases to 29.7 percent when loan application fees are included.

In general, the Chikola scheme is in a growing mode, with controlled costs, returning a profit, with high self-sufficiency. It continues to lower its cost per monetary unit disbursed. Despite the fact that certain overhead costs attributable to the Chikola scheme are not being allocated, all indications are that, even if they were allocated, the Chikola scheme is a healthy but developing credit program.

67

Lending to NGOS

Income from K-REP's wholesale function to NGOs is not kept as a separate accounting system, but is carried in the books of the head office. No specific administrative expense is allocated to this lending activity, although the deputy managing director for credit, finance and administration is the person who supervises this function. With no allocation of costs and no balance sheet, no real financial analysis is possible. K-REP reports no arrears on NGO loans, except for one institution, whose portfolio has been fully reserved (written off) by K-REP.

The average weighted rate of the outstanding portfolio to NGOs was about 9 percent at year-end 1993. It can be anticipated that, because this rate is substantially lower than the charge on Chikola and Juhudi loans, the portfolio yield of K-REP on a consolidated basis should drop.

Quality of Portfolio

Arrearage is an important topic in any financial institution — formal or otherwise. Arrears erode cash flow and substantially weaken the financial performance of an institution. Arrears cause forgone income, lower the cash flow, and require an ever-increasing investment to keep adequate levels of activity. In addition, widespread arrears undermine the customer's sense of obligation to repay a loan. This situation leads to more arrears, making arrears endemic to the institution. This section looks at the quality of K-REP's portfolio and analyzes the reported arrearage in each lending scheme.

The Juhudi scheme and the NGOs had an arrears crisis in 1992 and part of 1993. K-REP was aware of the crisis and tightened its grip on the situation, which was substantially brought under control. Collections efforts were redoubled, savings were foreclosed, and reserves were established.

Table 16 shows the amounts of savings foreclosed by K-REP and by the NGOs to defray loan defaults.

TABLE 16

SAVINGS FORECLOSED
(K Sh 000s)

	1991	1992	1993
Juhudi	0	1,493	1,404
Chikola	0	0	0
NGOs	0	6,585	2,711
TOTAL	0	8,078	4,115

Amounts foreclosed during 1992 are equivalent to 18 percent of all amounts disbursed that year by K-REP and the NGOs, although not all savings foreclosed relate to loans granted that year. Foreclosures drop to 8 percent of loans disbursed for 1993. Foreclosure on guarantees has constituted a secondary source of payments and has improved both K-REP's financial performance and the quality of its outstanding portfolio.

Experience has shown that successful credit programs around the world take immediate action on arrears. In practice, in the Juhudi scheme, it is the responsibility of a Kiwa to exert pressure on past due borrowers for the first three weeks the client is delinquent in loan repayment. Some branches are more proactive and have instructed loan officers to follow up on delinquencies immediately. K-REP has established loan loss reserves (about K Sh1.6 million during 1992 and 1993) and also has recovered approximately K Sh500,000 by pursuing collection efforts.

Table 17 shows the most commonly used measures for evaluating arrears. To correctly assess the table, we should note that:

- K-REP changed its definitions of arrears and defaults in 1993 because of operational difficulties in tracking amounts. From 1990 through 1992, "arrears" referred to any loan with one installment past due, and "default" referred to any loan with two or more installments past due. This is the same definition currently in force at the NGOs.[11] But during 1993, K-REP altered the meaning of "arrears" to mean 3-12 weeks past due; and that of "default" to mean 12-52 weeks past due. The effect was that K-REP greatly reduced the amount of its outstanding portfolio in technical default. In late 1992, K-REP also implemented a system for tracking the aging of receivables; and

- The procedure for receiving late payments by first applying proceeds to the recovery of interest and then to principal improves the profit-and-loss statement and deteriorates the quality of the outstanding portfolio.

TABLE 17

LOAN QUALITY RATIOS
NGOs AND JUHUDI
1991-1993

	1991	1992	1993
(Arrears + Defaults)/ Outstanding Loan Portfolio at Year End			
K-REP Juhudi	7.47%	18.53%	
NGOs Juhudi	14.61%	27.18%	28.4%
Past Due amounts of One Week/ Outstanding Loan Portfolio at Year End			
K-REP Juhudi	2.29%	2.27%	
NGOs Juhudi	0.9%	2.38%	1.72%
Past Due Amounts over One Week/ Outstanding Loan Portfolio at Year End			
K-REP Juhudi	5.18%	16.26%	
NGOs Juhudi	13.70%	24.80%	26.68%
Amounts Paid/Amounts Due			
K-REP Juhudi	98.56%	92.18%	92.12%
NGOs Juhudi	92.41%	86.55%	89.56%

[11] Definitions of arrears and defaults, however, vary widely across microenterprise credit institutions worldwide.

The level of arrears and defaults at NGOs shown in this table is striking. The level is extremely high and is deteriorating. Of the NGOs reporting arrears for December 1993, PCEA-Chogoria recorded past due items equivalent to 20.17 percent of its 1993 year-end portfolio. NCCK's level of past due items was reported at an astonishing 48.73 percent of its portfolio. PRIDE's arrears were 56.9 percent, and Tototo's were 31.6 percent. KWFT reported a surprisingly low level of arrears and past due items of 0.1 percent. This overall situation is not compatible with viable lending programs and is bound to affect K-REP in the near future. K-REP should deal with this issue as soon as possible.

A recent analysis of the quality of K-REP's Juhudi portfolio is available through the aging system begun in late 1992. Table 18 shows the aging at year-end 1993.

TABLE 18

AGING OF LOAN PORTFOLIO
JUHUDI, YEAR-END 1993

	1 week	2-4 weeks	5-9 weeks	10 or more weeks	Total
Amount Past Due (K Sh 000s)	39.6	175.4	235.6	982.1	1,432.7
Percentage of Portfolio	0.22%	0.95%	1.28%	5.34%	7.79%

The ratio of total arrears to the outstanding portfolio for Juhudi is 7.79 percent, which is similar to, or even slightly lower than, other programs of similar size. Nevertheless, a significant percentage of past due loans are quite old, leading one to expect that it will be difficult to recover these amounts.

The Chikola scheme has shown no arrears to date, basically because of the system whereby banks make automatic transfers of funds from a chikola group's account to K-REP's account. If group members were not actively repaying their loans to the group account, such automatic payment would not be possible.

Loans by K-REP to NGOs are now current, although special provisions were made in 1993 to cover possible defaults. Some NGOs incurred arrears in 1992 and 1993, but were covered in early 1994. In the near future, K-REP can expect to see some defaults from the institutions that now show substantial arrears.

The overall quality of the portfolio shows:

- A healthy condition for the Chikola scheme;
- A manageable level of arrears for Juhudi, but with an increasing number of those arrears outstanding for long periods of time, which may lead to losses; and
- A dangerous current condition for the NGO portfolio, indicated by the amount of client arrears at the NGOs.

Global Overview

Credit is not the only activity carried out by K-REP. The provision of technical assistance, consultancy services, training, research, and publication activities complete the institutional profile. An assessment of the overall financial performance and characteristics of the organizational environment in which K-REP's lending programs occur is important to assess the chances of survival of the lending programs within a given organization. The analysis is based on year-end audited financial statements shown in Annex E, for the years ending December 1990 through December 1993.

K-REP grew substantially during the period analyzed, with total assets increasing at an average annual rate of 81 percent, to K Sh225.7 million (US$3.3 million) at year-end 1993. The main assets shown on the 1993 balance sheet are cash and equivalents of K Sh79.4 million (US$1.2 million), representing 35 percent of total assets; and the loan portfolio, with a net outstanding balance of K Sh109.6 million (US$1.9 million), equivalent to 49 percent of assets.

K-REP is currently a donor-funded NGO, having received donations amounting to K Sh56.1 million during the last four years. Table 19 shows the grants received during the last three years.

TABLE 19

GRANTS RECEIVED PER YEAR
1990-1993
(K Sh 000s)

	1990	1991	1992	1993	TOTAL
USAID	44,899	31,160	20,106	78,491	174,656
FORD FOUNDATION	1,417	2,105	5,632	60,825	69,979
CIDA	0	0	0	1,415	1,415
ODA	0	0	0	10,094	10,094
TOTAL	46,316	33,265	25,738	150,825	256,144

Leverage (total liabilities/capital) is low for K-REP. It was recorded at 0.03 for 1990, increasing to 0.08 in 1993. This is typical of credit programs that do not take deposits and are funded mostly by donors or loans. Table 20 shows a consolidated profit-and-loss statement for K-REP.

TABLE 20

CONSOLIDATED PROFIT AND LOSS
1990-1993
(K Sh million)

	1990	1991	1992	1993
Credit Financial Income	0.165	2.686	3.987	8.750
Other Financial Income	0.036	2.098	3.046	5.368
Financial Expense	0.000	0.000	0.512	0.670
Net Financial Income	0.201	4.784	6.521	13.448
Credit General and Administrative Costs	0.118	2.060	4.958	8.192
Noncredit Expenses	31.180	14.613	15.560	26.893
Fixed Assets	0.266	0.149	7.112	1.276
Other Noncredit Income				
Grants	46.316	33.265	25.738	150.825
Other	0.468	1.864	4.538	9.161
Loans Loss Reserve	0.100	0.000	1.000	0.600
Net Results	15.321	23.091	8.167	136.473

Several things become clear in looking at the abbreviated profit-and-loss statement for 1993:

- Grants received by K-REP (and recorded in the profit-and-loss statement) represent 86.7 percent of total gross income.

- Thirty-eight percent of total financial income is derived from revenues on deposits in financial institutions, and credit income represents 62 percent of all financial income. In terms of total income, the credit operation is but a fraction of all revenues brought in by K-REP. By looking at its balance sheet, K-REP may easily be identified as a lending institution. Nevertheless, because of income derived from other services, its profit-and-loss statement would reveal it as a provider of services. The composition of K-REP's profit and loss should change in the future as the lending portfolio develops.

- Other noncredit income has increasingly become an important source of revenue, and, in 1993, it was associated mostly with other services provided by K-REP — in particular, K-REP's consultancy services. In 1993, consultancy services brought in K Sh7.16 million (US$122,800), equivalent to 82 percent of income that credit brought into K-REP.

- Noncredit expenses vary substantially from year to year. These are affected by inflation and are related to general and administrative expenses of the noncredit functions and to grants by K-REP to NGOs. In 1993, for example, of the K Sh29.6 million recorded as noncredit expense, K Sh3.7 million, or 13.8 percent, related to grants to NGOs, and K Sh1.6 million, or 6 percent, to training expenses. "Salaries and Benefits," a major category of the noncredit portion of the institution, showed expenses of K Sh5.85 million, or 21.8 percent of all noncredit expenses.

Self-sufficiency may be analyz[illegible] this consolidated perspective. If grants are excluded, the self-sufficiency ratio (total income/total [illegible]) was 0.68 for 1993, up from 0.026 in 1990. When grants were included, as both revenues and expenses, the ratio dramatically increased to 4.6 for 1993. Financial income covered 37.5 percent of total expense in 1993. K-REP's sustainability has improved in the last three years, and should improve as it increases its lending activity.[12]

The general question on the sustainability of K-REP was examined at the level of the lending activities and at the level of the institution as a whole. At the credit level, in spite of the fact that all costs accrued at the head office are not proportionately allocated to lending operations, both the Chikola scheme and the NGO lending activities, with self-sufficiency levels well over 1.0, contribute positively to the net profit of the institution. Economies of scale have been achieved in all lending schemes, but these are especially impressive in the Chikola scheme. The Juhudi scheme has not yet been able, as a whole, to cover its allocated costs consistently. This is not only because of arrears, but also because of Juhudi's relatively low loan-to-staff ratio at the new branches.

At the institutional level, K-REP operates as a donor-sponsored NGO. At this level, credit, financial income from deposits, and consultancy services are the stronger income generators. These, by themselves, could not pay all expenses of the organization and, if not for grants from donors, K-REP would have reported a year-end deficit of K Sh14.4 million (US$248,300) for 1993. Nevertheless, it must be pointed out that many expenses (such as grants to NGOs, training, certain travel expenses, and donor reporting expenses) are incurred only because they form an integral part of donor-funded projects and are designed to be covered by donors.

K-REP's credit operations are, therefore, part of an organization that still relies on grants from donors. A sudden decrease in the flow of grants could threaten the survival of the credit schemes that live within the organization. Although self-sufficiency is a question associated more with the credit schemes than with the institution, the fact that both are so closely intertwined makes self-sufficiency a special concern. K-REP should seek a means to separate credit operations from the rest of the organization.

As for the overall quality of the portfolio, the team's financial analysis revealed that, despite problems with arrears at an earlier date, the percentage of the portfolio that is in arrears has decreased. However, a large amount of the arrears has been outstanding for a long time, a situation that may lead to losses. Reports of high arrears on outstanding loans to the NGOs indicate that these loans, while current, may be in jeopardy.

The difficulty that most financial institutions have in gaining access to lending funds does not seem to be a problem at K-REP. Significant levels of cash are available, although some cash is earmarked for specific lending objectives. Nevertheless, in the near future, K-REP will probably face that barrier for growth — a barrier that many other successful microenterprise institutions have overcome.

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[12] As a point of reference, Stearns (1992) reports that, after one year, the Small and Microenterprise Development Project in Egypt was operating at a 50 percent level of self-sufficiency.

MANAGEMENT INFORMATION SYSTEMS

An information system is not simply computerization — rather, it is the ability to produce information for operational and managerial purposes in a timely and regular fashion. K-REP has suitable hardware for its operational purposes, and is currently testing new software to aid in its managerial functions.

K-REP produces an enormous amount of information on a regular basis. Decentralized Juhudi branches keep records on borrower status, which are then consolidated by officer and by branch. Each branch regularly produces its own balance sheets and profit-and-loss statements. In addition, monthly activity reports, which carry most of the information donors have requested, are produced. Chikola scheme operations have their own balance sheets and consolidated profit-and-loss statements, as well as monthly activity reports similar to those for the Juhudi scheme.

Upon review of K-REP's information systems, it appeared that this system was oriented toward monitoring cumulative activities requested by donors more than toward showing outstanding balances of loans, active borrowers, and active savers. However, K-REP stated that, over the years, it has modified its information system to suit its needs, while keeping in mind donor requirements. In fact, it seems that, in the past, the system had probably served neither the information needs of the donors nor the managerial needs of K-REP very well. Since changes were made in early 1994, information pertaining to active or outstanding loans rather than to cumulative performance has been tracked, which should prove to be a useful improvement over the previous method.

K-REP uses off-the-shelf spreadsheet and accounting software to process much of its information, and this has led to errors, some of which have been detected. K-REP has been developing a new managerial and accounting information system. This system is expected to be operational later in 1994. Several NGOs, which will also benefit from this software, expressed some impatience over delays in the implementation of this new system.

Monthly financial information now available includes balance sheets, profit-and-loss statements, and cash flow statements for Juhudi branches, the Chikola scheme, and the head office. Reports carry information for the current month, the previous month, and the year to date, and indicate budget projections and variations from budget. It would be useful for K-REP to add to these monthly monitoring reports financial performance ratios that would, at a minimum, allow one to follow the yields on the portfolio, the average cost of funds, and the cost pressures on the portfolio. This additional information would contribute to better financial management of the institution.

In summary, K-REP has for some time been upgrading its information systems, which in the past fell short of its needs. K-REP management should give priority to the completion of a system that will serve its purposes now and in the years to come.

SECTION THREE

CLIENT IMPACT

Impact at the client or beneficiary level is one of four levels of impact for which credit programs should be held accountable (Otero, 1989).[1] This section presents both qualitative and quantitative findings from a survey of 212 clients of K-REP and its associated NGOs.

Numerous methodological obstacles arise in trying to assess beneficiary level impact, not the least of which is the difficulty in attributing positive (or negative) effects that occur over time to any single factor, such as credit. Nevertheless, although such effects are difficult to study, they are the very reasons why donors fund development projects.

RESEARCH QUESTIONS

Clients

One of the first questions the study team asked in this evaluation is, Who is K-REP currently serving? Over time, there has been turnover within many of the Kiwas, which may reflect a changing clientele in the Juhudi program. The team therefore compared the results of its survey with previous K-REP profiles of Juhudi and Chikola borrowers conducted from 1991 to 1993. This comparison illustrates the changes that have occurred among clientele in the past few years. In addition, the Chikola scheme is such a recent development that not a great deal is known about this group of entrepreneurs. In describing the Juhudi clientele of K-REP and its affiliated NGOs, the team has compared the clientele with clients of the Chikola scheme to determine any significant differences between the two groups.

Household Security

Compounding the difficulty of studying impact is the dearth of information describing the role of microenterprise activities in the lives of microentrepreneurs, particularly those whose businesses never grow beyond one-person enterprises. Baseline survey findings from many African countries have repeatedly confirmed that the majority of microenterprises stay small (McPherson, 1991; Liedholm and Mead, 1993). Simply as a reference point, or baseline, it is necessary to have an idea of how microenterprise activities fit into individuals' strategies for economic and social well-being. Without that as a basis, any change occurring after credit is granted is unrecognizable. Because little has been done to provide the context in which such changes may occur, the team framed its survey in a way to help describe some of the means by which individuals define and create security for themselves and others through their microenterprise activities. An understanding of the contribution of business income to the household also suggests how increases in business profitability are reflected in an improved household situation.

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[1] Otero describes the four levels as the beneficiary, program, institutional, and local community levels.

Socioeconomic Systems

Because the emphasis in most microcredit programs has been to lend for the purpose of enhancing a single enterprise in which a person may be engaged, which is then monitored and evaluated, much of the information pertaining to other activities in which an individual entrepreneur is involved has been overlooked or ignored. In those programs where there is a great deal of concern over the diversion of loan monies to other purposes besides the so-called assisted business, the team found that individuals were less willing to describe the usefulness of credit in their lives. This supports the team's view that it is important to further understanding of the way credit fits into the broader socioeconomic system in which loan recipients reside.

Rural and Urban Environments

A previous impact study of K-REP clients informed the study team's research to some extent. Sebstad and Walsh (1991) analyzed the differences in impact in urban and rural environments in which the program was being implemented. Although their results showed that improvements in business during the period of a loan were more widely experienced by urban businesses than by rural ones, generally a great deal of inconsistency was reported, with a few businesses showing little or no significant improvement. Evidence from the 1993 GEMINI baseline survey also suggests that, in general, microentrepreneurs in urban areas depend more on the income from their microenterprise activities than do microentrepreneurs in rural areas.

The team's sample includes clients from both rural and urban settings (with urban environments defined as municipalities with greater than 10,000 persons, and rural environments as those with fewer than 10,000), although the majority (70.7 percent) are from urban settings. The greater representation in urban areas reflects K-REP's clientele. (A certain population density is a prerequisite for the cost-effective delivery of credit through the Juhudi scheme, in which a single loan officer meets weekly with groups of entrepreneurs.) On the other hand, some of the participating NGOs have concentrated their efforts in more rural areas. The Chikola scheme, in contrast with the Juhudi scheme, is more conducive to a rural location and has, to some extent, addressed the credit needs of rural microentrepreneurs, though only those who participate in ongoing ROSCAs.

Key Indicators

The team attempted to pull out key indicators related to the effects of loans in the lives of entrepreneurs and their businesses. The key indicator provided for enterprise growth is employment growth data. These data also serve to support K-REP's contribution to USAID's objective of employment generation. Other indicators of impact the team thought important include the use of loan monies within the business (for working capital, fixed assets, equity, debt repayment, and start-up), and the use of loan monies for home expenses (for the purchase of land, school fees, food, and so on).

Under the best possible circumstances, one might want to attempt to gather information on measures of productivity and profitability; in this case, however, many difficulties and interpretative decisions comprised such an attempt. Productivity, for example, is a measure more easily applied to enterprises engaged in manufacturing to those in service or commerce. Also, the expectations of the researcher and the entrepreneur related to improvements in productivity do not always coincide. When asked whether their work situation was becoming easier or more difficult, many K-REP clients said it was generally getting easier. At the same time, however, many of the same people also stated that they now

spend more time in their business than ever. Although such questions do not directly address productivity in terms of output as a reflection of time spent, the answers suggest that many entrepreneurs regard any increase in business activity as an improvement.

Another indicator that many impact studies try to capture measures profitability. The team decided not to gather extensive financial data to assess increased profitability for two reasons: the time required to collect appropriate data would have been too great, and the reliability of the data used to assess profitability would have been questionable. To describe firms' profitability, one must gather extensive background information on each firm related to expenditures and profits. Because the researcher must rely on the memory of the entrepreneur, the information obtained is often unreliable. Furthermore, any such data for Kenya must be adjusted for inflation, which has been dramatic.

The team also compared its sample of K-REP clients to the overall population of microentrepreneurs described in the 1993 GEMINI baseline survey, in order to understand where K-REP's clientele fit in a burgeoning microenterprise sector. In summary, the research questions guiding the survey were as follows:

- Who are the clients currently being served by K-REP and its affiliated NGOs, and are there any significant differences between clients participating in the Juhudi and the Chikola schemes?
- In what ways do Kenyan microentrepreneurs build their economic base of security for their households through loans obtained through K-REP?
- In what ways does credit contribute to the larger socioeconomic system in which individuals participate?
- Are there differences related to the impact of credit in rural versus urban environments?
- To what extent has credit helped microenterprises and their households based on specific indicators, including employment growth, use of loan monies in the business, and use of loan monies for home and family expenses?

METHODOLOGY

The methodology used in collecting data on impact consisted of a survey questionnaire as well as interviews with individuals, group leaders, and credit officers. Sampling procedures for the survey varied for the two schemes used by K-REP and its supported NGOs.

For the Juhudi scheme, a sample was taken from both of K-REP's older branches: Kibera and Eldoret (see Table 21). In addition, researchers sampled the clientele of three of the supported NGOs: Tototo Home Industries in the coastal region (Mombasa), NCCK in Nakuru, and the Kenya Women Finance Trust (KWFT) in Karatina. A random sample was selected from those Kiwas that were meeting on the day researchers planned to visit the site. In both Mombasa and Karatina, where Kiwa meetings were not taking place on the day researchers had planned to interview clients, prior arrangements were made with the branch office to provide client registers. The research team randomly selected Kiwa groups from the registers and, from within those groups, randomly chose clients to interview. Only those clients who had received a loan at least six months prior were included in the sample.

77

For the Chikola scheme, the team selected two areas in which the Chikola scheme is currently active: Nairobi and Nyeri. Of the existing chikola groups in those areas, the team randomly selected from those groups that have received loans. Four or five individuals from each chikola were then randomly chosen to be interviewed. Group leaders facilitated the interview process by making introductions and arranging interview times with their group members.

Interviewers worked in teams of two to collect information from K-REP's clients. The questionnaire included questions that were of particular concern to USAID while attempting to address the issues outlined above. In order to compare this sample of K-REP clients with the nationwide GEMINI survey, the team also asked the questions from the GEMINI baseline questionnaire for the time immediately prior to receiving credit and for the present time. Tables containing information from the survey can be found in Annex D.

PROGRAM SCALE

Through its loans to NGOs K-REP has been able to reach clients in regions other than those where it has established direct lending programs. Tototo Home Industries has concentrated its efforts in the Coastal Province, while NCCK has spread its offices over several regions and municipalities, including Kisumu, Kakamega, Nakuru, and Mombasa. KWFT has funded only one branch, in Karatina, with K-REP monies, and PCEA Chogoria has a branch in Chogoria.

By extending its resources to the NGOs, K-REP has achieved a wider effect than it would have using only its own direct lending schemes. By year-end 1993, 10,938 loans had been disbursed to 8,360 clients via NGOs funded by K-REP. Women make up 63 percent of the program participants assisted by the affiliated NGOs, partially resulting from the emphasis of some of these organizations on targeting women entrepreneurs.

Since K-REP began its direct lending program using the Juhudi credit scheme, it has seen steady growth in the number of loans disbursed and clients affected. The Juhudi program is currently operating in four branches: Kibera, Eldoret, Kawangware, and Nyeri. The branches at Kawangware and Nyeri began lending in late 1993, but the branches at Kibera and Eldoret have been in operation since 1990 and 1991, respectively, and hence have served many more clients. Through year-end 1993, K-REP had disbursed 4,622 loans to 3,590 clients through its Kibera and Eldoret branches.[2] Men and women are represented equally as beneficiaries of K-REP's Juhudi program.

The Chikola lending scheme has experienced rapid growth over the past year and continues to grow. Through the Chikola scheme, K-REP had disbursed 141 loans to groups comprising 3,635 clients by the end of 1993. Women are better represented (65 percent) than men are as clients of the Chikola lending scheme because many of the groups that have sought loans are women's groups.

[2] The numbers reported here have been taken from K-REP's "Monthly Statistical Report of K-REP-Supported Minimalist Credit Schemes, December 1993."

MACROECONOMIC CONTEXT AND SURVEY SAMPLE

Macroeconomic Context

The macroeconomic context in which entrepreneurs operate in Kenya has been dismal for some time. The overall picture has included high unemployment for a young and rapidly growing population, high inflation (46.5 percent for 1993), and little if any economic growth across the board (World Bank, 1992). For microentrepreneurs, inflation eats away at an already fragile economic base. During such difficult economic times, it is especially important to determine whether minimalist credit is having an impact on people's lives in Kenya.

Women, who constitute 46 percent of Kenyan microentrepreneurs, are especially vulnerable, as their businesses tend to start smaller and grow more slowly than men's businesses. They more often work out of their homes and tend to rely more on unskilled and unpaid workers. Generally, women have had less access to formal credit than men have, relying instead on informal credit sources such as ROSCAs (Parker and Torres, 1994).

The distribution of the team's sample by branch, credit scheme, gender, and location (urban or rural) is shown in Tables 21 and 22.

TABLE 21

COMPOSITION OF SAMPLE, BY BRANCH

Branch	Juhudi	Chikola	Percent of Sample
Kibera	31	0	14.6%
Eldoret	31	0	14.6%
Nairobi	0	26	12.3%
Nyeri	0	43	20.3%
Mombasa (Tototo)	32	0	15.1%
Nakuru (NCCK)	28	0	13.2%
Karatina (KWFT)	21	0	9.9%
Total	143	69	100.0%

TABLE 22

COMPOSITION OF SAMPLE, BY LOCATION AND GENDER

Branch	Rural		Urban		Total
	Male	Female	Male	Female	
Kibera (K-REP)	0	0	18	13	31
Eldoret (K-REP)	0	0	15	16	31
Nairobi (K-REP)	0	0	9	17	26
Nyeri (K-REP)	17	18	3	5	43
Mombasa (Tototo)	9	7	5	11	32
Nakuru (NCCK)	7	4	9	8	28
Karatina (KWFT)	0	0	0	21	21
Total	33 (15.6%)	29 (13.7%)	59 (27.8%)	91 (42.9%)	212 (100.0%)

Clients

For the 120 women and 92 men in our sample, the average age for women was 37.4 years, and for men 38.8 years. Approximately 51 percent finished secondary school. Nearly 80 percent of the women and 93 percent of the men were married. Forty-five percent of the women in the sample were heads of household (15.8 percent of those married did not live with their spouses and the other 29.2 percent were unmarried, divorced, or widowed). More than half (53.3 percent) of the women and approximately two-thirds (67.4 percent) of the men said that they provided 100 percent of their household's income. Although only 44.5 percent of those in rural areas said they provided 100 percent of the household income, 59.5 percent of those in urban areas said they contributed 100 percent.

The average household size for men in the sample was 5.99 persons; for women, 5.92 persons. Sixty-five percent of the women and 80 percent of the men were the sole providers of food for the household, and 35.8 percent of the women and 55.4 percent of the men were responsible for rent payments. (However, 32.2 percent of Juhudi clients and 37.7 percent of Chikola clients own their homes.) Nearly half (46.7 percent) of the women and three-quarters (71.7 percent) of the men also have the sole responsibility for paying school fees for children in the household. Based on these findings, it is clear that the positive or negative changes that occur in the businesses of microentrepreneurs have resounding effects on all those in the household, and that these effects directly correspond with a microentrepreneur's ability to feed, clothe, and house his or her family.

In a comparison of activities in which people were engaged prior to their current microenterprise activity, women in the Juhudi scheme were more likely to have been unemployed (22.5 percent) than men in the Juhudi scheme or men or women in the Chikola scheme. Job satisfaction among all those interviewed was relatively high, with 63 percent of those in the Juhudi program stating that they would not change their current activity if given the choice; 83 percent of the Chikola clients were satisfied with their current activity.

As noted earlier, Kenyan women more frequently participate in savings or social groups than do men — 53.4 percent of the Juhudi women said they belong to another group besides a Kiwa, but only 20 percent of Juhudi men do. Of the Chikola clients, 43.5 percent belong to another group as well. These groups are most often defined as women's groups or ROSCAs. Fifty percent of the Juhudi women said they had received some form of help from participation in a group, while only 19.1 percent of Juhudi men had received some assistance. Of the Chikola clients, 44.9 percent said they had benefited in the past from their participation in groups, which had taken the form of business financial assistance, crisis cash, or help with household expenses. Of the Chikola clients, 37.7 percent said that they had received a loan in the past, while only 13.3 percent of Juhudi clients had done so.

Sixty-two percent of Juhudi clients and 66 percent of Chikola clients reported that they had saved prior to participating in one of K-REP's programs. At least two-thirds of the clients interviewed had bank accounts with commercial banks, indicating that these microentrepreneurs are not completely estranged from formal financial institutions. Many, however, had been saving with a bank or another institution only since they became involved with K-REP.

Nearly 70 percent of the women and 85 percent of the men in Juhudi and 80 percent of both women and men in the Chikola program claimed that they acted independently with respect to decisions about savings. When asked how they had spent savings in the past, most had spent money on their business and on routine household expenses.

Enterprises

In the profiles of its borrowers in Kibera and Eldoret, K-REP notes a greater proportion of Juhudi clients engaged in commerce activities. This is also reflected in the team's sample: 62 percent were involved in trade, 18 percent in manufacturing, and 20 percent in a service activity. The team's sample of Chikola clients also includes a larger percentage of those engaged in commerce activities (65 percent), which differs from the sectoral breakdown for Chikola clients noted in Section Two. In addition, women microentrepreneurs in our sample were more prevalent in trade or commerce than men (66 percent versus 56 percent).

Because microenterprise activities require small amounts of capital for start-up and, in return, yield smaller amounts to the entrepreneur, it is not surprising that several microenterprise activities may be undertaken within a household or even by one entrepreneur. The strategy of diversifying one's business activities has been described as a type of risk management designed to hedge the entrepreneur's bet on a single enterprise (Downing, 1990). There also may be other reasons for diversifying — for example, in a thin market, one may diversify across a number of products. Because of the tendency to diversify, attempting to monitor and evaluate an assisted enterprise may not be that helpful. In fact, microenterprises seem to be organic — growing in the direction they are led by "fresh air" (market possibilities) and "rain" (availability of funds).

The team found the tendency to diversify investments to be a common strategy employed by both men and women engaged in microenterprise activities, particularly in the larger urban market centers, such as in the Kibera slum in Nairobi. Of the 31 Kibera clients interviewed, 4 stated that they had had more than one enterprise prior to receiving a loan from K-REP. After receipt of one or more loans, 14 clients reported being engaged in more than one microenterprise activity. Of these, women were no more likely than men to have more than one business activity. The density of the slum and the large number of people in Kibera who are engaged in microenterprise activities contributes to the need to diversify in order to capture markets.

In addition, many clients in Kibera were engaged in rental housing as one of their enterprise activities. Although the returns are low on this type of investment, they are steady because of the constant demand for housing. One therefore might suggest that rental housing is one of the least risky microenterprise investments, as well as being one of the least time-consuming.

For the entire sample, the number of entrepreneurs engaged in more than one activity before receipt of a loan was 22 (15.4 percent) for Juhudi and 11 (15.9 percent) for Chikola. After receipt of at least one loan, 41 Juhudi clients (28.7 percent) and 14 Chikola clients (20.2 percent) reported having more than one enterprise activity.

As was expected, most of the microenterprises that had received loans had started small: 74.2 percent of the women's businesses from the sample had started as one-worker enterprises, and 62.2 percent of the men's businesses had started with one person. At the time of the team's interviews, however, only 40 percent of the women's businesses and 17 percent of the men's businesses were one-person enterprises. Tables 23 and 24 show the numbers of enterprises with one person prior to and after the loans.

TABLE 23

AVERAGE ENTERPRISE SIZE BEFORE LOANS, BY SECTOR

Sector	Percentage of Enterprises with One Worker	Average Number of Workers per Enterprise
Manufacturing	31.8%	2.86
Commerce	55.8%	1.71
Services	27.0%	2.86
Average	45.8%	2.15

TABLE 24

AVERAGE ENTERPRISE SIZE AFTER LOANS, BY SECTOR

Sector	Percentage of Enterprises with One Worker	Average Number of Workers per Enterprise
Manufacturing	16.7%	3.76
Commerce	37.9%	2.10
Services	15.8%	3.71
Average	29.7%	2.71

The average age of the businesses in the sample was 6.8 years for Juhudi women, 8.9 years for Juhudi men, 7.9 years for Chikola women, and 8.1 years for Chikola men. Because the businesses in this study are older, it suggests that they are more stable. Studies of microenterprises in several countries have shown that enterprises under three years of age are much more likely to collapse (Liedholm and Mead, 1993; Parker and Aleke-Dondo, 1991). In the earliest examination of Juhudi borrowers in Kibera, 56.3 percent of the businesses were four years old or less. By contrast, only 33.6 percent of the businesses in the current sample were four years old or less. The average age of businesses in the GEMINI survey was five years, although the majority were under three years.

Prior to receiving credit, the majority of the businesses sampled were located in the commercial district (37.8 percent) with the next most prevalent location being a traditional market (36.8 percent). Businesses in the home (10.1 percent) or at roadside locations (10.1 percent) were less prevalent.

Businesses run by clients in the Chikola scheme were more likely to be located in a traditional market (43 percent) or a commercial market (42 percent) than were businesses of Juhudi clients (32 percent and 35 percent, respectively). Juhudi clients were a little more likely to run their businesses out of their homes (13 percent to 4 percent for Chikola). The majority of the businesses are located in permanent structures (approximately 60 percent before and after the loans) and have no utilities (48 percent before and after the loans). The majority of these businesses also lease their place of business (70 percent before and after the loan); an equal proportion of the businesses either have an informal agreement with their landlord or have a title deed to the property (11 percent).

The majority of the businesses sampled (more than 80 percent) had used start-up capital of less than K Sh10,000 (US$166, although devaluation has since occurred). This was also true for the vast majority of microenterprises in Kenya (Parker and Torres, 1994). Most of this start-up capital came from personal savings (approximately 60 percent); family gifts were the next most common source of funds.

The most common problems cited by women entrepreneurs were, in order of emphasis, market size, shortages of supply inputs, and shortage of capital. Men entrepreneurs complained about economic conditions (including problems with inflation), shortages of supply inputs, and the risky environment in which they were attempting to carry on business. Some of the factors mentioned in relation to this risky environment include thefts and the ethnic clashes that had taken place not long before in Eldoret.

The ranking of complaints made by women entrepreneurs corresponds with that mentioned by respondents in the GEMINI survey. Capital shortages do not rank very high and, in this case at least,

they would not be expected to, since many of these people have received loans in the past. However, more women than men in the team's survey also complained about the loan size being too small -- more than 80 percent of the women and about two-thirds of the men said their loans had not met their capital requirements.

It is not uncommon for entrepreneurs to link together in any marketplace to accomplish common objectives. This is but one way microentrepreneurs protect themselves from some of the vicissitudes of the economy. Almost 40 percent of all those interviewed said it was commonplace for them to set prices for their products based on discussions with others in the market. Ten percent, said they regularly watch each other's businesses and 5 percent of the women polled shared at least one employee with another business. Ten percent of the entrepreneurs joined together to make group purchases. Economically, most entrepreneurs are also tied together through a system of credit and discounts that allows them to go beyond their immediate means for purchasing. Because it takes longer to establish the kind of personal trust and credibility that allow one to buy and sell on credit, using credit is probably more characteristic of older businesses. Eleven percent of those asked said they purchase materials from their suppliers on credit, while 29.3 percent said they are allowed to purchase at discount. Nearly 52 percent said they give credit to their customers, and another 23 percent said they offer discounts for cash payment. Of those who allow credit to their customers, the amount outstanding was considerable in some cases. The average amount outstanding for Juhudi women was K Sh7,278; for Juhudi men, K Sh4,868; for Chikola women, K Sh4,208; and for Chikola men, K Sh8,288. Of those allowing credit, 38 percent said it was problematic for them, which is symptomatic of a troubled local economy.

IMPACT

When asked whether they had realized an improvement in their household situations through receipt of a loan, 86 percent of the Juhudi clients and 85 percent of the Chikola clients said they had. Many clients gave specific examples of the ways their lives had improved or been made easier, though not in ways that can be quantified easily. The team has approached the question of impact from two vantage points: from the individual's point of view, as illustrated through the stories told to interviewers by entrepreneurs, and from an aggregate point of view that describes how K-REP loans have affected businesses.

Case Studies

Following are four case studies of individuals that have participated in K-REP.

CASE STUDY 1: David Toroitich, Eldoret

David Toroitich is a member of Soko, a Kiwa in the K-REP Juhudi scheme in Eldoret. A member of the Nandi ethnic group, he was born in Uasin Gishu District, Rift Valley Province. Toroitich, age 42, dropped out of school at Standard 6 (upper primary school) because of poverty and has not had any formal or informal technical training. He is married to one spouse and they have nine children, ranging in age from 2 to 20 years. The oldest is a boy who has dropped out of school and helps his father in the business.

Before venturing into business, Toroitich engaged in farming at home, but the yields were too low to provide adequately for his family. He decided, therefore, to come to Eldoret to try his luck. After trying in vain to get a job in the formal sector, he decided to go into business on his own. He got some space in the Eldoret Municipal Market, where he sold cabbages and potatoes retail. His daily profits were so low that he and his family were living in poverty.

When the K-REP program was introduced in Eldoret, Toroitich joined Soko and has since received three loans: the first one of K Sh10,000 in November 1991, the second of K Sh15,000 in November 1992, and the third of K Sh40,000 in November 1993. With the first loan, Toroitich intended to expand his business by increasing his stock of cabbages and potatoes. However, when he received the loan, he used half (K Sh5,000) to increase the stock of vegetables and the rest to construct rental units on a plot of land he had acquired. He wanted to live in his own house (to save on rent payments) and have a more reliable stream of income. The injection of K Sh5,000 into his vegetable business from the first loan increased both sales and profits. Hence, he requested a second loan to increase his stock further. With this money, he was able to hire a pickup truck to travel to distant places, such as Cherangani, to acquire larger quantities of cabbages and potatoes twice a week. The business expanded further as sales rose. It was not long before Toroitich was able to get contracts to supply the army, Eldoret Hospital, and Moi University. By now he was making K Sh2,000 per trip net of all operating expenses, thereby earning K Sh4,000 per week. All the money from the second loan was used on his business.

By the time he received his third loan, Toroitich's market had expanded so much that he needed a larger truck to satisfy the demand. He began hiring a lorry to take him to Narok to buy vegetables, making two trips a week, which brought in approximately K Sh10,000 per trip. All of the money from the third loan was used on his business as well.

Thus, within three years, loans from K-REP helped this man increase the volume of his business, which allowed him to realize profits he had never seen before. Toroitich says that now he is able to provide for his family without a problem. He has saved approximately K Sh45,300, K Sh10,300 of which has been saved through the Juhudi scheme. He has saved another K Sh35,000 in a commercial bank since he became a member of K-REP, and he intends to save K Sh100,000 in order to start a retail shop with nonperishable groceries. Prior to joining K-REP, he was unable to save and did not even have a savings account. Toroitich is also hoping to get a fourth loan of K Sh100,000 to further expand his business.

The loans have helped increase Toroitich's household income dramatically. Before the first loan, he estimated that his farm brought about K Sh1,000 gross per month (56 percent of all his household income), while the vegetable retailing business provided [illegible] Sh800 per month (44 percent). As his business prospered, he bought dairy cows, so that [illegible] now feeds his family and generates a surplus of K Sh2,000 per month (from milk and other [illegible]). The rentals in Eldoret bring another K Sh2,000 per month, and the vegetable business [illegible] at least K Sh60,000 per month after operating expenses have been deducted. The only serious problem Toroitich's business faced in 1993 was the severe drought in much of the country which resulted in drastic declines in the supply of vegetables.

CASE STUDY 2: Peninah Ogoro, Eldoret

Peninah Ogoro is a member of Matembezi, a Kiwa in K-REP's Juhudi scheme in Eldoret. A Kisii, she was born in Kisii District, Nyanza Province. Peninah, 30, went to school up to Standard 5 (Upper Primary School), then dropped out because of financial problems. After school, she became an apprentice in a tailoring business for about one year.

She is married and her husband has another wife. Her husband is about 40 years old and most of his attention is directed toward his other wife. Six people eat daily from Peninah's pot, two of whom are 20-year-old nephews. The other four are her children who range from 3 to 12. Three of the children are in school; the youngest is at home.

Before going into business, life was difficult for Peninah, especially since her husband spent more time with his other wife. She found it difficult to provide adequate food for her children. Her intent in seeking her first loan through K-REP was to increase the stock in her retail grocery shop. Before the loan, the shop was bringing in about K Sh5,500 per month, which was inadequate for her large household. She used the entire K Sh10,000 from the first loan, received in November 1992, on the retail business, and began distributing soda wholesale as well.

On the day she was interviewed, Peninah had just received a second loan of K Sh25,000 which she planned to use to expand her business further. The first loan has benefited her a great deal, for her monthly income has doubled to K Sh11,000. She has been able to purchase a sewing machine, a radio, and a piece of land in Eldoret. She made a down payment of K Sh22,000 on the land, expecting to pay-off the balance of K Sh18,000 by June 1994. She also contributed money for her husband to pay dowry to her parents. All of these funds were paid for with profits from her business.

Peninah's husband is a member of the same watano as she. He also obtained a loan of K Sh10,000 for his own retail shop. The team did not interview him directly. Peninah was very happy that the K-REP loans have made her almost independent of her husband. She currently has saved a total of K Sh14,000, of which K Sh5,000 is with her Kiwa. The other K Sh9,000 is with Barclays Bank.

The only serious problems Peninah's business faced in 1993 were theft by a worker and ethnic clashes that adversely affected many of her customers.

To Peninah, K-REP loans have been God's answer to her prayers. Without such assistance, she would still be living in hardship, together with her children and other dependents.

CASE STUDY 3: John Brown Kada, Mariakani

John Brown Kada was born in Kwale District, Coastal Province. Kada, 55, is a Duruma by tribe, a Christian, and has completed high school. After school, he was trained as a health inspector by the Ministry of Health. He is a member of a group under Tototo's credit program.

Kada is a retired civil servant (an assistant chief). He had a retail shop that was run by his wife, but when he retired he went into cattle trading. He would send his workers to Tana District (more than 150 kilometers away) or even to Ukambani (more than 250 kilometers away) to buy cattle, which he sold for slaughter at Mariakani.

A member of Bahati, a group in Kilifi, Kada got his first loan of K Sh5,000 in August 1991. He used all the money to buy more cattle, and his business expanded rapidly. In July 1993, he obtained a second loan from Tototo of K Sh10,000. He used K Sh7,000 to increase his livestock herd, and the other K Sh3,000 went into his wife's retail shop to buy more stock. His business continued to expand and he prospered for awhile. However, in August 1993, lions attacked and killed most of his cattle. Many more were lost in other ways. The loss was staggering and Kada had to close his business.

After this misfortune, his family depended on his wife's retail shop, which was not generating much income. Meanwhile, the area (Kalalani near Mariakani) was experiencing a severe drought and famine.

There are 10 people in Kada's household. All his children are adults (one has a wife and a daughter) who are unemployed and depend on him for food. To make matters worse, Kada became seriously ill, and his treatment cost much money. All these burdens proved too much for the retail shop, and now it has closed.

Kada's family is now almost destitute, for his small pension cannot sustain all of them. He is now in default with Tototo, having fallen five months behind in his loan payments. He is trying to repay the loan from his pension but it has not been easy.

Kada said that, although Tototo is a good program, it should be more understanding when people get into problems and assist them with additional funds so that they can recover, repay the loans, and begin to rebuild their lives.

(Note: The Kalalani area had many cases similar to Kada's. Environmental factors there have been harsh and unfavorable, causing a collapse of the local subsistence economy. Many clients in the area run businesses that are barely surviving. Many have defaulted or are having serious difficulties maintaining loan repayments. For such people, the loans have led to added burdens on household budgets. They obviously need forms of intervention other than loan schemes.)

CASE STUDY 4: Elizabeth Mesi, Ukunda

Elizabeth Mesi, 29, is a member of Subira II, a Kiwa in Tototo's credit scheme at Ukunda. She has so far received two loans, the first for K Sh5,000 in April 1993, and the second for K Sh15,000 in March 1994.

Mesi is a Taita from Taita/Taveta District in the Coast Province. A Christian, she completed high school (Form IV) in 1984 and immediately married. Her husband, a carpenter, has no other wives. Mesi then took over a retail grocery shop that her husband was operating in Ukunda.

Mesi took her first loan to expand the retail shop by increasing its stock. This loan allowed Mesi to buy in bulk from Mombasa, which increased sales and cut transportation costs.

Mesi also used her second loan for business. She bought a second-hand cooler for K Sh4,000, spent K Sh8,000 to add stock, and used K Sh3,000 to introduce cloth. The cooler enabled her to begin selling milk in large quantities, as well as cold soda (Ukunda is a very hot area). This opened up a new market of customers, and sales and profits went up substantially.

Mesi says the loans have had a significant impact on her household situation: she and her husband have been able to add more rental rooms on their premises, which has increased their income from this activity from K Sh500 per month to K Sh1,100 per month. Also, they no longer pay rent themselves because they have bought a house.

Some profits from Mesi's business were used to expand her husband's carpentry business, and now this brings in about K Sh3,000 per month, six times the amount he earned prior to this investment. Mesi's business itself now brings in K Sh2,000 per month, which is up from K Sh500 monthly prior to expansion. In addition, the couple also earns about K Sh900 per month from their small farm (eight acres) back home in Taita.

As a result of her increase in household income, Mesi can feed and clothe her household without a problem. She has three children, ages eight, five, and one month. In addition, she has a maid who lives with them, making a total of six people who eat from the same pot. She has a joint savings account with her husband, and together they have K Sh32,000 in savings, K Sh3,000 of which is with Tototo. In 1993 she also received a loan of K Sh20,000 from the Small Traders Co-operative Society, which she has also used to expand her business. She is very eager to get larger loans in order to strengthen her husband's carpentry business and to construct more rental units in Ukunda.

Although several Kiwas in Ukunda have disintegrated, Mesi's has remained strong and has had no defaults. She is very happy with Tototo for the assistance it has extended to her and her friends in Ukunda.

Aggregate Effects

This section examines some of the indicators that reflect the aggregate effects of K-REP loans on businesses. The first indicator of impact is employment growth.[4] Employment growth may serve as an indication of other kinds of enterprise growth, such as increases in assets, sales, and profits. At the same time, employment growth has some justification as a development objective in its own right where rates of unemployment are high and opportunities for income generation are limited, as they are in Kenya. Although it has been frequently observed that only a small percentage of microenterprises ever grow beyond one or two employees, Parker and Torres (1994) note that there is a greater potential for employment generation in the microenterprise sector (1-10 employees) than, for example, in the medium-sized business sector (11-50 employees), because of the sheer size of the microenterprise sector.

Because microentrepreneurs have different reasons for undertaking their enterprise activities, they also have different intentions about how to develop their enterprises. In addition, because employment growth is only one measure of growth, it is not reasonable to presume that enterprises did not expand without increasing employment. In a comparison of the employment growth rates for enterprises assisted by K-REP and its affiliates with the national sample, the team found that growth rates for the entire sample were lower for manufacturing and commercial enterprises than for the national sample prior to the loans.[5] The average employment growth rate for businesses in the team's sample before receipt of loans (12.4 percent) is less than half the national average (29 percent), which does not necessarily suggest that these businesses are less well off than the norm. Because the average age of these businesses is older, any growth in employment has been averaged over a longer period of time. Growth rates improved after the loans, especially for manufacturing and service enterprises. Table 25 compares the rates of growth for the national sample, with the team's sample before and after the loans.

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[4] The team asked entrepreneurs to include all employees who work for them. In this way, the team was able to avoid overcounting employees who may work in two different businesses undertaken by the same person.

[5] For the growth rate prior to the loan, the equation used was:

$$\frac{\text{(number of workers before loan - number of workers at start)}}{\text{(number of years in operation)}}$$

For the growth rate after the loan, the equation used was:

$$\frac{\text{(number of current workers - number of workers at start)}}{\text{(number of years in operation)}}$$

TABLE 25

COMPARISON OF EMPLOYMENT GROWTH RATES
BEFORE AND AFTER LOANS WITH NATIONWIDE SAMPLE,
BY SECTOR

	GEMINI Survey	Before Loans	After Loans
Manufacturing	33%	19.6%	45.6%
Commerce	28%	6.2%	14.1%
Services	23%	27.4%	61.3%
Total	29%	12.4%	28.8%

The large increase in the services sector can be explained by a large amount of growth for one occupational type, the restaurant business, which also had one of the higher growth rates in the national sample (35 percent). Although there is below-normal growth in the trade sector, above-average growth in services and manufacturing compensates, bringing the average growth rate for all businesses after receipt of loans up to the rate for the nationwide sample (29 percent).

It is important to realize that the growth rates are averaged over all of the businesses in the team's sample. As was noted earlier, many businesses in the sample did not add employees after receiving loans and, perhaps, they do not intend to add employees. Nearly 60 percent of all businesses in the sample saw no growth in employment prior to receiving a loan, while 2.4 percent saw a decline. After loan disbursement, 39.6 percent experienced zero growth in employment, and 2.8 percent experienced a decline. Table 25 shows 6.2 percent employment growth for all trade firms in the sample before they received loans, and 14.1 percent after they received loans. However, those trade firms that increased the number of their employees grew 24.4 percent prior to receiving loans and 30.6 percent after receiving them.

A comparison of employment growth rates for men and women in the sample does not reveal any significant gender differences (see Table 26).

TABLE 26

COMPARISON OF EMPLOYMENT GROWTH RATES
BEFORE AND AFTER LOANS WITH NATIONWIDE SAMPLE,
BY GENDER

	GEMINI Survey	Before Loan	After Loans
Women	32%	13.6%	28.7%
Men	22%	11.3%	28.8%
Total	29%	12.4%	28.8%

A comparison of average growth rates for businesses in the Juhudi scheme and the Chikola scheme reveals a slight difference. Prior to receiving credit, Juhudi businesses grew at 10.8 percent per year; after the loans, at 22.5 percent per year. Chikola businesses grew at 16.2 percent per year prior to the loans and 41.8 percent per year after receiving them.

Businesses based in rural areas grew at 14.5 percent per year prior to receiving credit and 32.2 percent after receiving loans. Urban-based businesses grew at 11.8 percent per year prior to receiving loans and 27.4 percent per year afterward. The slightly higher rate of growth in rural-based businesses corresponds with the sample's greater number of Chikola clients from rural areas (because Chikola businesses grew at a higher rate than Juhudi businesses).

These data imply that employment generation is occurring in Kenya's microenterprise sector, although not for all businesses. Growth probably happens in spurts, but those spurts may occur only once or twice in the lifetime of a business, which may last 30 or 40 years. For most businesses, a loan is needed to cause one of these spurts.

Table 27 details the number of jobs created since the receipt of loans. It shows that, since receiving loans, the firms in the sample had created an additional 126 jobs, 89 of which were paying. This increase represents a 27.8 percent increase in total employment, or an increase of 0.59 jobs per enterprise. (In a survey undertaken by K-REP, it was determined that there had been an increase of 0.22 jobs per enterprise after loan assistance.)

TABLE 27

LABOR FORCE CHANGES SINCE RECEIPT OF LOAN

Worker Type	Before Loans		After Loans	
	Number	% Total	Number	% Increase
Proprietors	216	47.7%	217	0.5
Unpaid family members	56	12.4%	79	41.1
Paid workers	159	35.1%	248	55.9
Apprentices	22	4.8%	35	59.1
Total workers	453	100.0%	579	27.8
Female workers	223	49.2%	272	21.9

One indicator of the usefulness of credit to entrepreneurs is the actual use of the loan, particularly with respect to what the entrepreneur had hoped or intended to accomplish with the loan. Of the 212 persons in the sample, 11 people stated that, at the time of receipt of the first loan, they intended to start a new business. Not all of those who had intended to start a new business did so, however. Fifteen respondents did begin a new microenterprise activity in addition to their existing one (and, in some cases, in place of the existing one). The majority of those interviewed (92 percent) stated that they had intended to use the loan to expand their current business activity.

91

Because many of the Juhudi clients received more than one loan, the study team was able to look at the use of successive loans. Some Chikola clients had received a second loan, but the number of those who had was much fewer than in the Juhudi scheme, because the Chikola scheme is younger. Of Juhudi clients, 77 percent of those in the sample used the first loan monies to purchase more stock or supplies for their primary business, 21 percent to make or sell a new product within their original business, 15 percent to purchase equipment for their business, 10 percent to start another business, and 6 percent to expand an existing second business.

Although no respondents said they had intended to spend any of the first loan monies on household or other nonbusiness expenditures, 12 percent (15 percent of the women and 8 percent of the men) actually did. These expenditures included savings, the purchase of land, the payment of school fees, and other home expenses.

For the majority, then, a first loan was used for working capital to purchase additional stock. Many K-REP clients said the first loan was too small, though subsequent loans were more suited to their needs. Despite the smaller loan amounts, the pressing demands of home and family required that some recipients use the loan monies in ways other than they had originally intended.

In the sample, 102 persons had received second loans through the Juhudi scheme. Upon receipt of the second loan, 70 percent used the monies to purchase more stock or supplies, 21 percent began making or selling a new product, 4 percent changed their location, 6 percent improved the infrastructure at the place of business, 15 percent bought equipment, 13 percent started another business, and 14 percent spent some portion of the loan monies on an existing second business. Upon receipt of a second loan, more clients were able to apply those monies toward a second or supplementary business activity (16 percent had done so with a first loan, versus 27 percent with a second loan, although only 18 percent had intended to use the money in this way). This suggests that entrepreneurs had a range of options with the second loan that allowed them to expand in a more substantial way — through the purchase or improvement of fixed assets or through market expansion by the addition of a new product line.

Twenty-two percent of Juhudi entrepreneurs in the sample used the second loan monies for nonbusiness expenditures such as school fees, the purchase of land, and other home expenses. In some cases, savings were put aside as an emergency fund to meet loan payments.

Sixteen Juhudi clients had received three loans. Of these, 9 had purchased more stock or supplies and 8 had used some portion of money for nonbusiness purposes. (Of these, 6 had put some portion of the money aside in savings. In several cases, the loan was so recent that they had not yet had time to use the money.)

Of the 69 Chikola clients in the sample, 91 percent used their first loan to purchase additional stock or supplies for their primary enterprise, 29 percent began to make or sell a new product in their business, 7 percent purchased equipment, 12 percent used the money in an existing second enterprise, and 28 percent used some portion of the loan monies for nonbusiness purposes. Only one person started a new business with the funds. Only 11 Chikola clients had received a second loan.

SUMMARY

The study team compared K-REP's current clientele with the clients described in the earlier K-REP profile of Juhudi borrowers in Kibera and Eldoret. Although average ages and household sizes

are comparable, the clients in the team's sample were slightly better educated, with 51 percent having a secondary education or better.[6]

As in K-REP's 1991-1993 profiles of K-REP's Juhudi clients, the majority of both men's and women's businesses in the current sample can be classified under commerce or trade. Although such businesses are normally smaller in size and require less start-up capital than other firms, they have the potential to allow entrepreneurs to begin to amass capital, and, as noted, many entrepreneurs have diversified from a single business to include other activities. Many Chikola clients, for example, had both trading and manufacturing activities running concurrently (for example, selling clothes and tailoring).

On average, the enterprises in the sample were older than those represented in K-REP's earlier profiles or in the 1993 GEMINI survey. This may make the former firms more stable, although most had started out small (as do the vast majority of microenterprises), as one-person enterprises with a small initial investment. Most had used personal savings to make their initial investment.

The team also compared clients in the Juhudi and Chikola schemes and found that a greater portion of businesses run by Chikola clients were located in commercial and traditional markets than those run by Juhudi clients. More of the Juhudi clients ran businesses from their homes, but a majority had a permanent location for their business, yet another indication that these businesses are stable.

Chikola clients on the whole were more settled in their current activities, as reflected by a higher level of satisfaction with their current occupation. The majority of men and women were active savers prior to becoming involved in K-REP's programs, but women were more likely to have participated in a ROSCA or another group, many of which pool capital. Chikola clients were more likely to have received some form of loan assistance in the past — some through a ROSCA set up to provide large amounts of capital to its members, others through commercial institutions.

Comparing men and women in the sample, the team found that educational levels and household sizes were comparable, although more women (60.8 percent) had received training than men (51.1 percent). Prior to their current activity, women also were more likely than men to have been unemployed. Women in the sample were more commonly engaged in trade or commerce (66 percent) than men were (54 percent) and, in the Juhudi scheme, women's businesses were smaller than men's businesses both before and after the loans. Employment growth had occurred for both men's and women's businesses at approximately the same rates, although proportionately fewer women's businesses had grown. Women's businesses started smaller, and a greater percentage of them (40 percent) than men's (17 percent) remained one-person enterprises after the loans. Both men and women made significant contributions to the household, but women reported use of the loans on household expenses slightly more frequently than did men, suggesting the greater household demands women face.

A comparison of the role of microenterprises in rural and urban environments revealed that more urban than rural households relied 100 percent on the K-REP-assisted enterprises. This supports earlier findings and suggests a greater need for microenterprise development projects in urban areas, where entrepreneurs vie with one another to capture a small market share.

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[6] Fifty-one percent of the clients in Kibera were educated at upper primary school, and 60 percent of the clients in Eldoret had a primary school education.

Using employment growth as an indicator of loan impact on enterprises, the team discovered that, prior to the loans, the average rate of growth (12.4 percent) was below the national average (29 percent). However, after the loans, the growth rate for businesses in the sample was equivalent to the national average. It was mentioned that the older age of these enterprises may contribute to lower average growth rates. Enterprises in the manufacturing and service sectors experienced higher growth rates than those in other sectors. In addition, Chikola businesses increased employment slightly more than Juhudi businesses after receiving loans. (It should be noted, however, that Chikola loans are usually larger than loans through the Juhudi scheme.)

The team found that, for most clients in the Juhudi scheme, the first loan was used as working capital to buy additional stock or supplies. Second loans, which were larger, allowed for a greater range of options, including changing one's location or purchasing or improving fixed assets. Some borrowers also used first loan monies to start or add to a second business activity, but this was more prevalent among second-loan borrowers, supporting the notion that, although diversifying one's business activities may hedge risk, it is also a means of expanding one's economic base. The four case studies cited demonstrate how loans allow microentrepreneurs to build their economic security and the security of their households in increments. Unfortunately, most persons at this level are never too far from a devastating setback that could push them back to where they started.

The case studies also demonstrate the complex interaction of an assisted enterprise with all other activities in the household. The fact that many entrepreneurs have used K-REP loan monies to cover household expenses, to purchase land, and to pay their children's school fees underlines the reality of Kenya's economic situation. When funds are available, they are used to meet the pressing needs of the household. Meeting these needs is essential for the entrepreneur's realization of other goals related to business expansion.

Although employment growth has occurred for a majority of the businesses that K-REP has assisted, nearly 40 percent of those in the sample had experienced no employment growth since receiving a loan. For some, questions of household security may have played a bigger part. (Others may have grown in ways that cannot be captured with employment data.) Household security does seem an important concern for microenterprises, especially during troubled economic times — some are stable and continue to grow in spurts throughout these rough periods, but others simply get by and must sometimes struggle not to lose their foothold.

SECTION FOUR

STRATEGIC CHALLENGES AND FUTURE DIRECTIONS FOR K-REP

During the past decade, K-REP has progressed through several stages in developing an effective strategy for promoting microenterprise development. Today, it implements two effective credit schemes — Juhudi and Chikola — that provide loans to large numbers of microentrepreneurs at low cost. K-REP has also established training, research, and innovation programs to support these schemes. K-REP has been successful in mobilizing resources from USAID, the Ford Foundation, and the Overseas Development Administration to carry out its activities. It has done so without compromising its vision or its program design.

As it comes to the end of the USAID Cooperative Agreement, K-REP is poised to move ahead. Building on recent successes in direct lending, K-REP would like to expand its direct lending activities further. At the same time, it has decided to cut back on its support to other NGOs, providing only loan assistance to a few organizations.

K-REP's management and board of directors want to continue direct lending, but are deliberating on the appropriate organizational format for doing so. They also believe K-REP should continue to play a role in supporting the general field of microenterprise development through training, research, and innovations. As it prepares for future growth and development, some of the strategic challenges facing K-REP include the following:

- **Consolidating current credit activities.** K-REP would like to expand its credit operations, but the opening of two new branches in late 1993 has highlighted some areas that need to be strengthened before K-REP pursues further expansion. K-REP is now in a consolidation phase, during which it will improve its management information system, refine the Juhudi and Chikola methodologies, fine-tune the management (reduce defaults) of the Juhudi and Chikola schemes, work toward the sustainability of credit branches and of credit operations overall, and develop cost-effective strategies for horizontal expansion.

- **Developing and testing methodologies for promoting savings.** The savings components of the Juhudi and Chikola schemes serve primarily as a form of collateral, rather than as a safety net or as a pool for clients to draw on as a productive resource. Moreover, member savings are deposited in commercial banks that lend the money to large businesses and clients rather than to microenterprises. A challenge for K-REP is to develop a credit and savings system that serves as a true financial intermediary for the microenterprise community.

- **Designing credit methodologies that serve graduates.** Poverty alleviation in Kenya ultimately requires a process of economic growth that directly involves poor people. Many enterprises supported by the Juhudi and Chikola schemes have the potential to grow, but to do so requires larger loans and a different lending methodology. Other institutions, such as ADEMI and BancoSol, have dealt with this issue by offering a few individuals larger loans outside a group lending scheme. BRI also adopted this approach in Indonesia, after its initial strategy of increasing loan sizes across the board only increased the default rate. BRI found that it was more appropriate to increase loan sizes for only a handful of entrepreneurs who had the capacity and the commitment to grow. A problem associated with making a

larger loan to an individual within a group arises when that individual defaults on the loan; therefore, this method is not recommended here. Another approach would be to allow those clients that require larger loans to move on to commercial banks or other institutions that can fill the credit gap between K-REP's current loan amounts and the minimum bank loan amount. However, because there are few institutions in Kenya that are prepared to lend at such levels, one would have to ask whether such an approach would deny these entrepreneurs access to credit at this level, as well. Furthermore, because these entrepreneurs have been K-REP's most successful clients, it is appropriate for K-REP to continue to serve them until they can gain access to bank loans.

A challenge for K-REP is to develop and test effective methodologies to lend to those who need larger loans. The aim should be to retain and serve the "best" clients within the context of their own programs.[1] By increasing the size of loans to certain individuals, the institution lowers its cost per dollar lent, which cross subsidizes smaller loans to poorer clients.

- **Spinning off retail credit activities.** K-REP's direct lending activities started as an experiment. Following a successful pilot phase, K-REP has scaled up its credit program so that today it has more than 5,000 active clients and almost K Sh70 million (US$1.2 million) in outstanding loans. To ensure a sustainable credit program over the long run, and to prepare for future growth and expansion, K-REP would like to spin off its credit operations from its other microenterprise support activities. There is also a strong justification for separating retail and wholesale lending operations based on a functional incompatibility between the two. The Mugwanga study, currently under way, will address this issue. The study is addressing the market for microenterprise credit, K-REP's competitive advantage, the institutional format (bank or NGO), the mix of loan products, and whether to provide both retail and wholesale credit in one unit or to separate them. The results of the study will contribute significantly to decisions on K-REP's direction for the coming five years, the pace and scale of its horizontal expansion, and its donor support needs.

- **Redefining K-REP's broader role in supporting microenterprise development in Kenya and beyond.** K-REP's research, evaluation, innovations, and consultancy units are evolving as important resources for microenterprise development organizations in Kenya and other African countries. A key strategic challenge for the future is to decide the extent to which these activities should directly support K-REP operations versus the microenterprise field in general. This will depend largely on K-REP's future direction, which will emerge upon the conclusion of the Mugwanga study.

- **Rationalizing K-REP's organizational structure.** K-REP is a complex organization. It is involved in a broad range of activities with different purposes and objectives and potential for sustainability. The activities require different staff skills and forms of management. Future growth and development require, at a minimum, the separation of the organization's functions into different management units, a process that is now under way. Once the board and management decide on K-REP's new direction, further rationalization of the organizational structure and how the various units relate to each other will be required.

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[1]For example, Tototo Home Industries has instituted an individual loan program for graduates of its group lending approach.

- **Lending wholesale to NGOs.** Although K-REP has made a policy decision to continue its wholesale lending to a few NGOs (scaling back its role in technical support), there are several issues K-REP management should consider in relation to this function. For example, will K-REP provide this assistance only to its wholesale borrowers, or will it focus assistance on a few credit-specific NGOs with potential to reach large numbers of borrowers? Will K-REP support NGOs that have broader development agendas? Will it support start-up NGOs that want to enter the microenterprise credit field? Will it support only the Juhudi and Chikola lending methodologies, or other lending models as well? Another decision concerns whether K-REP wants to continue providing grant support to NGOs to back up their credit programs. Finally, K-REP must decide what performance criteria it will use to evaluate these NGOs, and how it will assist and provide technical support to the NGOs to meet the performance criteria.

- **Establishing a microenterprise bank.** The feasibility study commissioned by K-REP will also present recommendations on establishing a microenterprise bank, which K-REP management believes it may be ready to do in the near future. Because of a shortage of donor funds, other NGOs have sought to establish or to become a bank to gain access to market funds. K-REP, however, continues to benefit from a good relationship with donors and is unlikely to run short of funds in the immediate future. K-REP does not yet have a loan portfolio comparable to those of institutions that have previously established banks, and -- most important -- it has not shown that it has a fully sustainable lending methodology. Therefore, the evaluation team suggests that K-REP reconsider its idea of establishing a bank, despite the idea's long-term merit.

SECTION FIVE

STRATEGIC CHALLENGES FOR USAID/KENYA

K-REP's successes speak well of USAID's management role, which can best be described as non-interventionist. USAID has provided adequate resources and has allowed K-REP to chart its own course. In so doing, USAID has achieved its objective under the Private Enterprise Development Project to support K-REP while K-REP established itself as a Kenyan organization. Credit should also be given to World Education for its efforts to establish a sound organizational base. As K-REP has diversified its funding sources, its relationship with USAID has changed; this appears to be a positive step. K-REP's new relationship with USAID has allowed it to consider practical alternatives for remaining viable and achieving sustainability.

With the completion of the PED project and the end of the current Cooperative Agreement with K-REP, USAID is at a crossroads in deciding how to support NGO microenterprise credit programs in the future. Mission staff would like USAID to play a role in expanding minimalist credit in Kenya. To this end, follow-on support to K-REP's direct lending program appears warranted, based on past achievements, performance, and proven demand for and capacity to deliver credit to microentrepreneurs. However, USAID would also like to diversify its support beyond K-REP.

In looking at options for supporting other NGO programs, USAID staff are contending with several issues. First, although minimalist lending programs are already being replicated in Kenya, the credit methodologies being used need further refinement to achieve the goals of scale and sustainability; K-REP's research and evaluation department can make a significant contribution toward this end. However, the microenterprise field also could perhaps benefit from drawing on (and synthesizing) lessons from NGOs funded outside K-REP and USAID (such as Food for the Hungry, CARE, and Action AID). The level of support flowing into microenterprise credit programs should be tagged to indicators of program performance (for example, disbursements or delinquencies) and sustainability.

A second question to consider is whether USAID should continue to support NGO microenterprise credit programs through K-REP as an intermediary or whether it should fund other NGOs directly. The answer depends to some extent on whether the mission decides to fund a few select credit-specific organizations with potential for large-scale outreach and sustainability or a larger number of smaller, higher risk organizations. The latter strategy would require an intermediary (although K-REP does not want to become involved in this activity now); the former could probably be managed through direct funding agreements, which would also give USAID more direct control over funding. The answer also depends on how much the mission wants to emphasize support for credit versus noncredit activities (such as client or institutional training and technical assistance, research, and evaluation) and how the balance between those two types of activities ultimately plays out within K-REP in the next few years. Many larger NGOs are involved in credit; USAID could fund these programs directly. However, K-REP is a unique resource for microenterprise training, research, evaluation, and financial innovations, and would be the logical place for USAID to invest resources in these areas.

As the mission looks toward developing its future strategy for promoting economic growth and microenterprise development and for designing a follow-on project, it faces several broader strategic challenges:

- **Developing a comprehensive microenterprise strategy.** One challenge for USAID/Kenya is to design a systematic program strategy that links economic growth, employment generation, microenterprise development, and poverty alleviation. Up to now, the mission's private sector strategy has emphasized employment generation through economic growth. The PED project promoted investments across a variety of enterprise types, including, but not emphasizing, microenterprises. Preliminary impact data suggest that the mission's support for microenterprise development has generated more employment than have investments in larger enterprises. This increased employment generation supports USAID's agency-wide shift in emphasis to microenterprise development and supports the Kenya mission's decision to focus on microenterprise credit in its private sector strategy.

  In keeping with USAID's emphasis on poverty alleviation, strategic challenges for the mission are to link employment and poverty issues and to deepen understanding of employment characteristics and growth in microenterprises. A conceptual framework should link these issues in order to formulate strategies and evaluate programs. Some issues to consider are:

  — Conceptualizing linkages between poverty alleviation, microenterprise development, and economic growth, and developing strategies in the Kenyan context for economic growth that helps reduce poverty. This could involve, for example, identifying sectors of the economy with growth potential and linking poor people directly to these sectors through microenterprise credit and other strategies (such as subsector and social venture strategies), and defining target groups (extreme poor, moderate poor, and upper-end poor) for differing interventions,

  — Establishing realistic expectations about what can and cannot be achieved in terms of impact through microenterprise development, especially minimalist credit. The findings from the current impact survey suggest that for many of the 212 borrowers surveyed, loans may have done more to establish household security than to increase employment. Moreover, minimalist credit programs are often more effective in reaching and assisting the moderate poor than the extreme poor, who often do not have even the minimal resources required for self-employment. This suggests a need for complementary programs — those that serve the extreme poor, especially women, and those that serve graduates whose businesses have growth potential.

    One benefit of group lending programs is that they are effective in identifying microenterprises with growth potential if larger loans are made available. Unrealistic expectations (such as economic growth) about results of group lending programs could lead to perceptions that these programs have failed, and

  — Developing a specific agenda for creating an enabling environment for microenterprise development. This will require identification of policy, legal, and regulatory issues to address; strategies for market development; strategies for improving transport and storage; and strategies for institutional development. Given that poverty groups operate businesses that are vulnerable to financial crisis and insecurity that can erode income gains, especially in the current Kenyan context, the mission might also focus on income erosion among the poor and on strategies for sustaining income gains. This is one way to direct attention on poverty.

- **Sustaining the income gains from poverty lending programs.** A common problem that emerges in studying the impact of microenterprise credit is sustaining income gains at the household level. Yet this is an important challenge if a program's aim is to alleviate poverty. This brings up a critical dimension of poverty not addressed by microenterprise programs and others focused on income generation: downward pressures on the poor, associated with crisis and insecurity that can erode income gains, threaten household security, and narrow opportunities. Downward pressures are a result of economic weaknesses as well as the institutional and social environment in which poor households and individuals live.

  Some downward pressures that the poor experience include natural disasters, insecurity resulting from political upheavals, a breakdown in the rule of law, misuse of power, injurious court cases, threats of extortion, unjust loss of property, violence against women, health problems, death of an earning household member, seasonal deficits, and unemployment. These crises often result in the loss of assets or income, or require large expenditures that threaten household survival or prevent households from emerging from poverty.

  USAID's broader strategy of creating an enabling environment for microenterprises could direct attention to these pressures. This could involve research on the crisis-prone nature of poor households and their coping capacities to deal with crises. Development programs already respond to some aspects of crisis and insecurity through disaster and famine relief projects, law reform and legal rights efforts, health care, campaigns to stem violence against women, and the promotion of institutional reforms and broader political participation. USAID might also consider research on how programs can address income erosion.

- **Expanding minimalist credit in Kenya.** Given the enormous demand for credit by microenterprises, and the demonstrated potential for minimalist lending schemes to reach large numbers of Kenyans at low cost, it makes sense for USAID to emphasize credit as a centerpiece of its microenterprise strategy. A strategy to expand microenterprise credit could focus on the following:

  — Refining methodologies and demonstrating sustainability prior to investing in large-scale expansion of minimalist credit,

  — Selecting a few organizations (including K-REP) that specify credit to microenterprises, with demonstrated potential to support microenterprises; and promoting high standards of performance in these organizations (based on financial and institutional performance targets),

  — During a subsequent phase, linking smaller NGOs to the experience and expertise of the above organizations — either through K-REP, franchising arrangements, or special forums (such as the credit development forum in Bangladesh), and

  — Exploring the feasibility of various options for creating microenterprise banks, once methodologies are refined and sustainability is proven.

- **Developing loan products for microenterprise graduates.** Minimalist credit should be complemented by the development of loan products for microenterprise graduates — that is, enterprises identified through minimalist lending programs that have growth potential. This could be achieved by experimenting with efforts to ratchet up NGOs or to ratchet down

second-tier banking institutions, although experience from Kenya and other countries suggests that the latter strategy is less promising. Constraints of working through banks include the mismatch of cultures between microenterprises and commercial banks, risk-averse loan officers and branch managers who do not understand the microenterprise sector, the high costs of administering a large number of small loans, inappropriate collateral requirements, and legal considerations that limit banks' freedom to experiment with innovative forms of collateral.

- **Broadening strategies.** Minimalist credit, as practiced in Kenya, is not the end of the microenterprise development story. Nor is it the end of the poverty story. There remains room for innovation in several areas: adapting the group lending model to rural areas and different ecological zones; experimenting with group-based agricultural lending programs; developing programs such as social venture strategies, rural resource sector strategies, and other subsector strategies to expand income-generating and employment opportunities for the extreme poor; experimenting with programs for graduates; and promoting savings.

SECTION SIX

SUMMARY AND RECOMMENDATIONS

SUMMARY OF MAJOR ACHIEVEMENTS

An important landmark in K-REP's development was its registration in 1987 as an independent Kenyan NGO. The transition to an independent Kenyan organization was successfully completed in 1992 with the appointment of a Kenyan managing director. None of this would have been possible, however, without a good foundation upon which to build. World Education must be given credit for helping to establish K-REP as one of the leading microenterprise institutions in Africa; World Education provided K-REP with expertise in organization and management, as well as a link to the international community.

Nonetheless, as a Kenyan organization K-REP has charted its own course. In recent years, K-REP's role as an umbrella organization supporting other NGOs has been de-emphasized, and its role in providing direct assistance to microenterprises has expanded. This change has accompanied the shift from an integrated model of credit delivery to a minimalist lending model and a financial systems approach. K-REP now implements two credit methodologies — the Juhudi scheme and the Chikola scheme — in addition to its wholesale lending to other NGOs.

RECOMMENDATIONS FOR K-REP

This summary reviews the recommendations for K-REP that have been made throughout this report:

- K-REP would like to expand its credit operations, but before doing so, it is in the organization's best interest to strengthen its current operations by building its loan portfolio through existing capacity. The opening of two new branches in late 1993 has highlighted some areas, such as K-REP's management information system, that should be improved before further expansion takes place.

- With respect to its management information system, K-REP should reassess all the information it collects, in order to determine whether the information is organized to be useful for managerial purposes. The team suggested that K-REP include certain financial performance ratios in its monthly monitoring reports that would allow management to track yields, track average cost of funds, and track cost pressures on the portfolio.

- K-REP should standardize its policies and procedures across branches before further expansion occurs. This will ensure K-REP's more efficient operation. Policies should change to fit Kenya's changing economic climate as necessary, and sufficient time should be allowed for such changes to take effect. Also, the consequences of policy changes must be monitored (which is difficult, at best, if policies overlap).

- Because the Juhudi scheme has experienced a high turnover rate, K-REP should consider developing strategies for promoting loyalty among K-REP clients. One means of doing this

is to increase the clients' ability to identify with the organization rather than simply to encourage client groups to bond among themselves. Other organizations have fostered this client-institution relationship in many ways, from the simple (calendars and stickers) to the more complex (lotteries, ceremonies, ownership of shares, and so on).

- Questions have been raised about whether it makes sense to continue the Juhudi scheme, which has had problems with arrears, yet the scheme serves a clientele that would not otherwise be served by K-REP. Steps have been taken to manage arrears, but progress may take a while longer to become fully visible. The team recommends that K-REP continue to monitor the Juhudi scheme carefully, using uniform means of tracking its performance to allow for a thorough assessment after a reasonable period of time.

- Several enterprises supported by the Juhudi and Chikola schemes show the potential to grow, but, to do so, they need larger loans that are administered under different lending methodologies. A challenge for K-REP is to develop and test effective methodologies to lend to graduates of K-REP's programs. The aim should be to retain and serve the best clients within the context of their own programs.

- To ensure a sustainable credit program over the long run, and to prepare for future growth and expansion, K-REP needs to spin off its credit operations, which have the potential to become self-sustainable, from its other microenterprise support activities, which are not self-sustaining.

- A challenge for K-REP is to develop a credit and savings system that serves as a true financial intermediary for the microenterprise community. This is important in light of the fact that current savings deposits are held by commercial banks that do not invest in microenterprises.

- K-REP is a complex organization involved in a broad range of activities with different purposes, objectives, and potentials for sustainability. Once K-REP's board of directors and management decide on its new direction, further rationalization of K-REP's organizational structure and the way its various units relate to one another will be required.

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ANNEX A

SCOPE OF WORK

SCOPE OF WORK

I. PURPOSE OF THE EVALUATION:

The purposes of this evaluation are to: a) assess K-REP's impact to date, b) provide recommendations for future directions of K-REP and future funding from USAID, c) assess the effectiveness of the project in achieving its principal goal and sub-goals, d) provide recommendations on any follow-on project, and e) provide broad lessons learned about micro-enterprise lending in Kenya. The information gathered and the analysis performed will be used by USAID, K-REP and other donors. More specifically, USAID will use the evaluation results to inform its strategic programming decisions in micro-enterprise development and for the design of similar projects in the future.

II. Background:

The activity to be evaluated is the Rural Enterprise Program component being implemented through the Kenya Rural Enterprise Program (K-REP). This is a component under the Private Enterprise (PED) Project No. 615-0238. PED is a $25 million project which began in 1987. The purpose of this project is to strengthen institutions that can improve Kenya's business environment and to encourage growth of businesses directly through the financial and advisory assistance those institutions provide.

The purpose of assistance to the Kenya Rural Enterprise Program was to assist very small businesses by strengthening and financing organizations that work with them; to research, develop and implement new ways of promoting small business growth; and to assist Kenya Rural Enterprise Program to become an independent Kenyan organization. Under a seven-year cooperative agreement, USAID has to date obligated $5,938,958 in furtherance of the project purpose. The completion date of the cooperative agreement is June 30, 1994.

Kenya Rural Enterprise Program (K-REP) is a Kenyan PVO, locally incorporated in 1987. K-REP's goals are to generate employment opportunities and increase incomes. These goals are met through providing loans, training and technical assistance to individuals through groups and local non-governmental organizations in order to establish or expand micro and small enterprises in the informal sector. An important part of K-REP's strategy is the development of sustainable financial services.

K-REP was established by World Education, Inc. through USAID funding under the Rural Private Enterprise (RPE) Project, and continuing through the Private Enterprise Development (PED) Project.

K-REP's original assistance strategy was to build the capacity of other NGOs to provide credit and training to micro-enterprises using the "integrated" approach. K-REP also experimented with providing assistance to cooperatives, or "community based enterprises." K-REP's approach has since evolved to providing minimalist credit, using a model based on the Grameen Bank, and lending directly to entrepreneurs as well as through other NGOs.

IV. Statement of Work

The evaluators will carry out a comprehensive evaluation of the Kenya Rural Enterprise Program. First, the Impact of the K-REP program on firms, individuals and markets will be assessed. Second, the K-REP micro-enterprise lending model and practices will be assessed and compared to the "state of the art" micro-enterprise lending practices. Third, the role of micro-enterprise lending in Kenya and in USAID's program will be examined. For each of these broad themes, the evaluators shall provide:

-Empirical findings based on qualitative or quantitative data as relevant.
-Conclusions, and the analysis leading to them.
-Recommendations, including suggestions for future funding for institutions in the project.
-Broad lessons learned that can be used by USAID and other agencies involved in micro-enterprise lending to guide future interventions.

Whenever possible, any data should be gender dis-aggregated, and information should be subject to gender analysis.

A. IMPACT OF K-REP: What has been K-REP's impact on firms, individuals, and markets ?

1. Were component and project objectives accomplished?

   a. Were the K-REP component objectives to "assist very small businesses by strengthening and financing organizations that work with them; to research, develop and implement new ways of promoting small business growth; and to assist Kenya Rural Enterprise Program to become an independent Kenyan organization" accomplished?

108

b. What was K-REP's contribution to the Private Enterprise Development objective of "Strengthening institutions that can improve Kenya's business environment and encouraging growth of businesses directly through the financial and advisory assistance those institutions provide."

c. What was K-REP's contribution to the PED project End of Project Status measures:

- number of firms assisted,
  (ownership should be gender dis-aggregated)
- baseline employment, gender dis-aggregated
- employment generated, gender dis-aggregated
- sales increased
- assets increased
- number of people trained, gender dis-aggregated

*(The evaluators will not be expected to collect data on these indicators. Rather, they will assess the data K-REP has gathered and use it to report on the variables).

2. What are the loans used for? What are they most useful for? For example,

- business uses:
  - expand business
  - improve business
  - diversify to new business
  - repaying other loans
- non-business uses:
  - luxury consumption (furniture, TV, clothes)
  - basic needs (new roof, school fees,)
  - emergency (medical, funerals, food, clashes)

3. What impact has K-REP assistance had on the firms? For example, have firms improved management, profitability, efficiency, increased sales?

4. What have been the social benefits of K-REP assistance:

a. Who benefits - is it the poor, is it women, are they rural?

b. What is the quality of jobs K-REP helps to create ? Are they well paid, are the working conditions fair, are the jobs secure ? How do the conditions compare to what the employees were doing before ? How does the quality of employment compare to the "formal" sector in Kenya?

c. Describe some of the added social costs and benefits of the K-REP program that may not be captured in the firm-level analysis. For example, has the standard of living of the firm owner or employee improved, has the health or education of their families improved? Are the K-REP groups contributing to

community development? On the other hand, has the group guarantee mechanism created new social tensions or pressures among the borrowers? (Are we passing on the risk/burden of micro-enterprise lending on to the beneficiaries?)

5. What has been the impact of K-REP assistance on the financi market and of the micro-enterprise sector in general?

a. In what ways has K-REP contributed to financial deepening i Kenya? Is K-REP supplying finance that was otherwise not available in the private sector? Are they charging market interest rates or crowding out other credit by subsidizing interest rates? Are they significantly increasing credit availability to a group that did not otherwise have access to Is there any indication that this is a structural change, that this credit will be sustainable, or will it only continue if donors continue to fund it? Are there other gaps in the financi market between K-REP's maximum loan amount and banks' minimal loan amounts?

b. Does K-REP provide an effective saving mechanism for their client group? What more could be done?

c. Identify both positive and negative impact of K-REP lending micro-enterprise markets. For example, are the increases in credit to particular markets increasing the competition among firms?

6. Assess the demonstration effect of K-REP's minimalist lendin program. Who initially brought minimalist lending to Kenya - wh was K-REP's role and what was the role of the other key minimalist lending NGO in Kenya - Promotion of Rural Initiatives and Development Enterprises (PRIDE)? Examine K-REP's relationshi to other NGOs - those they work with and others in the field. Is the relationship collaborative or competitive? Which -- a collaborative/supportive or a competitive relationship with othe NGOs -- is more conducive to the growth of micro-enterprise lending in Kenya? To what extent can USAID take credit for having brought minimalist lending to Kenya?

7. In the evaluators' view, to what extent was impact performanc attributable to K-REP's management? To K-REP's lending model? To USAID/Kenya project design and management?

8. In general terms, were there other intended and un-intended impacts of the project?

B. K-REP MICRO-ENTERPRISE LENDING MODEL & PRACTICES:

1. How do the K-REP model and lending practices compare to the State of the Art practices in micro-enterprise lending institutions around the world, particularly in Asia and Latin America? Present key indicators for assessing micro-enterprise lending institutions, present standard methods for measuring these indicators, and evaluate K-REP against them. For example some of the indicators the evaluation team should consider are:

- Cost per dollar lent (over time)
- number of loans per credit officer
- ratio of overhead to operational costs
- repayment rates (how should they be calculated)
- Is there a certain point in time where most micro-enterprise lenders usually see a drop in repayment rates? What causes this? Is this an indicator that signifies a fundamental change or phase in an institution development and, therefore, worth monitoring?
- proportion of women borrowers
- level of sustainability
- interest rates (market or subsidized: are they charging interest rate that covers costs?)
- rate of expansion over time
- Size of lending groups (20? 30? 60?)
- Frequency of meetings (do groups have to meet every week?)
- Insurance mechanisms (for both individual non-payment and large-scale disasters)
- Are clients rural or urban - what population density is required to run a viable program? Is the requirement that people should not be related standard - does this hinder group formation in rural areas?
- Extent of borrowers repaying each others loans
- repayment mechanism: in theory and in practice. What really leads to high repayment rates? Is it the group guarantee? How often is that used? Or, is it simply peer pressure to keep the scheme going? Is it lawyers, police and chief's interventions, organized by the borrowers? How have arrears been managed?
- other qualitative or quantitative measures

2. In addition, address the following particular questions about the K-REP model and lending practices:

a. Are there elements of the Grameen bank or other promising models that K-REP has not adopted that may be helpful in improving efficiency, targeting or repayment rates? For example, rituals at the meetings?

b. What innovations has K-REP contributed - or could they contribute - to the State of the Art? For example, many K-REP groups manage a parallel "lending" scheme alongside the K-REP schemes, sometime called merry-go-rounds. These funds are often used for personal reasons. Is this an aberration or an innovation? Should K-REP make them part of their regular program or outlaw them or leave them as they are?

c. Does the K-REP model vary extensively across the different K-REP supported programs? What accounts for better performance of different K-REP institutions?

d. Compare the impact, efficiency and self sustainability of the Chikola and Juhudi schemes - should K-REP focus on one or the other or maintain both?

e. Sustainability: How does K-REP's prospect for sustainability compare to other leading micro-enterprise lending institutions worldwide? Is it realistic to expect micro-enterprise lending institutions to become sustainable and at what cost? Would this mean lending to higher income, less risky groups? Given the increased interest in K-REP by other donors, the income from consulting work and repayment - is USAID needed in K-REP and other NGOs? Could USAID lend rather than grant to K-REP and other NGOs, thereby having a greater impact with limited funds? How would this have a greater impact?

f. "Financial Systems Approach".
To what extent do or can micro-enterprise lending schemes provide savings as well as credit services to their clients? Is K-REP providing savings or other financial services? Should they? What alternatives could K-REP pursue to use savings for re-lending or to meet their own operating costs and sustainability objectives?

J. Assess K-REP's institutional development and growth plans.

a. Examine K-REP's mission and objectives, operations, structure, human resource policy, financial systems, and management information systems (MIS). How have these aspects of K-REP evolved since the project started? What have been the major changes, and through what process did change occur? How can K-REP management be improved? Are there problems and issues that need addressing?

b. Examine K-REP's growth plans. Are they clear? Feasible? Is K-REP growing too fast and in too many directions? Can K-REP's current structure, management, financial staff and information systems handle the scale of growth they have in mind? Could it handle faster growth? What additional capacities does K-REP need

to develop in order to grow at the intended pace? At a faster pace? What's driving the current growth, and through what process is the growth being determined? Is K-REP's growth consistent with its sustainability? What is the most appropriate direction for K-REP to take? Is the idea of becoming a bank viable for K-REP? Should they expand beyond lending to other activities, for example marketing support or sub-sector development or expanding their research into non-credit areas?

c. Address the following particular issues:

-How effective was K-REP in providing technical assistance to other NGOs and playing a coordinating role for micro-enterprise lending in Kenya? Is there a need/demand for these types of services to NGOs? Can K-REP fulfill this intermediary role given that K-REP also manages its own direct credit program?

-Why did K-REP begin direct lending? What are the pros and cons of the shift towards direct lending? For example, is there a likelihood of K-REP becoming competitive with the NGOs it supports? Has the level and/or quality of technical assistance provided by K-REP to other NGOs decreased? Has other support service to the NGO community decreased (such as holding seminars to share experience and lessons learned?)

-How does K-REP measure performance? Does K-REP collect & report appropriate monitoring and financial data? Is the effort to collect impact data a losing battle?

-What is the role of the Research and Evaluation Unit? Does it provide lessons learned that serve to change K-REP's programs, as planned, or is it primarily an income generation unit? How can these two roles be balanced?

C. ROLE OF MICRO-ENTERPRISE LENDING IN KENYA & USAID'S PROGRAM:

The following questions are strategic in nature and mainly require an analysis of the information gathered in the context of USAID/Kenya' strategic objectives and the general development of micro-enterprises in Kenya.

1. How does micro-enterprise lending contribute to USAID/Kenya and the Private Enterprise Office strategic goals:

-Promoting broad-based, sustainable economic growth.

-Increasing production, employment, income and foreign exchange earnings.

-Increasing private sector employment.

Do K-REP's main benefits fit into this strategy?

2. Is micro-enterprise lending having an impact on micro-enterprise development in Kenya? Most firms will state that credit is their number one problem - is that the case? For the receiving credit, what further barriers are they facing - after credit, what's next? How realistic is the expectation that micro-enterprise clients can graduate into a formal banking system? If so, what are the standard targets for measuring achievement?

3. What should USAID do to meet the demand for micro-enterprise lending? Construct a model for doing this.

V METHODS AND PROCEDURES

This will be primarily a qualitative investigation using a combination of techniques including document reviews, key informant interviews, and a "rapid rural appraisal" survey of assisted clients. Some quantitative analysis will be required, based on data already collected by K-REP and partially analyzed by USAID (data on number of firms assisted, employment, sales and assets increased). The evaluators will identify and obtain evaluations of micro-enterprise lending programs that have been done world-wide. The evaluators will collect information from USAID, K-REP, K-REP supported NGOs, K-REP assisted clients and the wider micro-enterprise assistance community in Kenya. This will require approximately 7 site visits to Mombasa, Kisumu, Rif Valley, and the Mt. Kenya areas. K-REP has conducted numerous monitoring and evaluation exercises. Wherever possible, the evaluators shall assess the validity of these analyses and use them - rather than conducting investigations from scratch.

A. Meet with USAID to review the Scope of Work and the proposed work plan.

B. Reviewing Documents:
   1. USAID
      - USAID Private Sector Strategy Paper & the Annual Program Impact Report.
      - Project Papers: Private Enterprise Development and Rural Private Enterprise Projects.
      - All project related agreements and amendments
      - Final reports from the RPE assistance.
      - All K-REP reports and Yoder study.
      - Memos on K-REP impact monitoring.
   2. K-REP
      - Planning Documents, particularly the Strategic Growth Plan
      - Evaluations
      - Internal reports, such as financial reports & monitoring reports.
   3. K-REP Supported NGOs

-Plans & Evaluations

4. General documents on micro-enterprises in Kenya
   - -GEMINI report
   - -GTZ/KIE surveys
   - -Report on SME assistance in Kenya

C. Conduct key interviews with:
1. USAID staff - interviews with several key staff
2. K-REP: (including at least the following)
   - -Managing Director
   - -Four Department Heads, particularly Head of Research and Evaluation
   - -Two Branch Managers
   - -Four Loan officers
3. 5 K-REP Supported NGOs, including PRIDE (Mombasa)
   - -Head Office Managers
4. Other key players in micro-enterprise assistance in Kenya
   - -Ford Foundation, ODA, Netherlands Embassy, Ministry of Planning, Kenya Industrial Estates, commercial banks, Rick Yoder.

D. Examine K-REP's management information systems:
1. Loan tracking system.
2. Financial reporting system.
3. Client database

E. Observe K-REP operations:
1. Weekly loan repayment meetings.
2. Chikola meetings.
3. K-REP management meetings, Head office and branches.

F. In order to asses the impact of K-REP assistance on clients, conduct a "Rapid Rural Appraisal" survey of assisted clients. Identify selected, representative clients such as:
   - -Some from each scheme, each geographic area.
   - -Women and men
   - -Older and younger
   - -Located in markets and located in homes
   - -Different sectors and sub-sectors
   - -Good performing & poorly performing groups

   Collect qualitative and quantitative data to be used in answering a variety of questions in the SOW. A variety of methods might be used, including:
   - -individual interviews
   - -group discussions
   - -drawings, or other physical models
   - -rankings

The exact method will be agreed upon by the evaluators and USAID during the initial briefing. Approximately 30 interviews or groups sessions will be held.

G. The team will present initial findings before leaving the country, and prepare a draft and final report in the US.

VI TEAM COMPOSITION & QUALIFICATIONS

It is anticipated that the evaluation will be carried out by a four person team. One team member will be a micro-enterprise lending expert. The second will have a broader perspective on micro-enterprise development. The third will have intimate knowledge of the Kenyan micro-enterprise sector, will be familiar with minimalist lending practices, and will be able to interpret and analyze K-REP lending meetings. The fourth will have experience using rapid rural appraisal techniques and in conducting research in the informal sector in Kenya. The contractor will be responsible for identifying and contracting the two locally hired team members. The evaluators will have the following responsibilities:

1. TEAM LEADER:

The team leader will have overall responsibility for fulfilling the scope of work. S/he will coordinate and supervise the evaluation.

Essential Qualifications:
- Extensive experience in micro-enterprise lending and exposure to a variety of micro-enterprise institutions and models throughout the world.
- Background in management and organizational development.
- Masters in management, public administration, financial analysis, development studies, and/or the social sciences.
- Previous evaluation experience.

Desirable Qualifications:
- Skills in financial analysis.
- Knowledge of finance & accounting
- Capacity to assess computer based management information systems.
- Experience with USAID and NGOs.
- Experience in Africa
- Knowledge of and experience with gender issues.

2. ASSISTANT EVALUATOR:

The assistant will report to the team leader and will be primarily responsible for assessing the broader impact of K-REP's program on clients and on the micro-enterprise sector, and for analyzing potential non-financial interventions in K-REP's plans.

Essential Qualifications:
- Extensive experience with a variety of micro-enterprise assistance programs.
- Experience in analyzing micro-enterprise sectors, identifying problems and assessing impacts.
- Experience in using "Rapid Rural Appraisal" Techniques.
- Masters in economics, finance, or relevant social science.

Desirable Qualifications:
- Capacity to assess computer based management information systems.
- Skills in financial analysis.
- Experience with USAID and NGOs.
- Experience in Africa
- Knowledge of and experience with gender issues.

3. KENYAN EXPERT

This team member will report to the Team leader and will primarily be responsible for facilitating interviews with K-REP clients, providing background analysis on the economic, social and political context of the project, particularly factors affecting micro-enterprises and relevant NGOs in Kenya.

Essential Qualifications:
- Knowledge of the micro-enterprise sector in Kenya.
- Field level experience with a variety of micro-enterprise programs, including minimalist lending.
- Masters in economics, business management, or relevant social science.

Desirable:
- Knowledge and experience with gender issues.
- Experience with USAID and NGOs.
- Experience in evaluations.

4. KENYA RESEARCHER

This team member will report to the Assistant Evaluator and will assist in carrying out the rapid rural appraisal of K-REP assisted clients.

Essential Qualifications:
- Experience with rapid rural appraisal techniques
- Fluency in Kiswahili
- Experience conducting household or firm-level research in Kenya, particularly on income and welfare issues.
- Degree in relevant social science.

Desirable:
-Familiarity with minimalist lending or other business assistance programs in Kenya.
-Skills in financial analysis

VII REPORTING REQUIREMENTS

A. Briefings: The evaluation team will orally brief USAID/Kenya on progress and discuss problems and issues on weekly basis. Additional briefings will be convened as required by either party.

B. Work plan: The evaluation team will provide a detailed work plan to USAID before commencing the evaluation. The work plan will outline how the evaluation will be undertaken and will have to be approved by USAID before work is undertaken. DUE: second day of the contract period.

C. The methodology for collecting and analyzing the data shall be approved by USAID. DUE: fourth day of the contract period.

D. Presentation: Before the evaluation team disbands, the evaluators will make a presentation to USAID on the main findings of the evaluation. DUE: the 6th week of the contracting period.

E. Draft Report: Acceptance of the draft report by USAID/Kenya will be contingent on the report adequately fulfilling the scope of work and addressing other major important areas of inquiry not necessarily outlined in the scope. The draft report should follow the required format for the evaluation as listed below:

i) Executive Summary
ii) Project Identification Data Sheet
iii) Table of Contents
iv) Body of the Report
v) Appendices

Detailed instructions of the report format will be given at the initial briefing. DUE: At the end of the 7th week of the contract period.

F. Final Report: The evaluation will incorporate USAID comments in the Final Report. 5 copies and diskettes with any financial data from firms shall be submitted. DUE: Fourteen calendar days after USAID review of the accepted Draft Report.

G. Evaluation Summary: The evaluation team shall complete the A.I.D. Evaluation Summary Form. DUE: with the final report.

ANNEX B

QUESTIONNAIRE USED IN IMPACT STUDY

Questionnaire # _____ Date _____

Client Name _____ Interviewer _____

Branch Name _____ Enumerator _____

Kiwa Name _____ Noted by _____

Chikola Name _____ Credit Officer _____

Number of loans _____
1st loan amount _____ Date received (m/yr) _____
2nd loan amount _____ Date received (m/yr) _____
3rd loan amount _____ Date received (m/yr) _____
4th loan amount _____ Date received (m/yr) _____

1. Gender of client _____
   1 = Female
   2 = Male

2. Age in years _____

3. Marital status _____
   1 = Unmarried
   2 = Separated or divorced
   3 = Widowed
   4 = Married/ one spouse
   5 = Married/ two spouses
   6 = Married/ three spouses
   7 = Married/ more than three spouses
   8 = Other _____

3a. Does spouse stay with you? _____
   1 = Yes 2 = No

4. Client's district of origin _____

5. Ethnicity of client (Tribe/race) _____

6. Religion _____
   1 = Christian
   2 = Muslim
   3 = Other _____

7. Formal Education _____
   1 = None, illiterate
   2 = None, literate
   3 = Lower (1-4)
   4 = Upper (5-8)
   5 = Secondary (9-12)
   6 = Higher (13-14)
   7 = University

120

8. Skills or technical training _____
(more than one response is possible)
1 = Youth polytechnic
2 = Technical training institute
3 = National polytechnic
4 = Apprentice
5 = Self-taught
6 = Learned from family member
7 = Other _____

BUSINESS Baseline questionnaire (before all loans and now)

9. For those businesses with employees, how long have those employees worked for you?

Paid workers	Date started (m/yr)	Unpaid Workers	Date started (m/yr)	Apprent-ices	Date started (m/yr)

10. If you did something other than this business before, do you prefer what you are doing now? _____

1 = Yes 2 = No

11. Is there anything else you would prefer doing? _____
1 = Yes 2 = No

11a. If yes, what? _____

_____

1 = Start another business
2 = Paid worker for someone else
3 = Other _____

12(1). What did you intend to do with the first loan you received?

_____

13(1). How did you spend the first loan? Total _____
For Business:
Describe _____

_____

Increased stock of same product? _____
Started making/selling new product? _____
Changed location? _____
Transported to new markets? _____
Improved infrastructure? _____
Bought equipment? _____
Repaired equipment? _____
Paid off debts? _____
Started new business? _____
Other _____
_____

14(1). How did the first loan affect your business?

Improved sales/profits? _____
Expanded market? _____
More time spent in business? _____
Less time spent in business? _____
Made work easier/more comfortable? _____
Made work more difficult? _____
Freed from debt? _____
Stopped using supplier credit? _____
Keep home & work money separate? _____
Started keeping books? _____
Opened bank account? _____
Other _____

15(1). How much of first loan was spent on other businesses? _____

a. How was it spent? _____

16(1). Have you seen improvements in other businesses since first loan? If so, what?

_____

17(1). How much of the first loan was spent on non-business needs?

a. For what? _____

12(2). What did you intend to do with the second loan you received?

_____

13(2). How did you spend the second loan? Total _____
For Business:
Describe _____

_____

Increased stock of same product? _____
Started making/selling new product? _____
Changed location? _____
Transported to new markets? _____
Improved infrastructure? _____
Bought equipment? _____
Repaired equipment? _____
Paid off debts? _____
Started new business? _____
Other _____
_____

14(2). How did the second loan affect your business?

Improved sales/profits? _____
Expanded market _____
More time spent in business? _____
Less time spent in business? _____
Made work easier/more comfortable? _____
Made work more difficult? _____
Freed from debt? _____
Stopped using supplier credit? _____
Keep home & work money separate? _____
Started keeping books? _____
Opened bank account? _____
Other _____

15(2). How much of second loan was spent on other businesses? _____

a. How was it spent? _____

16(2). Have you seen improvements in other businesses since second loan? If so, what?

_____

17(2). How much of the second loan was spent on non-business needs?

a. For what? _____

12(3). What did you intend to do with the third loan you received?

_____

13(3). How did you spend the third loan? Total _____
For Business:
Describe _____

_____

Increased stock of same product? _____
Started making/selling new product? _____
Changed location? _____
Transported to new markets? _____
Improved infrastructure? _____
Bought equipment? _____
Repaired equipment? _____
Paid off debts? _____
Started new business? _____
Other _____
_____

14(3). How did the third loan affect your business?
Improved sales/profits? _____
Expanded market? _____
More time spent in business? _____
Less time spent in business? _____
Made work easier/more comfortable? _____
Made work more difficult? _____
Freed from debt? _____
Stopped using supplier credit? _____
Keep home & work money separate? _____
Started keeping books? _____
Opened bank account? _____
Other _____

5(3). How much of third loan was spent on other businesses? _____

. How was it spent? _____

6(3). Have you seen improvements in other businesses since third oan? If so, what?

_____

7(3). How much of the third loan was spent on non-business needs?

. What? _____

12(4). What did you intend to do with the fourth loan you received?

_____

13(4). How did you spend the fourth loan? Total _____
For Business:
Describe _____

_____

Increased stock of same product? _____
Started making/selling new product? _____
Changed location? _____
Transported to new markets? _____
Improved infrastructure? _____
Bought equipment? _____
Repaired equipment? _____
Paid off debts? _____
Started new business? _____
Other _____
_____

14(4). How did the fourth loan affect your business?
Improved sales/profits? _____
Expanded market? _____
More time spent in business? _____
Less time spent in business? _____
Made work easier/more comfortable? _____
Made work more difficult? _____
Freed from debt? _____
Stopped using supplier credit? _____
Keep home & work money separate? _____
Started keeping books? _____
Opened bank account? _____
Other _____

15(4). How much of fourth loan was spent on other businesses? _____

a. How was it spent? _____

16(4). Have you seen improvements in other businesses since fourth loan? If so, what?

_____

17(4). How much of the fourth loan was spent on non-business needs?

a. What? _____

18. Have there been any improvements in your household situation because of the loans? If so, what?_____

_____

19. Have there been any problems in your household situation because of the loan? If so, what? _____

_____

20. Where did/do you get the money to repay the loans?

_____

21. Have you had problems repaying the loans? _____
    1 = Yes 2 = No
a. If so, what? _____

22. Why did you get a loan with this group (instead of another source)?_____

23. What do you think about the loan size? _____
(ask about different loans received)
    1 = Too big
    2 = Too small
    3 = Just right
    4 = Other _____

24. What about the repayment period? _____
    1 = Too short
    2 = Too long
    3 = Just right
    4 = Other _____

25. What do you like about this loan program?

_____

26. What do you not like about this loan program?

_____

27. Do you like the group guarantees? Why or why not?

_____

28. Have there been any defaults in your group?

_____

29. How did your group handle it?

_____

30. What motivates you to pay back your loan?

_____

31. For Chikolas only: How did you decide how much each person gets as a loan?

_____

_____

32. For Chikolas only: How do you repay your loans to the group?

_____

_____

33. Do you have any suggestions for improving the loan program?

_____

_____

34. Source of start-up capital for business _____
   1 = Own savings
   2 = Family gifts
   3 = Loans from friends
   4 = ROSCA
   5 = NGO, specify _____
   6 = Bank or financial institution
   7 = Other _____

35. Did you consult a relative or spouse before taking on this loan or on how to spend the loan? 1= Yes 2 = No _____
a. If so, who? _____

36. When you take money out of this business, what do you spend it on?_____

37. What are your sources of income now? Include remittances and land rent.

Source	Amount	% of household income

38. What were your sources of income before first loan?

Source	Amount	% of household income

39. Members of client's household (Where household refers to those "eating from the same pot").

Age	Who (a)	In School (b)	Agri-cult-ure (b)	Unpaid family worker (b)	Self-employ ed (b)	Wage earner (b)	Not work-ing (b)	How much do they make

a/ 1 = client 2 = spouse 3 = son 4 = daughter 5 = parent 6 = other relative 7 = unrelated
b/ 1 = Yes 2 = No

39a. Other dependent households:

Age	Who (a)	In School (b)	Agri-cult-ure (b)	Unpaid family worker (b)	Self-employ ed (b)	Wage earner (b)	Not work-ing (b)	How much do they make

a/ 1 = client 2 = spouse 3 = son 4 = daughter 5 = parent 6 = other relative 7 = unrelated
b/ 1 = Yes 2 = No

40. Who buys the food? _____

41. Who pays the rent? _____

42. Who pays for school fees? _____

43. Have there been any major expenses for your household made recently? (Examples: land, wedding, funeral)
1 = Yes 2 = No _____
If so, what and who paid for it? _____

_____

44. Who helps you in case of financial need?

_____

45. Who do you help in case of financial need?

_____

46. Where did you obtain loan/assistance before the loan?
(Where money was repaid or is still being repaid.)
1 = Commercial bank
2 = Non-bank financial institutions
3 = Development financial institutions
4 = NGOs
5 = ROSCA
6 = Moneylender, if so what interest rate? _____
7 = Family
8 = Friend
9 = Other _____

46a. What did you use it for? _____

47. Where have you obtained loan/assistance since the loan?
(Where money was repaid or is being repaid.)
1 = Commercial bank
2 = Non-bank financial institutions
3 = Development financial institutions
4 = NGOs
5 = ROSCA
6 = Moneylender, if so what interest rate? _____
7 = Family
8 = Friend
9 = Other _____

47a. What did you use it for? _____

48. Do you have a bank account?
1 = Yes 2 = No _____

48a. When did you open it? _____

49. Did you save before you became part of this program?
1 = Yes 2 = No _____

50. If so, what have you done in the past with savings?

_____

51. Who made the decision to spend the savings in that way?

_____

52. How much savings do you have now?

In Juhudi (or Chikola) _____ Other places _____
(If they do not want to answer, ask if they have saved more or less than what they have in Juhudi or Chikola)

53. How long would it have taken you to save the money which you obtained in the loan? _____

54. In your business, do you use:
1 = Yes 2 = No

	Before Loan	After Loan
Supplier Credit	_____	_____
Supplier Discounts (for cash payment)	_____	_____
Customer Credit	_____	_____
Customer Discounts (for cash payment)	_____	_____

54a. If yes, to customer credit, how much are you owed now?

_____

55. If yes, to any of the above does it create a problem for you? If so, how?

_____
_____
_____

56. In what ways do you cooperate with other entrepreneurs?
1 = Yes 2 = No

a. Price collusion _____
b. Shared production orders _____
c. Shared licenses _____
d. Look after each other's businesses _____
e. Shared premises _____
f. Shared employees _____
g. Joint purchases _____
h. Shared raw materials _____
i. Other _____

57. Do you belong to any other support group besides KIWA (or CHIKOLA)? _____
1 = Yes 2 = No

57a. If yes, what is the nature of the group? _____
1 = Church group
2 = Women's group
3 = Men's group
4 = Business association
5 = Merry-go-round
6 = Other _____

57b. If yes, has this group helped you?
1 = Yes 2 = No _____

57c. If yes, how?
1 = Business financial assistance
2 = Crisis cash
3 = Information services
4 = Production assistance
5 = Other specify _____

58. What are some of the most serious problems your business has faced over the past year in order of importance?

1. _____
2. _____
3. _____

59. Is there anything that has made business easier over the last year?
1 = Yes 2 = No _____

59a. If yes, what has made a difference?

1. _____
2. _____
3. _____

NOTES:

BASIC QUESTIONNAIRE (Kenya, 1993)

Date completed: _____ District: _____ (__) Site with no activity: _____

Stratum: _____ (__) Enumerator: _____ (__) _____ (__)

Date proofed: _____ Cluster #: _____ Supervisor: _____ (__) Site closed: _____

Date entered: _____ Page #: _____ _____ (__)

Date verified: _____

Proprietor #	Enterprise #	Unique proprietor ID	Unique enterprise ID	Type of enterprise	Enterprise code	Ownership structure (a)	Location type (b)	Structure type (c)	On-site utilities (d)	# of months per year	REGULAR WORKERS NOW: # Working proprietors	# Unpaid family workers	# Paid workers (salary & piece rate)	# Apprentices	Total # of workers	of Total: # Females	# Children (under 14)	Year started this business	# of workers at start (including proprietor, etc.)	Approx. start-up capital (e)	Who do you sell to? (f)	Where do inputs come from? (g)	Kinds of business assistance received (h)	Rights to business premise/space (i)	Share of HH income from all business activities (j)	Activity prior to this business (k)	Proprietor's Name, Nickname, Enterprise Name, Physical Address, CBS#	Closed Enterprise? (0=no, 1=yes) If YES, go to Closed Business Questionnaire	Enumerator: Did you fill in SQ? (0=no, 1=yes)

Seasonal businesses other times of year? If YES, start over...

Codes:

a/ 1. Male only 2. Female only 3. Partnership 4. Family 5. Cooperative/group 6. Corporate 7. Other

b/ 1. Home/Homestead 2. Traditional Market 3. Commercial District 4. Roadside, not in commercial district 5. Mobile 6. Other

c/ 1. Permanent structure 2. Temporary structure 3. Roof only 4. No structure 5. Vehicle 6. Other

d/ 1. Electricity and water on-site 2. Electricity only on-site 3. Water only on-site 4. No utilities on-site 5. Not applicable

e/ 1. 0 - 10,000 Ksh 2. 10,001 - 25,000 Ksh 3. 25,001 - 50,000 Ksh 4. 50,001 - 100,000 Ksh 5. Over 100,000 Ksh 6. Inherited business 7. Not applicable

f/ 1. Local individuals 2. Local hawkers/vendors/traders 3. Domestic manufacturing enterprise 4. Domestic commercial enterprise 5. Domestic service enterprise 6. Export agent 7. Exports directly 8. Other

g/ 1. Makes/collects own inputs 2. Buys imported inputs/stock 3. Buys domestic inputs/stock 4. Buys domestic and imported inputs/stocks 5. Does not buy inputs 6. Don't know 7. Other

h/ 1. None 2. Informal credit/savings 3. Formal credit 4. Management training 5. Trade-based assistance 6. Business contacts 7. Marketing assistance 8. General-informal support 9. Multiple 10. Other

i/ 1. Hold title deed 2. Lease 3. Informal agreement 4. Squatter 5. Other 6. Not applicable

j/ 1. Provides all of household income 2. Provides more than half of income 3. Provides about half of the income 4. Provides less than half of the income 5. Not applicable

ANNEX C

METHODOLOGICAL ISSUES RELATED TO IMPACT STUDY

METHODOLOGICAL ISSUES RELATED TO IMPACT STUDY

GENERAL CONCERNS

When undertaking a study of beneficiary-level impact, one should keep in mind the nature of the intervention itself. Minimalist credit is a no-frills approach to providing credit; one should, therefore, have realistic expectations about what may be accomplished through this intervention. Credit alone is just credit, and the benefits derived from this source of credit may not be clearly distinguished from benefits derived from other sources of credit. The findings here, as elsewhere, seem to point to the fact that minimalist credit may be just another source of credit in a tight credit market.

Because some indicators change very slightly with microenterprises, it is important to keep coming back to the context in which microenterprises exist at all. Many will never grow beyond one-person enterprises, yet small changes may occur over time. If we establish certain standards of improvement by which only a few microenterprises will ever measure up, then the standards — not what is being measured — may be at fault. To evaluate impact in a microenterprise setting, an understanding is first needed of how these microenterprises meet the needs of the people engaged in these activities. The reduction of impact to simple statistics such as employment and profits overlooks the complex relationship of microenterprise activities and household security issues. Individuals are participants in a system; they do not function independently of their connections to household, clan, and tribe.

METHODOLOGICAL CONCERNS

Quantitative and Qualitative Data

Simply stated, quantitative data provide a perspective that qualitative data cannot, and vice versa. The perspective of a quantitative survey is an overview, giving the broad characteristics of program participants. These data, collected on an intermittent basis, provide a means of monitoring the program over time as it changes and responds to market demand. Quantitative analyses can provide the institution with valuable feedback on its programs, which will allow the programs to expand.

Qualitative data, particularly case studies of people's lives, provide the kind of "thick description" needed to understand how people manage to get by through adverse circumstances. Case studies, in conjunction with a quantitative survey such as that undertaken in this evaluation, can also provide poignant examples of benefits derived through a program. Were a researcher to strike out on his or her own in a random way, seeking stories of people who have benefited, he or she might not find anyone. Collecting quantitative information from a larger number of people allows the researcher to identify those people who have important stories to tell about the program.

Control Groups

Because the effects of credit are hard to differentiate from the effects of other variables in the microenterprise sector, it may be difficult to fully control for the group the researcher would like to track over time. In order to fully control for the role of credit, one would need to find a set of people who consistently had no credit sources. The cost of using a control group may be prohibitive, and that use may not be necessary to explain the usefulness of credit in people's lives.

Data Reliability

In analyzing the data, several questions arose that are worth sharing because they raise important issues with respect to how microenterprises are described. (For the most part, these questions apply only to quantitative information, providing yet another reason to supplement what one knows with ethnography and case studies.) The team found it difficult to describe microenterprises in terms of single categories because microenterprises often encompassed a range of activities and a variety of products. A retail vegetable vendor may, on occasion, buy and sell charcoal or other nonperishable grocery items. The sources of input as well as the markets for these products vary. How then is this business categorized? When an entrepreneur has access to money in the form of a loan, he or she may choose to invest in a variety of activities that he or she then considers part of the business. In this study, the team has attempted to label the primary activity as the business type. The question about diversification of investments, however, is complicated by the fact that some people see all their activities as part of one business whereas others see them as separate business activities. All these factors provide further justification for describing the economic activities of a microentrepreneur from the inside out — from the entrepreneur's perspective.

ANNEX D

TABLES FROM IMPACT STUDY

TABLES FROM IMPACT STUDY

TABLE D.1
COMPOSITION OF SAMPLE BY BRANCH

Branch	Juhudi	Chikola	Percent of Sample
Kibera	31	0	14.6%
Eldoret	31	0	14.6%
Nairobi	0	26	12.3%
Nyeri	0	43	20.3%
Mombasa (TOTOTO)	32	0	15.1%
Nakuru (NCCK)	28	0	13.2%
Karatina (KWFT)	21	0	9.9%
Total	143	69	100.0%

TABLE D.2
COMPOSITION OF SAMPLE BY LOCATION AND GENDER

Branch	Rural		Urban		Total
	Male	Female	Male	Female	
Kibera (K-REP)	0	0	18	13	31
Eldoret (K-REP)	0	0	15	16	31
Nairobi (K-REP)	0	0	9	17	26
Nyeri (K-REP)	17	18	3	5	43
Mombasa (TOTOTO)	9	7	5	11	32
Nakuru (NCCK)	7	4	9	8	28
Karatina (KWFT)	0	0	0	21	21
Total	33 (15.6%)	29 (13.7%)	59 (27.8%)	91 (42.9%)	212 (100.0%)

TABLE D.3
AGE OF CLIENT BY GENDER

Age	Women #	Women %	Men #	Men %	Total #	Total %
<= 20 years	0	0	0	0	0	0
21-30 years	27	22.5%	22	24.7%	49	23.4
31-40 years	58	48.3%	34	38.2%	92	44.0
41-50 years	28	23.3%	19	21.4%	47	22.5
51-60 years	5	4.2%	11	12.4%	16	7.7
61-70 years	1	0.8%	1	1.1%	2	0.9
>=71 years	1	0.8%	2	2.2%	3	1.4
Totals	120	99.9%	89	100.0%	209	99.9

TABLE D.4
HOUSEHOLD SIZE BY GENDER OF CLIENT[a]

Household size	Women #	Women %	Men #	Men %	Total #	Total %
1-2 members	7	5.8%	8	8.7%	15	7.1
3-4 members	20	16.7%	24	26.1%	44	20.7
5-6 members	54	45.0%	20	21.7%	74	34.9
7-8 members	26	21.7%	24	26.1%	50	23.6
9-10 members	9	7.5%	12	13.0%	21	9.9
more than 10	4	3.3%	4	4.4%	8	3.8
Totals	120	100.0%	92	100.0%	212	100.0

[a]Average household size by gender: For men, average household size is 5.99. For women avg. household size is 5.92.

TABLE D.5
MARITAL STATUS OF CLIENT BY GENDER

Marital status	Women #	Women %	Men #	Men %	Total #	Total %
Unmarried	14	11.7%	5	5.4%	19	9.0
Separated/ divorced	12	10.0%	1	1.1%	13	6.1
Widowed	9	7.5%	1	1.1%	10	4.7
Married (One spouse)	85	70.8%	79	85.9%	164	77.4
Married (Two spouses)	0	0.0%	6	6.5%	6	2.8
Total	120	100.0%	92	100.0%	212	100.0
Married, not living with spouse	19	15.8%	12	13.0%	27	12.8

TABLE D.6
EDUCATIONAL LEVEL OF CLIENT BY GENDER

Educational level	Women #	Women %	Men #	Men %	Total #	Total %
None, illiterate	14	11.7%	3	3.3%	17	8.0
None, literate	5	4.2%	1	1.1%	6	2.8
Lower (1-4)	10	8.3%	10	10.9%	20	9.4
Upper (5-8)	33	27.5%	28	30.4%	61	28.8
Secondary (9-12)	54	45.0%	44	47.8%	98	46.2
Higher (13-14)	3	2.5%	6	6.5%	9	4.3
University	1	0.8%	0	0.0%	1	0.5
Totals	120	100.0%	92	100.0%	212	100.0

TABLE D.7
SKILLS OR TECHNICAL TRAINING BY GENDER

Type of Training level	Women #	Women %	Men #	Men %	Total #	Total %
Youth polytechnic	2	1.7%	7	7.6%	9	4.3
Tech. training institute	12	10.0%	8	8.7%	20	9.4
National polytechnic	2	1.7%	0	0.0%	2	0.9
Apprentice	18	15.0%	15	16.3%	33	15.6
Self-taught	12	10.0%	8	8.7%	20	9.4
Trained by family member	1	0.8%	2	2.2%	3	1.4
Other	26	21.6%	7	7.6%	33	15.6
None	47	39.2%	45	48.9%	92	43.4
Totals	120	100.0%	92	100.0%	212	100.0

TABLE D.8
PRIOR ACTIVITY BY GENDER AND CREDIT SCHEME

Activity prior to this business	Juhudi Women #	Juhudi Women %	Juhudi Men #	Juhudi Men %	Chikola Women #	Chikola Women %	Chikola Men #	Chikola Men %	Total #	Total %
Another business	22	**27**	8	**13**	11	**28**	6	**20.7**	47	22.2
Unemployed	18	**22**	3	**5**	7	**17**	4	**13.8**	32	15.1
Employed in jua kali (informal) sector	4	**5**	12	**19**	2	**5**	4	**13.8**	22	10.4
Employed in formal sector	15	**19**	24	**38**	10	**25**	8	**27.6**	57	26.9
Government employee	2	**3**	2	**3**	0	**0**	1	**3.4**	5	2.4
Worked in agriculture	11	**14**	7	**11**	8	**20**	5	**17.2**	31	14.6
Just left school	3	**4**	3	**5**	1	**2**	0	**0**	7	3.3
Just left apprenticeship	1	**1**	2	**3**	0	**0**	1	**3.4**	4	1.8
Other	4	**5**	2	**3**	1	**2**	0	**0**	7	3.3
Total	80	**100**	63	**100**	40	**99**	29	**99.9**	212	100.0

TABLE D.9
ACTIVITY PREFERENCE BY GENDER AND CREDIT SCHEME

Activity preference	Juhudi Women #	Juhudi Women %	Juhudi Men #	Juhudi Men %	Chikola Women #	Chikola Women %	Chikola Men #	Chikola Men %	Total #	Total %
Start another business	27	**35**	18	**29**	15	**38**	2	**7**	62	**29.7**
Paid worker for someone else	1	**1**	0	**0**	0	**0**	0	**0**	1	**0.5**
Other	1	**1**	3	**5**	1	**2**	4	**14**	9	**4.3**
No change	49	**63**	41	**66**	24	**60**	23	**79**	137	**65.5**
Total	78	**100**	62	**100**	40	**100**	29	**100**	209	**100.0**

TABLE D.10
CONTRIBUTION TO HOUSEHOLD INCOME BEFORE AND AFTER LOAN

Proportion of household income	Before loan				After loan			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
100%	64	**53.3**	62	**67.4**	62	**51.7**	61	**66.3**
more than 50%	19	**15.8**	15	**16.3**	32	**26.7**	21	**22.8**
50%	5	**4.2**	5	**5.4**	8	**6.6**	1	**1.1**
less than 50%	24	**20.0**	5	**5.4**	13	**10.8**	4	**4.4**
n/a	8	**6.7**	5	**5.4**	5	**4.2**	5	**5.4**
TOTAL	120	**100.0**	92	**99.9**	120	**100.0**	92	**100.0**

TABLE D.11
CLIENT'S CONTRIBUTION TO PURCHASE OF FOOD FOR HOUSEHOLD

Food purchased by whom	Juhudi				Chikola				Total	
	Women		Men		Women		Men			
	#	%	#	%	#	%	#	%	#	%
Client	54	**67.5**	53	**84.1**	24	**60**	21	**72.4**	152	71.7
Client's spouse	10	**12.5**	4	**6.4**	4	**10**	4	**13.8**	22	10.4
Both client and spouse	16	**20.0**	6	**9.5**	12	**30**	4	**13.8**	38	17.9
TOTAL	80	**100**	63	**100**	40	**100**	29	**100**	212	100.0

TABLE D.12
CLIENT'S CONTRIBUTION TO PAYMENT OF RENT

Rent paid by whom	Juhudi				Chikola				Total	
	Women		Men		Women		Men			
	#	%	#	%	#	%	#	%	#	%
Client	30	**37.5**	37	**58.7**	13	**32.5**	14	**48.3**	94	44.3
Client's spouse	24	**30.0**	0	**0**	9	**22.5**	1	**3.4**	34	16.0
Both client and spouse	3	**3.8**	3	**4.8**	5	**12.5**	1	**3.4**	12	5.7
N/a (Own home)	23	**28.7**	23	**36.5**	13	**32.5**	13	**44.8**	72	34.0
TOTAL	80	**100**	63	**100**	40	**100**	29	**99.9**	212	100.0

TABLE D.13
CLIENT'S CONTRIBUTION TO SCHOOL FEES

School fees paid by whom	Juhudi				Chikola				Total	
	Women		Men		Women		Men			
	#	%	#	%	#	%	#	%	#	%
Client	40	**50.0**	49	**77.8**	16	**40.0**	17	**58.6**	122	57.6
Client's spouse	18	**22.5**	2	**3.2**	10	**25.0**	1	**3.5**	31	14.6
Both client and spouse	14	**17.5**	4	**6.3**	11	**27.5**	2	**6.9**	31	14.6
N/a	8	**10.0**	8	**12.7**	3	**7.5**	9	**31.0**	28	13.2
TOTAL	80	**100**	63	**100**	40	**100**	29	**100**	212	100.0

TABLE D.14
CLIENTS WHO HAVE REALIZED IMPROVEMENT IN HOUSEHOLD SINCE LOAN
(percent of total participants)

	Juhudi				Chikola				Total	
	Women		Men		Women		Men		#	%
	#	%	#	%	#	%	#	%		
Manufacturing	10	**91**	15	**100**	9	**75**	4	**57**	38	**86**
Commerce	44	**81**	30	**86**	23	**92**	17	**100**	114	**88**
Services	12	**80**	12	**86**	2	**67**	4	**80**	30	**81**
TOTAL	66	**83**	57	**91**	34	**85**	25	**86**	182	**86**

TABLE D.15
PRIMARY REASON FOR CHOOSING TO PARTICIPATE
IN K-REP OR A K-REP-AFFILIATED LOAN SCHEME

Reason	Juhudi				Chikola				Total	
	Women		Men		Women		Men		#	%
	#	%	#	%	#	%	#	%		
Only program known to them	28	**37.8**	14	**22.2**	11	**29.7**	8	**28.6**	61	**30.2**
Introduced by friend	7	**9.5**	5	**7.9**	1	**2.7**	1	**3.6**	14	**6.9**
Like the terms of loans	8	**10.8**	15	**23.8**	4	**10.8**	10	**35.7**	37	**18.3**
No security or collateral requirement	18	**24.3**	12	**19.1**	12	**32.4**	5	**17.8**	47	**23.3**
Other reason	13	**17.5**	17	**27.0**	9	**24.3**	4	**14.3**	43	**21.3**
TOTAL	74	**99.9**	63	**100**	37	**99.9**	28	**100**	202	**100.0**

TABLE D.16
PRIMARY MOTIVATION FOR REPAYMENT OF LOANS

Motivation	Juhudi Women #	Juhudi Women %	Juhudi Men #	Juhudi Men %	Chikola Women #	Chikola Women %	Chikola Men #	Chikola Men %	Total #	Total %
Would like another loan	33	**42.3**	29	**46.0**	22	**55.0**	16	**55.2**	100	**47.6**
Helped the business	12	**15.4**	11	**17.5**	9	**22.5**	1	**3.4**	33	**15.7**
Group pressure	4	**5.1**	6	**9.5**	3	**7.5**	3	**10.3**	16	**7.6**
Feel a personal obligation	20	**25.6**	10	**15.9**	4	**10.0**	6	**20.7**	40	**19.1**
Fear of losing reputation	5	**6.4**	5	**7.9**	1	**2.5**	2	**6.9**	13	**6.2**
Other	4	**5.1**	2	**3.2**	1	**2.5**	1	**3.4**	8	**3.8**
Total	78	**99.9**	63	**100**	40	**100**	29	**99.9**	210	**100.0**

TABLE D.17
NUMBER OF LOANS GIVEN TO PERSONS IN OUR SAMPLE,
BY BRANCH AND GENDER[a]

Branch	# of Loans Male	# of Loans Female
Kibera (K-REP)	34	20
Eldoret (K-REP)	28	28
Nairobi (K-REP)	9	22
Nyeri (K-REP)	21	25
Mombasa (TOTOTO)	26	35
Nakuru (NCCK)	30	23
Karatina (KWFT)	0	37
Total	148	190

[a]The average number of loans for the entire sample of men is 1.61; the total for women in the sample is 1.58.

TABLE D.18
CLIENTS THAT HAVE EXPERIENCED PROBLEMS WITH REPAYMENT OR THAT BELONG TO GROUPS IN WHICH DEFAULTS HAVE OCCURRED
(percentage of sample participants)

	Juhudi				Chikola				Total	
	Women		Men		Women		Men		#	%
	#	%	#	%	#	%	#	%		
Individual has problems with repayment	15	18.8	10	15.9	4	10.0	1	3.5	30	14.2
Belongs to group in which defaults have occurred	38	47.5	43	68.3	2	5.0	1	3.5	84	39.6
Both the above	6	7.5	9	14.3	0	0	1	3.5	16	7.6

TABLE D.19
ENTERPRISE LOCATION BEFORE LOANS, BY CREDIT SCHEME

Enterprise Location	Juhudi				Chikola				Total	
	Women		Men		Women		Men		#	%
	#	%	#	%	#	%	#	%		
Home/Homestead	8	**10.0**	10	**16.7**	2	**5.0**	1	**3.5**	21	**10.1**
Traditional market	35	**43.7**	12	**20.0**	23	**57.5**	7	**24.1**	77	**36.8**
Commercial district	27	**33.8**	23	**38.3**	11	**27.5**	18	**62.1**	79	**37.8**
Roadside	5	**6.2**	12	**20.0**	4	**10.0**	0	**0.0**	21	**10.1**
Mobile	4	**5.0**	3	**5.0**	0	**0.0**	2	**6.9**	9	**4.3**
Other	1	**1.3**	0	**0.0**	0	**0.0**	1	**3.5**	2	**0.9**
Total	80	**100**	60	**100**	40	**100**	29	**100**	209	**100.0**

TABLE D.20
DISTRIBUTION OF ENTERPRISES BEFORE LOANS,
BY ENTERPRISE CODE AND LOCATION

Enterprise Category	Rural				Urban				Total			
	Women		Men		Women		Men		Women		Men	
	#	%	#	%	#	%	#	%	#	%	#	%
MANUFACTURING	4	**14**	6	**18**	19	**20**	15	**26**	23	**19**	21	**23**
Food/beverage	0		2		0		1		0		3	
Textiles/ leather	4		2		19		4		23		6	
Forest products	0		1		0		3		0		4	
Metal products	0		1		0		7		0		8	
COMMERCE/TRADE	23	**79**	20	**61**	56	[illegible]	30	[illegible]	79	**66**	50	**56**
Wholesale	1		0		3		[illegible]		4		0	
Retail	22		20		53		30		75		50	
SERVICES	2	**7**	7	**21**	16	**18**	[illegible]	[illegible]	18	**15**	19	**21**
Restaurant/Bar Hotel	1		5		5		4		6		9	
Personal/ Professional	1		0		6		[illegible]		7		2	
Construction	0		0		0		1		0		1	
Repair Services	0		2		0		4		0		6	
Other Service	0		0		5		1		5		1	
TOTAL	29	**100**	33	**100**	91	**100**	57	**100**	120	**100**	90[a]	**100**

[a]This number is smaller than the sample for men because two men used loans to start new businesses — that is, they were not engaged in microenterprise prior to receiving a loan.

TABLE D.21
DISTRIBUTION OF ENTERPRISES BEFORE LOANS,
BY ENTERPRISE CODE AND CREDIT SCHEME

Enterprise Category	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
MANUFACTURING	11	**14**	14	**23**	12	**30**	7	**24**
Food/beverage	0		2		0		1	
Textiles/ leather	11		6		12		0	
Forest products	0		4		0		0	
Metal products	0		2		0		6	
COMMERCE/TRADE	54	**67**	33	**54**	25	**62**	17	**59**
Wholesale trade	3		0		1		0	
Retail trade	51		33		24		17	
SERVICES	15	**19**	14	**23**	3	**8**	5	**17**
Restaurant/Bar/ Hotel	5		6		1		3	
Personal/ Professional	5		2		2		0	
Construction	0		1		0		0	
Repair Services	0		4		0		2	
Other Service	5		1		0		0	
TOTAL	80	**100**	61	**100**	40	**100**	29	**100**

TABLE D.22
AVERAGE SIZE OF BUSINESS BEFORE LOANS, FOR JUHUDI AND CHIKOLA, BY SECTOR

Sector	Juhudi Male	Juhudi Female	Chikola Male	Chikola Female
Manufacturing	3.43	1.64	2.86	3.33
Commerce	2.09	1.50	1.59	1.72
Services	3.28	2.27	3.60	2.67
Average	2.60	1.66	2.24	2.27

TABLE D.23
AVERAGE SIZE OF BUSINESS AFTER LOANS, FOR JUHUDI AND CHIKOLA, BY SECTOR

Sector	Juhudi Male	Juhudi Female	Chikola Male	Chikola Female
Manufacturing	3.86	3.10	4.50	3.83
Commerce	2.60	1.76	2.78	2.20
Services	4.00	2.81	5.60	4.00
Average	3.19	2.14	3.14	2.83

TABLE D.24
AVERAGE ENTERPRISE SIZE BEFORE LOANS,
BY SECTOR

Sector	% Enterprises with one worker	Average # of workers per enterprise
Manufacturing	31.8%	2.86
Commerce	55.8%	1.71
Services	27.0%	2.86
Average	45.8%	2.15

TABLE D.25
AVERAGE ENTERPRISE SIZE AFTER LOANS,
BY SECTOR

Sector	% Enterprises with one worker	Average # of workers per enterprise
Manufacturing	16.7%	3.76
Commerce	37.9%	2.10
Services	15.8%	3.71
Average	29.7%	2.71

TABLE D.26
EMPLOYMENT GROWTH RATE (LINEAR RATE) OF ENTERPRISES
PRIOR TO RECEIPT OF LOANS, BY SECTOR

	Manufacturing		Commerce		Services	
	#	%	#	%	#	%
Average Annual Growth Rate	44	**14.8%**	129	**5.1%**	22	**5.6%**
Enterprises Expanding	25	**56.8%**	34	**26.4%**	8	**36.4%**
Annual Growth Rate for Expanding Enterprises		**26.1%**		**20.2%**		**19.1%**
Annual Growth Rate for Contracting Enterprises	0	**0.0%**	2	**-18.0%**	3	**-10.7%**

TABLE D.27
EMPLOYMENT GROWTH RATE (LINEAR RATE) OF ENTERPRISES
AFTER RECEIPT OF LOANS, BY SECTOR

	Manufacturing		Commerce		Services	
	#	%	#	%	#	%
Average Annual Growth Rate	42	**33.5%**	132	**11.6%**	38	**41.4%**
Enterprises Expanding	31	**73.8%**	63	**47.7%**	25	**65.8%**
Annual Growth Rate for Expanding Enterprises		**45.5%**		**25.6%**		**63.4%**
Annual Growth Rate for Contracting Enterprises	1	**-2.0%**	3	**-28.7%**	1	**-13.0%**

TABLE D.28
EMPLOYMENT GROWTH RATE (LINEAR RATE) FOR URBAN AND RURAL ENTERPRISES PRIOR TO RECEIPT OF LOANS

	Rural Women		Rural Men		Urban Women		Urban Men	
	#	%	#	%	#	%	#	%
Average Annual Growth Rate	29	**10.0%**	33	**9.8%**	91	**11.9%**	59	**7.8%**
Enterprises Expanding	7	**24.1%**	14	**42.4%**	31	**34.1%**	25	**42.4%**
Annual Growth Rate for Expanding Enterprises		**41.4%**		**24.9%**		**35.9%**		**18.9%**
Annual Growth Rate for Contracting Enterprises	0	**0.0**	1	**-25.0%**	2	**-15.0%**	2	**-6.5%**

TABLE D.29
EMPLOYMENT GROWTH RATE (LINEAR RATE) FOR RURAL AND URBAN ENTERPRISES AFTER RECEIPT OF LOANS

	Rural Women		Rural Men		Urban Women		Urban Men	
	#	%	#	%	#	%	#	%
Average Annual Growth Rate	29	**17.4%**	33	**19.9%**	91	**26.2%**	59	**16.3%**
Enterprises Expanding	14	**48.3%**	22	**66.6%**	44	**48.4%**	39	**66.1%**
Annual Growth Rate for Expanding Enterprises		**36.0%**		**31.0%**		**54.5%**		**26.2%**
Annual Growth Rate for Contracting Enterprises	0	**0.0%**	1	**-25.0%**	1	**-13.0%**	3	**-21.0%**

TABLE D.30
EMPLOYMENT GROWTH RATES (LINEAR RATE) BEFORE LOANS,
BY ENTERPRISE TYPE AND GENDER

Enterprise Category	Women		Men	
	#	%	#	%
MANUFACTURING	23	19.8	21	9.4
Food/beverage	0	0	3	12.7
Textiles/ leather	23	19.8	6	9.3
Forest products	0	0	4	12.0
Metal products	0	0	8	6.9
COMMERCE/TRADE	79	5.1	50	5.0
Wholesale trade	4	0	0	0
Retail trade	75	5.3	50	5.0
SERVICES	18	28.7	19	17.7
Restaurant/Bar/ Hotel	6	84.7	9	24.7
Personal/ Professional	7	1.3	2	4.0
Construction	0	0	1	13.0
Repair Services	0	0	6	15.5
Other Service	5	0	1	0
TOTAL	120	11.4	90	8.7

TABLE D.31
EMPLOYMENT GROWTH RATES (LINEAR RATE) AFTER LOANS,
BY ENTERPRISE TYPE AND GENDER

Enterprise Category	Woman		Men	
	#	%	#	%
MANUFACTURING	22	48.7	20	16.8
Food/beverage	0	0	2	6.5
Textiles/ leather	22	48.7	6	13.3
Forest products	0	0	4	13.0
Metal products	0	0	8	23.8
COMMERCE/TRADE	79	10.5	53	13.1
Wholesale trade	6	9.7	0	0
Retail trade	73	10.6	53	13.1
SERVICES	19	51.9	19	30.8
Restaurant/Bar/ Hotel	7	132.6	9	44.8
Personal/ Professional	6	9.8	2	4.0
Construction	0	0	1	13.0
Repair Services	0	0	6	25.8
Other Service	6	0	1	6.0
TOTAL	120	24.1	92	17.6

TABLE D.32
LABOR FORCE BREAKDOWN BEFORE LOANS,
BY GENDER OF CLIENT

Worker Type	Women		Men		All	
	#	%	#	%	#	%
Proprietor	124	55.4	92	40.2	216	47.7
Unpaid family	25	11.2	31	13.5	56	12.4
Paid workers	63	28.1	96	41.9	159	35.1
Apprentices	12	5.3	10	4.4	22	4.8
Total Workers	224	100.0	229	100.0	453	100.0
Female Workers	180	80.4	43	18.8	223	49.2

TABLE D.33
LABOR FORCE BREAKDOWN AFTER LOANS, BY GENDER OF CLIENT
(with percentage change[a])

Worker Type	Women		Men		All	
	#	%Δ	#	%Δ	#	%Δ
Proprietor	123	-0.8	94	2.2	217	0.5
Unpaid family	36	44.0	43	38.7	79	41.1
Paid workers	107	69.8	141	46.9	248	55.9
Apprentices	21	75.0	14	40.0	35	59.1
Total Workers	287	28.1	292	27.5	579	27.8
Female Workers	217	20.6	53	23.3	272	21.9

[a]Represented by %Δ

TABLE D.34
LABOR FORCE BREAKDOWN BEFORE LOANS,
BY SCHEME AND GENDER OF PROPRIETOR

Worker Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Proprietor	81	60.9	63	38.4	42	46.7	29	44.6
Unpaid family	21	15.8	27	16.5	4	4.4	4	6.2
Paid workers	27	20.3	67	40.8	36	40.0	29	44.6
Apprentices	4	3.0	7	4.3	8	8.9	3	4.6
Total Workers	133	100.0	164	100.0	90	100.0	65	100.0
Female Workers	105	78.9	37	22.6	74	82.2	6	9.2

TABLE D.35
LABOR FORCE BREAKDOWN AFTER LOANS,
BY SCHEME AND GENDER OF PROPRIETOR
(with percentage change[a])

Worker Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%Δ	#	%Δ	#	%Δ	#	%Δ
Proprietor	80	**-1.2**	64	**1.6**	42	**0.0**	30	**3.5**
Unpaid family	23	**9.5**	35	**29.6**	11	**175.0**	8	**100.0**
Paid workers	57	**111.1**	94	**40.3**	50	**38.9**	47	**62.1**
Apprentices	11	**175.0**	8	**14.3**	10	**25.0**	6	**100.0**
Total Workers	171	**28.6**	201	**22.6**	113	**25.5**	91	**40.0**
Female Workers	130	**23.8**	44	**18.9**	87	**17.6**	9	**50.0**

[a]Represented by %Δ

TABLE D.36
LABOR FORCE BREAKDOWN BEFORE LOAN
FOR THOSE RECEIVING ONLY ONE LOAN,
BY SCHEME AND GENDER

Worker Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Proprietor	28	**68.3**	14	**31.8**	36	**48.6**	28	**45.2**
Unpaid family	2	**4.9**	2	**4.6**	1	**1.4**	3	**4.8**
Paid workers	11	**26.8**	28	**63.6**	29	**39.2**	28	**45.2**
Apprentices	0	**0.0**	0	**0.0**	8	**10.8**	3	**4.8**
Total Workers	41	**100.0**	44	**100.0**	74	**100.0**	62	**100.0**
Female Workers	35	**85.4**	5	**11.4**	60	**81.1**	5	**8.1**

TABLE D.37
LABOR FORCE BREAKDOWN AFTER LOAN
FOR THOSE RECEIVING ONLY ONE LOAN,
BY SCHEME AND GENDER
(with percentage change[a])

Worker Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%Δ	#	%Δ	#	%Δ	#	%Δ
Proprietor	28	**0.0**	13	**-7.1**	36	**0.0**	29	**3.6**
Unpaid family	4	**100.0**	3	**50.0**	8	**700.0**	7	**133.0**
Paid workers	20	**81.8**	31	**10.7**	41	**41.4**	46	**64.3**
Apprentices	0	**0.0**	2	**0.0**	9	**12.5**	6	**100.0**
Total Workers	52	**26.8**	49	**11.4**	94	**27.0**	88	**41.9**
Female Workers	40	**14.3**	7	**40.0**	72	**20.0**	9	**80.0**

[a]Represented by %Δ

TABLE D.38
LABOR FORCE BREAKDOWN BEFORE LOANS
FOR THOSE RECEIVING TWO LOANS,
BY SCHEME AND GENDER

Worker Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Proprietor	43	**57.3**	42	**43.3**	7	**41.2**	1	**33.3**
Unpaid family	18	**24.0**	18	**18.6**	3	**17.6**	1	**33.3**
Paid workers	10	**13.3**	30	**30.9**	7	**41.2**	1	**33.3**
Apprentices	4	**5.3**	7	**7.2**	0	**0.0**	0	**0.0**
Total Workers	75	**99.9**	97	**100.0**	17	**100.0**	3	**99.9**
Female Workers	56	**74.7**	23	**23.7**	15	**88.2**	1	**33.3**

TABLE D.39
LABOR FORCE BREAKDOWN AFTER LOANS
FOR THOSE RECEIVING TWO LOANS,
BY SCHEME AND GENDER
(with percentage change[a])

Worker Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%Δ	#	%Δ	#	%Δ	#	%Δ
Proprietor	42	**-2.3**	44	**4.7**	7	**0.0**	1	**0.0**
Unpaid family	18	**0.0**	21	**16.7**	3	**0.0**	1	**0.0**
Paid workers	25	**150.0**	51	**70.0**	8	**14.3**	1	**0.0**
Apprentices	11	**175.0**	5	**-28.6**	1	**100.0**	0	**0.0**
Total Workers	96	**28.0**	121	**24.7**	19	**11.7**	3	**0.0**
Female Workers	69	**23.2**	28	**21.7**	16	**6.7**	0	**0.0**

[a]Represented by %Δ

TABLE D.40
LABOR FORCE BREAKDOWN BEFORE AND
AFTER LOANS IN THE JUHUDI SCHEME
FOR THOSE RECEIVING THREE LOANS, BY GENDER
(with percentage change[a] after loans)

Worker Type	Before Loans				After Loans			
	Women		Men		Women		Men	
	#	%	#	%	#	%Δ	#	%Δ
Proprietor	10	**58.8**	7	**30.4**	10	**0.0**	7	**0.0**
Unpaid family	1	**5.9**	7	**30.4**	1	**0.0**	11	**57.1**
Paid workers	6	**35.3**	9	**39.1**	12	**100.0**	12	**33.3**
Apprentices	0	**0.0**	0	**0.0**	0	**0.0**	1	**100.0**
Total Workers	17	**100.0**	23	**99.9**	23	**35.3**	31	**34.8**
Female Workers	14	**82.4**	9	**39.1**	20	**42.9**	9	**0.0**

[a]Represented by %Δ

TABLE D.41
WORKERS AT START OF BUSINESS

Number of workers at start-up	Women #	Women %	Men #	Men %
1 worker	89	74.2	56	62.2
2 workers	25	20.8	21	23.3
3-5 workers	5	4.2	10	11.1
6-10 workers	0	0.0	2	2.2
11-50 workers	1	0.8	1	1.1
Total	120	100.0	90	99.9

TABLE D.42
WORKERS CURRENTLY IN BUSINESS

Number of workers currently	Women #	Women %	Men #	Men %
1 worker	48	40.0	15	16.5
2 workers	31	25.8	30	32.9
3-5 workers	31	25.8	37	40.7
6-10 workers	10	8.3	6	6.6
11-50 workers	0	0.0	3	3.3
Total	120	99.9	91	100.0

TABLE D.43
ENTERPRISE LOCATION BEFORE AND AFTER LOAN

Enterprise Location	Before Loan #	Before Loan %	After Loan #	After Loan %
Home/Homestead	21	10.1	26	12.3
Traditional market	77	36.8	76	35.9
Commercial district	79	37.8	80	37.7
Roadside, not commercial	21	10.1	20	9.4
Mobile	9	4.3	8	3.8
Other	2	0.9	2	0.9
Total	209	100.0	212	100.0

TABLE D.44
ENTERPRISE STRUCTURE BEFORE AND AFTER LOAN

Enterprise Structure	Before Loan #	Before Loan %	After Loan #	After Loan %
Permanent Structure	124	59.1	129	60.8
Temporary structure	54	26.2	51	24.1
Roof only	11	5.2	12	5.7
No structure	18	8.6	16	7.5
Vehicle	0	0.0	1	0.5
Other	2	0.9	3	1.4
Total	210	100.0	212	100.0

TABLE D.45
PRESENCE OF ON-SITE UTILITIES BEFORE AND AFTER LOAN

Infrastructure	Before Loan #	Before Loan %	After Loan #	After Loan %
Electricity and water on-site	46	21.9	46	21.7
Electricity only on-site	16	7.6	17	8.0
Water only on-site	32	15.2	33	15.6
No utilities on site	102	48.6	101	47.6
Not applicable	14	6.7	15	7.1
Total	210	100.0	212	100.0

TABLE D.46
MARKET OF ENTERPRISE BEFORE AND AFTER LOAN

Market of enterprise	Before Loan #	Before Loan %	After Loan #	After Loan %
Local individuals	188	89.5	187	88.2
Local hawkers/vendors	6	2.9	9	4.2
Domestic manufacturing	11	5.2	11	5.2
Domestic commercial	4	1.9	5	2.4
Domestic service	0	0.0	0	0.0
Export agent	0	0.0	0	0.0
Exports directly	0	0.0	0	0.0
Other	1	0.5	0	0.0
Total	210	100.0	212	100.0

TABLE D.47
SOURCES OF ENTERPRISE INPUTS BEFORE AND AFTER LOAN
(with percentage of change[a] after loan)

Source of inputs	Before Loan #	Before Loan %	After Loan #	After Loan %Δ
Makes/collects own inputs	6	2.9	5	2.4
Buys imported inputs/stocks	19	9.0	18	8.5
Buys domestic inputs	170	81.0	173	81.6
Buys imported and domestic	14	6.6	15	7.1
Does not buy inputs	1	0.5	1	0.4
Don't know	0	0.0	0	0.0
Other	0	0.0	0	0.0
Total	210	100.0	212	100.0

[a]Represented by %Δ

TABLE D.48
KINDS OF BUSINESS ASSISTANCE BEFORE AND AFTER LOAN

Kinds of business assistance	Before Loan #	Before Loan %	After Loan #	After Loan %
None	142	67.6	132	62.3
Informal credit/savings	36	17.1	12	5.7
Formal credit	15	7.1	61	28.7
Management training	0	0.0	0	0.0
Trade-based assistance	2	1.0	2	0.9
Business contacts	0	0.0	0	0.0
Marketing assistance	0	0.0	0	0.0
General informal support	13	6.2	5	2.4
Multiple	0	0.0	0	0.0
Other	2	1.0	0	0.0
Total	210	100.0	212	100.0

TABLE D.49
RIGHTS TO BUSINESS PREMISES BEFORE AND AFTER LOAN

Rights to Business Premises	Before Loan #	Before Loan %	After Loan #	After Loan %
Holds title deed	23	10.9	26	12.3
Lease	148	70.5	148	69.8
Informal agreement	22	10.5	23	10.8
Squatter	4	1.9	3	1.4
Other	5	2.4	8	3.8
Not applicable	8	3.8	4	1.9
Total	210	100.0	212	100.0

TABLE D.50
HOW CLIENTS INTENDED TO SPEND FIRST LOAN

Intention	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Expand this business	73	91.3	60	95.2	38	95.0	24	82.8
This business and another business	3	3.7	1	1.6	0	0	0	0
Start new business	4	5.0	2	3.2	2	5.0	3	10.3
For business and non-business	0	0	0	0	0	0	2	6.9
Other	0	0	0	0	0	0	0	0
TOTAL	80	100.0	63	100.0	40	100.0	29	100.0

TABLE D.51
HOW FIRST LOAN WAS SPENT, BY GENDER OF CLIENT

How loan spent	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Increased stock/ bought supplies	63	78.8	47	74.6	37	92.3	26	89.6
Started making/ selling new product	17	21.3	13	20.6	14	35.0	6	20.7
Changed location	0	0	2	3.2	0	0	1	3.5
Transported to new markets	2	2.5	0	0	1	2.5	1	3.5
Improved infrastructure	3	3.8	4	6.4	0	0	0	0
Bought equipment	11	13.8	10	15.9	4	10.0	1	3.5
Paid off debts	0	0	2	3.2	0	0	0	0
Started new business	9	11.3	5	7.9	0	0	1	3.5
Other uses in same business	9	11.3	14	22.2	5	12.5	3	10.3
Another business	5	6.3	4	6.4	3	7.5	3	10.3
Non-business uses	12	15.0	5	7.9	10	25.0	9	31.0

TABLE D.52
NON-BUSINESS USES OF FIRST LOAN MONIES

Non-business uses	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Savings	3	25.0	1	20.0	8	80.0	4	44.4
Purchase land	1	8.3	0	0	0	0	0	0
Home expenses	7	58.3	3	60.0	2	20.0	6[a]	66.6
Other	1	8.3	1	20.0	1[b]	10.0	0	0
TOTAL	12	99.9	5	100.0	10	100.0	9	100.0

[a]One person had used loan monies for both savings and home expenses.

[b]One person had used loan monies for both savings and other expenses.

TABLE D.53
HOW CLIENTS INTENDED TO SPEND SECOND LOAN

Intention	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Expand this business	40	75.4	37	75.5	5	71.4	0	0
This business and another business	1	1.9	0	0	0	0	0	0
Start new business	8	15.1	9	18.4	1	14.3	1	100.0
For business and non-business	2	3.8	2	4.1	0	0	0	0
Other	2	3.8	1	2.0	1	14.3	0	0
TOTAL	53	100.0	49	100.0	7	100.0	1	100.0

TABLE D.54
HOW SECOND LOAN WAS SPENT, BY GENDER OF CLIENT

How loan spent	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Increased stock/ bought supplies	40	75.5	31	63.3	3	42.8	0	0
Started making/ selling new product	11	20.8	11	22.5	1	14.3	0	0
Changed location	2	3.8	2	4.1	1	14.3	0	0
Transported to new markets	0	0	1	2.0	1	14.3	0	0
Improved infra-structure	4	7.6	2	4.1	0	0	0	0
Bought equipment	7	13.2	8	16.3	3	42.8	0	0
Paid off debts	0	0	3	6.1	0	0	0	0
Started new business	6	11.3	7	14.3	0	0	1	100.0
Other uses in same business	7	13.2	8	16.3	2	28.6	0	0
Another business	5	9.4	9	18.4	1	14.3	0	0
Non-business uses	13	24.5	9	18.4	2	28.6	0	0

TABLE D.55
NON-BUSINESS USES OF SECOND LOAN MONIES

Non-business uses	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Savings	4	30.8	7	77.8	1	50.0	0	0
Purchase land	0	0	0	0	0	0	0	0
Home expenses	9	69.2	2	22.2	1	50.0	0	0
Other	0	0	0	0	1[a]	50.0	0	0
TOTAL	13	100.0	9	100.0	2	100.0	0	0

[a]This person had spent second loan monies on both savings and other expenses.

TABLE D.56
HOW CLIENTS INTENDED TO SPEND THIRD LOAN

Intention	Juhudi			
	Women		Men	
	#	%	#	%
Expand this business	9	90.0	5	83.3
This business and another business	0	0	0	0
Start new business	0	0	1	16.7
For business and non-business	0	0	0	0
Other	1	10.0	0	0
TOTAL	10	100.0	6	100.0

TABLE D.57
HOW THIRD LOAN WAS SPENT, BY GENDER OF CLIENT

How loan spent	Juhudi			
	Women		Men	
	#	%	#	%
Increased stock/ bought supplies	6	60.0	3	50.0
Started making/ selling new product	1	10.0	0	0.0
Bought equipment	0	0	1	16.7
Other uses in same business	0	0	1	16.7
Another business	0	0	1	16.7
Non-business uses	6	60.0	2	33.3

TABLE D.58
NON-BUSINESS USES OF THIRD LOAN MONIES

Non-business uses	Juhudi			
	Women		Men	
	#	%	#	%
Savings	6	100.0	0	0
Purchase land	0	0	1	50.0
Home expenses	0	0	1	50.0
Other	0	0	0	0
TOTAL	6	100.0	2	100.0

TABLE D.59
AGE OF ENTERPRISE

Age in years	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
One year	2	2.5	1	1.6	4	10.0	1	3.5
Two years	9	11.4	2	3.2	2	5.0	3	10.3
Three years	14	17.7	6	9.7	3	7.5	0	0
Four years	8	10 [illegible]	7	11.3	3	7.5	6	20.7
Five years	9	11.4	6	9.7	5	12.5	5	17.2
Six years	6	7.6	5	8.1	6	15.0	1	3.5
Seven years	2	2.5	4	6.4	0	0	2	6.9
Eight years	5	6.3	6	9.7	2	5.0	2	6.9
Nine years	4	5.1	5	8.1	4	10.0	2	6.9
Ten years	6	7.6	4	6.4	3	7.5	0	0
More than 10	14	17.7	16	25.8	8	20.0	7	24.1
TOTAL	79	99.9	62	100.0	40	100.0	29	100.0

TABLE D.60
APPROXIMATE AMOUNT OF START-UP CAPITAL

Amount of start-up capital (K Sh)	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
0-10,000	66	82.5	50	79.4	32	80.0	26	89.7
10,000-25,000	8	10.0	10	15.8	5	12.5	1	3.4
25,000-50,000	2	2.5	2	3.2	2	5.0	2	6.9
50,000-100,000	3	3.8	1	1.6	0	0.0	0	0.0
n/a	1	1.2	0	0.0	1	2.5	0	0.0
TOTAL	80	100.0	63	100.0	40	100.0	29	100.0

TABLE D.61
SOURCE OF START-UP CAPITAL

Source of start-up capital	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Savings	56	70.0	47	74.6	21	52.5	19	67.9
Family gifts	21	26.2	6	9.5	14	35.0	7	25.0
Loans from friends	1	1.2	1	1.6	1	2.5	0	0
ROSCA	0	0	0	0	2	5.0	0	0
Bank	0	0	2	3.2	0	0	0	0
Other	2	2.5	7	11.1	2	5.0	2	7.1
TOTAL	80	100.0	63	100.0	40	100.0	28	100.0

TABLE D.62
CLIENTS WHO HAD SAVINGS PRIOR
TO PARTICIPATION IN A LOAN SCHEME

	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Manufacturing	7	63.6	10	71.4	8	66.7	4	57.1
Commerce	40	74.1	22	66.7	15	60.0	15	88.2
Services	3	20.0	7	50.0	2	66.7	2	40.0
TOTAL	50	62.5	39	61.9	25	62.5	21	72.4

TABLE D.63
CLIENTS WHO HAVE A BANK ACCOUNT

	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Manufacturing	9	81.8	12	85.7	9	75.0	4	57.1
Commerce	45	83.3	21	63.6	18	72.0	15	88.2
Services	3	20.0	9	64.3	2	66.7	2	40.0
TOTAL	57	71.2	42	66.7	29	72.5	21	72.4

172

TABLE D.64
CLIENTS WHO BELONG TO A GROUP OTHER THAN A KIWA OR A CHIKOLA
(percentage of total participants)

	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Manufacturing	5	45.5	4	28.6	3	25.0	5	71.4
Commerce	32	59.3	6	18.2	13	52.0	7	41.2
Services	6	40.0	3	21.4	1	33.3	1	20.0
TOTAL	43	53.8	13	20.6	19	42.5	13	44.8

TABLE D.65
TYPE OF GROUP CLIENTS BELONG TO OTHER THAN A KIWA OR A CHIKOLA
(percentage of total participants)

Group Type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Church group	6	8.2	1	1.6	3	6.4	0	0.0
Women's Group	15	20.6	4	6.4	7	14.9	0	0.0
Men's Group	0	0.0	2	3.2	0	0.0	0	0.0
Business assoc.	2	2.7	1	1.6	0	0.0	0	0.0
Merry-go-round	25	31.3	5	7.9	10	25.0	11	37.9

TABLE D.66
CLIENTS WHO HAVE RECEIVED HELP FROM A GROUP THEY BELONG TO
(percentage of total participants)

Juhudi				Chikola			
Women		Men		Women		Men	
#	%	#	%	#	%	#	%
40	50.0	12	19.1	18	45.0	13	44.8

TABLE D.67
TYPE OF HELP RECEIVED FROM GROUP

	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Business financial assistance	18	45.0	4	33.3	6	33.3	8	61.5
Crisis cash	10	25.0	2	16.7	1	5.6	2	15.4
Information services	0	0.0	0	0.0	0	0.0	0	0.0
Production assistance	0	0.0	0	0.0	0	0.0	0	0.0
Other assistance (financial)	11	30.0	6	50.0	11	61.1	3	23.1
Total	40	100.0	12	100.0	18	100.0	13	100.0

174

TABLE D.68
ATTITUDE TOWARD LOAN SIZE

	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Loan too big	1	1.3	1	1.6	0	0	0	0
Loan too small	67	83.7	42	66.6	33	84.6	20	68.9
Just right	12	15.0	19	30.2	5	12.8	8	27.6
Other	0	0	1	1.6	1	2.6	1	3.5
TOTAL	80	100.0	63	100.0	39	100.0	29	100.0

TABLE D.69
FORM OF LOAN ASSISTANCE RECEIVED
PRIOR TO A JUHUDI OR CHIKOLA LOAN

Loan type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Commercial bank	2	2.5	1	1.6	0	0	2	6.9
Non-bank financial institution	0	0	0	0	0	0	1	3.4
Development financial institution	0	0	1	1.6	1	2.5	1	3.4
NGO	0	0	0	0	0	0	3	10.3
ROSCA	7	8.7	0	0	9	22.5	8	27.6
Moneylender	1	1.3	0	0	0	0	0	0
Family	4	5.0	1	1.6	0	0	0	0
Friends	0	0	1	1.6	1	2.5	0	0
Other	1	1.3	0	0	0	0	0	0
None	65	81.2	59	93.6	29	72.5	14	48.3
TOTAL	80	100.0	63	100.0	40	100.0	29	99.9

TABLE D.70
FORM OF OTHER LOAN ASSISTANCE RECEIVED
SINCE A JUHUDI OR CHIKOLA LOAN

Loan type	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Commerical bank	0	0	0	0	0	0	0	0
Non-bank financial institution	0	0	0	0	0	0	0	0
Development financial institution	0	0	0	0	0	0	0	0
NGO	0	0	0	0	0	0	0	0
ROSCA	4	5.0	1	1.6	9	22.5	11	37.9
Moneylender	0	0	0	0	0	0	0	0
Family	1	1.2	0	0	0	0	0	0
Friends	0	0	0	0	0	0	0	0
Other	1	1.2	0	0	0	0	0	0
None	74	92.5	62	98.4	31	77.5	18	62.1
TOTAL	80	99.9	63	100.0	47	100.0	29	100.0

TABLE D.71
USE OF SUPPLIER CREDIT, SUPPLIER DISCOUNTS, CUSTOMER CREDIT, AND CUSTOMER DISCOUNTS, BY GENDER AND CREDIT SCHEME
(percentage of total participants)

	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Supplier Credit	11	13.7	6	9.5	4	10.0	3	10.3
Supplier Discount	24	30.0	21	33.3	9	22.5	8	27.6
Customer Credit	40	50.0	28	44.4	24	60.0	17	58.6
Customer Discount	17	21.2	20	31.8	11	27.5	5	17.2

TABLE D.72
TYPES OF GROUP COOPERATION IN THE MARKETPLACE
(percentage of total participants)

Type of Cooperation	Juhudi				Chikola			
	Women		Men		Women		Men	
	#	%	#	%	#	%	#	%
Price collusion	29	36.2	17	26.9	12	30.0	7	24.1
Shared production orders	2	2.5	2	3.2	0	0.0	1	3.5
Look after business	10	12.5	4	6.4	3	7.5	5	17.2
Shared employees	1	1.2	0	0.0	6	15.0	0	0.0
Joint purchases	12	15.0	3	4.8	5	12.5	2	6.9
Shared raw materials	2	2.5	2	3.2	1	2.5	0	0.0
Other	2	2.5	9	14.3	6	15.0	2	6.9

ANNEX E

FINANCIAL TABLES

KREPYRAD

KENYA RURAL ENTERPRISE PROGRAMME
YEARLY AUDITED CONSOLIDATED STATEMENTS

	Dec - 90	Dec - 91	Dec - 92	Dec - 93
Ksh 000's				
ASSETS				
1 Cash & Equivalents	9,924	25,860	24,193	79,394
2				
3 Loan Portfolio - CBEs	1,438	1,190	260	0
4 Loan Portfolio - NGOs	25,642	23,686	23,339	40,670
5 Loan Portfolio - Chikolas		1,441	4,631	50,510
6 Loan Portfolio - JUHUDI	180	6,213	10,355	18,402
7				
8 Fixed Assets - Net		5,300	5,829	23,050
9				
10				
11 Other Assets	734	1,906	2,919	13,725
12				
13				
14 TOTAL ASSETS	37,918	65,596	71,526	225,751
15				
16 LIABILITIES				
17				
18 Loans Outstanding			600	1,454
19 Savings		975		4,391
20 Interest Payable				
21				
22				
23 Other Creditors	209	3,244	795	1,736
24 Other Liabilities	988	1,586	2,901	4,837
25 Long Term Loan			1,850	4,198
26				
27 TOTAL LIABILITIES	1,197	5,805	6,146	16,616
28				
29 CAPITAL				
30				
31 Programme Loan Fund	35,340	50,099	51,924	168,857
32 Restricted Funds	60	5,484	6,188	10,435
33 Unrestricted Funds	1,321	2,958	7,268	16,668
34 Unexpended Funds - Juhudi		1,250		
35 Capital Reserve				13,175
36				
37 TOTAL CAPITAL	36,721	59,791	65,380	209,135
38				
39 TOTAL LIABILITIES AND CAPITAL	37,918	65,596	71,526	225,751
40 Proof	0	0	0	0
41				

KREPYRAD

KENYA RURAL ENTERPRISE PROGRAMME
YEARLY AUDITED CONSOLIDATED STATEMENTS

	Dec-90	Dec-91	Dec-92	Dec-93
KSh 000's				
42 PROFIT AND LOSS				
43				
44 FINANCIAL INCOME				
45 Interest Income on Credit	165	2,581	3,826	8,495
46 Application Fees		105	161	255
47 Other Associated Credit Income				
48 Other Financial Income	36	2,098	3,046	5,368
49				
50				
51 TOTAL FINANCIAL INCOME	201	4,784	7,033	14,118
52				
53 FINANCIAL EXPENSE				
54 Interest on Loans			512	670
55 Other Financial Charges				
56 HO Financial Charges				
57				
58 TOTAL FINANCIAL EXPENSE	0	0	512	670
59				
60 NET FINANCIAL RESULT	201	4,784	6,521	13,448
61				
62 G + A EXPENSES				
63 Salaries & Benefits - Credit	118	1,360	3,081	5,853
64 Salaries & Benefits - Non Credit	20,452	5,023	7,047	10,771
65 Depreciation				1,276
66 Other Programme Support Costs - Credit		700	1,877	2,339
67 Other Programme Support Costs - Non Credit	3,933	4,031	3,522	10,815
68				
69 TOTAL G + A	24,503	11,113	15,527	31,054
70				
71				
72 Other NON CREDIT Income				
73 Grants	46,316	33,265	25,736	150,825
74 Training			243	33
75 Secretarial Service Fees - Publishing Scheme	413	610	696	1,079
76 Consultancy	55	1,018	491	7,158
77 Other NON CREDIT Income		236	3,108	891
78 Other NON CREDIT Expense				
79 Grants	6,365	5,508	1,358	3,702
80 Training	430	51	1,333	1,605
81 Secretarial Service & Publications				
82 Consultancy				
83 Fixed Assets Purchased and Charged to Expenses	266	149	7,112	
84 Loan Loss Reserve	100		1,000	600
85				
86 NET FINAL RESULTS	15,321	23,091	8,167	136,473
87				
88 STATISTICAL INFORMATION				
89 Loans Granted by K REP in the Period		1,246	1,621	1,895
90 Funds Loaned by K REP in the Period		14,084	25,722	108,534
91				
92				
93				
94 FINANCIAL RATIOS				
95				
96 Structural				
97 Cash/Assets	0.2617	0.3942	0.3382	0.3517
98 Loans/Assets	0.7189	0.4959	0.5395	0.4854
99 FA/Assets	0.0000	0.0808	0.0815	0.1021
100 Total Liabilities/Capital	0.0326	0.0971	0.0940	0.0795
101				
102 Operational Performance				
103				
104 Rec. Financial Income/Average Portfolio		0.0817	0.1071	0.1299
105 Total Credit Financial Income/Average Portfolio		0.0877	0.1121	0.1181
106 Total Financial Income/Average Portfolio		0.1526	0.2090	0.1747
107				
108 Net Final Results/Capital		0.4785	0.5220	3.9771
109 Net Final Results/Average Assets		0.4461	0.4765	3.6726
110				
111 G+A Credit/Average Portfolio		0.0673	0.1394	0.1106
112 G+A Credit/Loans Disbursed		1.6533	3.0586	4.3230
113 G+A Credit/Funds Disbursed		0.1463	0.1227	0.0546
114				
115 Financial Expense/Average Portfolio		0.0000	0.0144	0.0090
116				
117 Total Income/Total Expense, Grants Excluded	0.0264	0.5876	0.4540	0.6861
118 Total Income/Total Expense, Grants Included	1.8572	2.2577	1.2038	4.6320
119				
120 Financial Income/Total Expense	0.0063	0.2844	0.2413	0.3752
121 Non Financial Income/Total Expense	1.4775	2.0883	1.0389	4.2514
122				

180

FIKOLA

KENYA RURAL ENTERPRISE PROGRAMME
FIKOLA CREDIT SCHEME

	Jan 91	Apr 91	Mar 92	Jun 92	Sep 92	Dec 92	Mar 93	Jun 93	Sep 93	Dec 93
Jan 00										
ASSETS										
Cash & Equivalents	97	47	25	124	172	134	2,297	1,318	848	16,198
Short Term Deposits										
Loan Portfolio		1,141	2,785	2,319	2,328	1,630	4,414	1,119	27,450	50,510
Interest Receivable										
Fixed Assets - Net										
Staff Loans										
Other Assets			504	327	703	138	1,254	54	1,254	187
HO Current Account										
TOTAL ASSETS	97	628	3,414	3,470	4,203	7,320	3,965	16,451	36,350	68,493
LIABILITIES										
Loans Outstanding										
Savings										
Interest Payable										
HO Loans										
Other Creditors										
Other Liabilities	52	8	31	85	25	44	55	179	1,197	671
TOTAL LIABILITIES	52	8	31	85	25	44	55	179	1,197	671
CAPITAL										
Programme Loan Fund	111	901	3,131	3,331	3,997	7,332	3,922	5,129	34,795	64,810
Operating Grant										
Membership Fees										
Net Profit (Loss)	(46)	(101)	(18)	(28)	(19)	(56)	(212)	(56)	358	2,212
Capital Revaluation										
TOTAL CAPITAL	45	1,550	3,213	3,205	3,878	6,876	3,310	15,572	35,153	66,822
TOTAL LIABILITIES AND CAPITAL	97	1,628	3,414	3,470	4,203	7,320	3,965	16,451	36,350	68,493
Proof	0	0	0	0	0	0	0	0	0	0
PROFIT AND LOSS										
FINANCIAL INCOME										
Interest Income on Credit	5	27	53	56	57	80	59	170	637	2,134
Application Fees			1			2	2	1	195	93
Other Associated Credit Income										
Other Financial Income										
Membership Fees										
TOTAL FINANCIAL INCOME		27	56	56	57	82	55	180	832	2,327
FINANCIAL EXPENSE										
Interest on Loans										
Other Financial Charges										
HO Financial Charges										
TOTAL FINANCIAL EXPENSE	2	0	1	0	2	1		0	0	0
NET FINANCIAL RESULT	3	27	56	56	57	82	55	180	832	2,327
G + A EXPENSES	52	81								
Salaries & Benefits			59	59	59	49	1	97	258	290
Office Occupation and Services							3	3	3	3
Depreciation	1									
Other			13	5	1	70	57	18	57	180
TOTAL G + A	52	76	72	64	60	119	211	224	318	473
NET RESULTS FROM CREDIT OPERATION	(46)	(55)	(18)	(8)	7	(37)	(56)	56	514	1,854
Other NON CREDIT Income										
Other NON CREDIT Expense										
Loan Loss Reserve										
NET FINAL RESULTS	(46)	(55)	(18)	(8)	7	(37)	(56)	56	514	1,854
YTD		(101)				(54)				2,368

181

CHIKOLA

KENYA RURAL ENTERPRISE PROGRAMME
CHIKOLA CREDIT SCHEME

	Sep - 91	Dec - 91	Mar - 92	Jun - 92	Sep - 92	Dec - 92	Mar - 93	Jun - 93	Sep - 93	Dec - 93	Mar - 94
Ksh 000's											
77 STATISTICAL INFORMATION											
78 Loans Granted in the Period	4	3	2	3	3	8	8	18	40	52	
79 Funds Loaned in the Period	791	810	420	1,730	666	3,035	2,490	6,206	19,067	29,315	
80 Average Loan Granted	197.8	270.0	210.0	576.7	222.0	379.4	311.3	344.8	476.7	573.4	
81											
82 FINANCIAL RATIOS											
83											
84 Structural											
85 Cash/Assets	1.0000	0.1149	0.0366	0.0934	0.1837	0.1713	0.2305	0.2442	0.2133	0.2408	ERR
86 Loans/Assets	0.0000	0.8851	0.8158	0.6683	0.5539	0.6325	0.6437	0.6795	0.7552	0.7374	ERR
87 FA/Assets	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	ERR
88 Total Liabilities/Capital	0.0698	0.0853	0.0626	0.0827	0.0838	0.0646	0.0704	0.0564	0.0341	0.0250	ERR
89											
90 Operational Performance											
91											
92 Rec. Financial Income/Average Portfolio		0.0583	0.1506	0.0878	0.1153	0.0920	0.1630	0.1241	0.1319	0.2190	0.0000
93 Total Credit Financial Income/Average Portfolio		0.0583	0.1590	0.0878	0.1153	0.0943	0.1684	0.1273	0.1723	0.2388	0.0000
94 Total Financial Income/Average Portfolio		0.0583	0.1590	0.0878	0.1153	0.0943	0.1684	0.1273	0.1723	0.2388	0.0000
95											
96 Net Final Results/Capital		(0.1950)	(0.0407)	(0.0100)	0.0079	(0.0277)	(0.0414)	0.0160	0.0811	0.1454	0.0000
97 Net Final Results/Average Assets		(0.1814)	(0.0381)	(0.0093)	0.0073	(0.0258)	(0.0388)	0.0170	0.0779	0.1416	0.0000
98											
99 G+A/Average Portfolio		0.2110	0.2044	0.1003	0.1033	0.1370	0.2292	0.1019	0.0658	0.0485	0.0000
100 G+A/Loans Disbursed		25.3333	35.9950	21.3333	20.0000	14.8975	26.3625	12.4444	7.9470	9.0962	ERR
101 G+A/Funds Disbursed		0.0938	0.1714	0.0370	0.0901	0.0393	0.0847	0.0361	0.0157	0.0159	ERR
102											
103 Financial Expense/Average Portfolio		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
104											
105 Total Income/Total Expense		0.2793	0.7779	0.8750	1.1167	0.6880	0.7349	1.2500	2.6173	4.3157	ERR
106											
107											

KENYA RURAL ENTERPRISE PROGRAMME
CONSOLIDATED JUHUDI CREDIT SCHEME - AUDITED

	Dec 91	Dec 92	Dec 93
Ksh 000's			
ASSETS			
Cash & Equivalents	10,344	17,859	25,699
Loan Portfolio JUHUDI	6,213	10,355	18,402
Fixed Assets - Net			2,071
Other Assets	725	1,222	2,081
TOTAL ASSETS	27,282	29,432	48,252
LIABILITIES			
Loans Outstanding			5
Savings	473	135	4,391
Interest Payable			
HO Loan			6,000
Other Creditors	1	92	424
Other Liabilities			725
Long Term Loan			
TOTAL LIABILITIES	478	317	11,096
CAPITAL			
Programme Capital	12,700	12,980	25,640
Operational Fund	2,328	4,468	9,941
Unrestricted Funds			
Profit and Loss	250	1,687	439
Capital Reserve			1,038
TOTAL CAPITAL	26,306	29,115	37,156
TOTAL LIABILITIES AND CAPITAL	27,282	29,432	48,252
Proof	1	1	0
PROFIT AND LOSS			
FINANCIAL INCOME			
Interest Income on Credit	621	2,352	3,415
Application Fees	135	61	255
Other Associated Credit Income	15	47	288
Other Financial Income	665	2,450	2,473
Membership Fees			
TOTAL FINANCIAL INCOME	1,016	5,050	6,411
FINANCIAL EXPENSE			
Interest on Loans			
Other Financial Charges			
HO Financial Charges			150
TOTAL FINANCIAL EXPENSE	1	1	150
NET FINANCIAL RESULT	1,016	5,050	6,261
G + A EXPENSES			
Salaries & Benefits	1,232	2,305	4,937
Office Expenses	453	674	1,394
Depreciation			165
Other Programme Support Costs	247	888	899
TOTAL G + A	1,932	3,867	7,395
Other NON CREDIT Income			
Grants			
Training			
Secretarial Service Fees - Publishing			
Consultancy			
Other	-	224	593
Other NON CREDIT Expense			
Grants			
Training			46
Secretarial Service			
Consultancy			
Other NON CREDIT Expense			
Loan Loss Reserve		1,000	600
NET FINAL RESULTS	[illegible]	[illegible]	(1,197)

183

JUHUDI

KENYA RURAL ENTERPRISE PROGRAMME
CONSOLIDATED JUHUDI CREDIT SCHEME - AUDITED

		Dec-91	Dec-92	Dec
	Ksh 000's			
88	STATISTICAL INFORMATION			
89	Loans Granted in the Period	1,235	1,599	1
90	Funds Loaned in the Period	12,663	17,791	25
91	Average Loan Granted	10.3	11.1	
92	Average Portfolio	NA	8,284	13
93				
94	FINANCIAL RATIOS			
95				
96	Structural			
97	Cash/Assets	0.7457	0.6067	0.5
98	Loans/Assets	0.2277	0.3518	0.3
99	FA/Assets	0.0000	0.0000	0.0
100	Total Liabilities/Capital	0.0371	0.0109	0.2
101				
102	Operational Performance			
103				
104	Rec. Financial Income/Average Portfolio		0.2839	0.2
105	Total Credit Financial Income/Average Portfolio		0.3139	0.2
106	Total Financial Income/Average Portfolio		0.6096	0.4
107				
108	Net Final Results/Capital		0.0150	(0.0
109	Net Final Results/Average Assets		0.0147	(0.0
110				
111	G+A/Average Portfolio	NA	0.4668	0.5
112	G+A/Loans Disbursed	1.5644	2.4184	4.7
113	G+A/Funds Disbursed	0.1526	0.2174	0.2
114				
115	Financial Expense/Average Portfolio	0.0000	0.0000	0.0
116				
117	Total Income/Total Expense	1.6470	1.0857	0.8
118				
119				

KIBERA

KENYA RURAL ENTERPRI PROGRAMME
GROUP CREDIT SCHEME - KIBERA

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
Ksh (000's)											
ASSETS											
1 Cash & Equivalents				1,726	1,294	3,438	2,050	3,302	1,755	1,690	5,212
2 Short Term Deposits				5,287	3,457		1,849	1,918	4,164	6,000	5,560
3											
4 Loan Portfolio				5,353	4,995	4,442	5,404	9,803	6,735	7,804	9,470
5 Interest Receivable										328	174
6											
7 Fixed Assets - Net				20	103		1	4	512	491	479
8											
9 Staff Loans					246		228	234	231	90	270
10 Other Assets				311	135	571	298	567	424	327	387
11 HO Current Account										2,223	
12											
13 TOTAL ASSETS				12,687	12,230	11,451	11,833	15,328	15,821	20,943	22,472
14											
15 LIABILITIES											
16											
17 Loans Outstanding								15	77	83	
18 Savings				333	371	135	135	1,638	1,904	4,391	4,869
19 Interest Payable								1,458			
20											
21 HO Loans				9,610	9,610	10,310	10,515	1,548		424	119
22 Other Creditors				98	162	113	2				67
23 Other Liabilities				25	33		53	128	291	99	517
24											
25 TOTAL LIABILITIES				10,706	10,176	10,558	10,705	4,983	4,272	4,997	5,572
26											
27 CAPITAL											
28											
29 Programme Loan Fund				1,158	1,158	1,158	158	9,860	9,860	12,360	12,360
30 Operating Grant									1,988	3,257	3,257
31 Membership Fees				36	158	58	141	197			
32 Net Profit (Loss)				377	738	423	211	1,213	534	(154)	800
33 Capital Revaluation									237	483	483
34											
35 TOTAL CAPITAL				1,981	2,054	893	1,128	9,345	11,549	15,946	16,900
36											
37 TOTAL LIABILITIES AND CAPITAL				12,687	12,230	11,451	11,833	15,328	15,821	20,943	22,472
38 Proof				0	0	0	0	0	0	0	0
39											
40 PROFIT AND LOSS											
41											
42 FINANCIAL INCOME											
43 Interest Income on Credit					272		289	315	410	721	484
44 Application Fees					13		20	26	27	37	12
45 Other Associated Credit Income					14		20	17	13	10	12
46 Other Financial Income					90		210	69	39	408	411
47 Membership Fees									47	12	17
48											
49 TOTAL FINANCIAL INCOME	0	0	0	0	389	0	539	527	536	1,186	946
50											
51 FINANCIAL EXPENSE											
52 Interest on Loans											
53 Other Financial Charges					4				9	9	10
54 HO Financial Charges								493			
55											
56 TOTAL FINANCIAL EXPENSE	0	0	0	0	4	0	0	493	9	9	10
57											
58 NET FINANCIAL RESULT					485	0	539	34	527	1,177	936
59											
60 G + A EXPENSES											
61 Salaries & Benefits					307		373	387	456	461	591
62 Office Occupation and Services					75		111	127	168	166	236
63 Depreciation								4	2	39	22
64 Other					42		22	48	34	35	
65											
66 TOTAL G + A	0	0	0	0	424	0	506	566	660	701	849
67											
68 NET RESULTS FROM CREDIT OPERATION	0	0	0	0	61	0	33	(532)	(133)	476	77
69											
70 Other NON CREDIT Income											
71 Other NON CREDIT Expense										96	
72 Loan Loss Reserve											
73											
74 NET FINAL RESULTS	0	0	0	0	61	0	33	(532)	(133)	380	77
75 YTD							33	(499)	(532)	(252)	77
76 Proof VS BS	0	0	0	677	0	(1,161)	179	(919)	1,311	0	877
77											

185

SECRET

KENYA RURAL ENTERPRISE PROGRAMME
AGRIDEV CREDIT SCHEME - SECRET

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
(Sh 000's)											
ASSETS											
1 Cash & Equivalents	56				2,281	2,294	1,283	1,371	2,323	2,021	12,572
2 Short Term Deposits	120				1,000	1,000	3,622	3,622	3,622	9,208	
3											
4 Loan Portfolio	239				5,738	3,980	5,029	5,424	7,403	9,003	8,710
5 Interest Receivable - ST Deposits							597	998	459	1,578	981
6											
7 Fixed Assets - Net	34								117	401	183
8											
9 Staff Loans						68	210	155	148	142	35
10 Other Assets					102	931	209	132	197	203	287
11 HO Current Account											
12											
13 TOTAL ASSETS	659		0		18,101	17,873	18,450	18,602	18,669	22,554	22,948
14											
15 LIABILITIES											
16											
17 Loans Outstanding											
18 Savings											
19 Interest Payable								368			
20											
21 HO Loans	448				13,120	13,120	13,120	13,120			
22 Other Creditors											
23 Other Liabilities	4				41	64	41	31	37	332	130
24											
25 TOTAL LIABILITIES	502				13,161	13,184	13,161	15,219	37	332	130
26											
27 CAPITAL											
28											
29 Programme Loan Fund					201	2,702	2,803	2,372	13,120	13,120	13,120
30 Operating Grant									2,281	5,608	5,608
31 Membership Fees	2					31	33	39			
32 Net Profit (Loss)					1,239	1,856	2,353	172	2,764	3,087	3,683
33 Capital Revaluation	155								197	407	407
34											
35 TOTAL CAPITAL	157		1		2,940	4,689	5,289	3,383	18,572	22,222	22,818
36											
37 TOTAL LIABILITIES AND CAPITAL	659		0		18,101	17,873	18,450	18,602	18,669	22,554	22,948
38 Proof	1		0		0	0	0	0	0	0	0
39											
40 PROFIT AND LOSS											
41											
42 FINANCIAL INCOME											
43 Interest Income on Credit						598	410	291	339	552	833
44 Application Fees						22	22	21	40	37	40
45 Other Associated Credit Income						18	7	13	15	10	16
46 Other Financial Income						156	361	110	272	617	630
47 Membership Fees									27	10	2
48											
49 TOTAL FINANCIAL INCOME	0	0	0	0	0	394	800	432	693	1,226	998
50											
51 FINANCIAL EXPENSE											
52 Interest on Loans											
53 Other Financial Charges						2			13	15	1
54 HO Financial Charges								397			
55											
56 TOTAL FINANCIAL EXPENSE	0	0	0	0	0	2	0	397	13	15	11
57											
58 NET FINANCIAL RESULT					0	392	800	35	680	1,211	987
59											
60 G + A EXPENSES											
61 Salaries & Benefits						331	314	350	427	457	508
62 Office Occupation and Services						103	64	124	159	236	
63 Depreciation									17	15	16
64 Other						239	28	37	35	180	187
65											
66 TOTAL G + A	0	0	0	0	0	673	406	311	638	888	793
67											
68 NET RESULTS FROM CREDIT OPERATION	0	0	0	0		119	394	566	42	323	594
69											
70 Other NON CREDIT Income									18		2
71 Other NON CREDIT Expense											
72 Loan Loss Reserve											
73											
74 NET FINAL RESULTS	0	0	0	0	0	719	394	(568)	60	323	596
75 YTD							394	(172)	(112)	211	
76 Proof VS BS	0	0	0	0	1,239	(102)	103	(1,415)	2,332	0	0
77											

186

KIBERA

KENYA RURAL ENTERPRISE PROGRAMME
JUHUDI CREDIT SCHEME - KIBERA

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
Ksh 000's											
78 STATISTICAL INFORMATION											
79 Loans Granted in the Period	446	141				119	205	109	345	206	
80 Funds Loaned in the Period	4,468	1,566				1,550	2,928	1,839	4,512	3,425	
81 Average Loan Granted	10.0	11.1				13.0	14.3	16.9	13.1	16.6	
82 New Loans	446	141									
83											
84 FINANCIAL RATIOS											
85											
86 Structural											
87 Cash/Assets				0.5496	0.5520	0.5622	0.4985	0.5037	0.5005	0.4627	0.5692
88 Loans/Assets				0.4219	0.4084	0.3879	0.4567	0.4438	0.4257	0.3726	0.3799
89 FA/Assets				0.0016	0.0084	0.0000	0.0003	0.0003	0.0324	0.0234	0.0213
90 Total Liabilities/Capital				5.4043	4.9542	11.8231	9.4902	0.8368	0.3699	0.3134	0.3297
91											
92 Operational Performance											
93											
94 Hec. Financial Income/Average Portfolio					0.2103	0.0000	0.2348	0.2064	0.2423	0.3967	0.2379
95 Total Credit Financial Income/Average Portfolio					0.2308	0.0000	0.2673	0.2346	0.2662	0.4224	0.2497
96 Total Financial Income/Average Portfolio					0.3777	0.0000	0.4383	0.3454	0.3170	0.6524	0.4601
97											
98 Net Final Results/Capital					0.1207	0.0000	0.1306	(0.4493)	(0.0533)	0.1106	0.0188
99 Net Final Results/Average Assets					0.0196	0.0000	0.0113	(0.1567)	(0.0341)	0.0827	0.0142
100											
101 G+A/Average Portfolio					0.3278	0.0000	0.4115	0.3709	0.3900	0.3857	0.4174
102 G+A/Loans Disbursed						0.0000	2.4702	5.1927	1.9130	3.4029	ERR
103 G+A/Funds Disbursed						0.0000	0.1730	0.3078	0.1463	0.2047	ERR
104											
105 Financial Expense/Average Portfolio					0.0028	0.0000	0.0000	0.3231	0.0053	0.0048	0.0049
106											
107 Total Income/Total Expense					1.1424		1.0652	0.4975	0.8015	1.4715	1.0896
108											
109											

187

ELDORET

KENYA RURAL ENTERPRISE PROGRAMME
JUHUDI CREDIT SCHEME - ELDORET

	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
Ksh 000's										
83 FINANCIAL RATIOS										
84										
85 Structural										
86 Cash/Assets	0.7752	ERR		0.6373	0.6039	0.6724	0.6287	0.5113	0.4979	0.5478
87 Loans/Assets	0.1441	ERR		0.3564	0.3346	0.2726	0.2916	0.3965	0.3992	0.3796
88 FA/Assets	0.0808	ERR		0.0000	0.0000	0.0000	0.0000	0.0223	0.0178	0.0167
89 Total Liabilities/Capital	1.5251	ERR		4.4765	2.8117	2.4884	4.4987	0.0052	0.0149	0.0057
90										
91 Operational Performance										
92										
93 Rec. Financial Income/Average Portfolio					0.4083	0.2979	0.2227	0.2114	0.2692	0.2859
94 Total Credit Financial Income/Average Portfolio					0.4356	0.3190	0.2464	0.2457	0.2921	0.3112
95 Total Financial Income/Average Portfolio					0.9517	0.5813	0.5602	0.4322	0.5978	0.6314
96										
97 Net Final Results/Capital					0.7540	0.3159	(0.5221)	0.0219	0.0633	0.1059
98 Net Final Results/Average Assets					0.1693	0.0868	(0.1222)	0.0129	0.0627	0.1048
99										
100 G+A/Average Portfolio					0.4595	0.2950	0.3911	0.3979	0.4330	0.3582
101 G+A/Loans Disbursed					3.0179	4.1856	3.7029	1.5676	3.3764	ERR
102 G+A/Funds Disbursed					0.2916	0.4234	0.3368	0.1038	0.1917	NA
103										
104 Financial Expense/Average Portfolio					0.0014	0.0000	0.6023	0.0081	0.0073	0.0050
105										
106 Total Income/Total Expense					2.0652	1.9704	0.5639	1.0922	1.3577	1.7413
107										
108										

188

NYERI

KENYA RURAL ENTERPRISE PROGRAMME
UHUDI CREDIT SCHEME - NYERI

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
Kshs 000's											
ASSETS											
1 Cash & Equivalents								122	62	2,251	1,228
2 Short Term Deposits											
3											
4 Loan Portfolio									35	1,180	3,073
5 Interest Receivable											
6											
7 Fixed Assets - Net								282	324	511	199
8											
9 Staff Loans									321	304	112
10 Other Assets								2	11	58	75
11 HO Current Account										11	
12											
13 TOTAL ASSETS		1		0	0	0	0	2,608	313	4,333	5,190
14											
15 LIABILITIES											
16											
17 Loans Outstanding											
18 Savings											
19 Interest Payable											200
20											
21 HO Loans								115	1,319	4,154	5,154
22 Other Creditors								3		54	231
23 Other Liabilities									2	109	21
24											
25 TOTAL LIABILITIES		1		0	0	0	0	41	1,321	4,317	5,606
26											
27 CAPITAL											
28											
29 Programme Loan Fund											
30 Operating Grant								2,905	190	998	498
31 Membership Fees											
32 Net Profit (Loss)								(40)	598	(1,070)	(1,483)
33 Capital Revaluation										88	69
34											
35 TOTAL CAPITAL		0		0	0	0	0	2,465	408	16	(416)
36											
37 TOTAL LIABILITIES AND CAPITAL		0		0	0	0	0	2,606	313	4,333	5,190
38 Proof		0		0	0	0	0	0	0	0	0
39											
40 PROFIT AND LOSS											
41											
42 FINANCIAL INCOME											
43 Interest Income on Credit									1	77	125
44 Application Fees									4	13	
45 Other Associated Credit Income									16	21	10
46 Other Financial Income											
47 Membership Fees									28	24	18
48											
49 TOTAL FINANCIAL INCOME	0	1	0	1	0	0	0	0	49	135	153
50											
51 FINANCIAL EXPENSE											
52 Interest on Loans											
53 Other Financial Charges										3	5
54 HO Financial Charges										100	100
55											
56 TOTAL FINANCIAL EXPENSE	0	0	0	0	0	0	0	0	0	103	105
57											
58 NET FINANCIAL RESULT					0	0	0	0	49	32	41
59											
60 G + A EXPENSES											
61 Salaries & Benefits								30	183	539	335
62 Office Occupation and Services									165	60	21
63 Depreciation										41	21
64 Other								35	135	(138)	145
65											
66 TOTAL G + A	0	0	0	0	0	0	0	165	483	502	563
67											
68 NET RESULTS FROM CREDIT OPERATION	0	0	0	0	0	0	0	(165)	(434)	(470)	(422)
69											
70 Other NON CREDIT Income											
71 Other NON CREDIT Expense											
72 Loan Loss Reserve											
73											
74 NET FINAL RESULTS	0	0	0	0	0	0	0	(165)	(434)	(470)	(422)
75											

189

NYERI

KENYA RURAL ENTERPRISE PROGRAMME
JUHUDI CREDIT SCHEME - NYERI

		Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
	Ksh 000's											
76	STATISTICAL INFORMATION											
77	Loans Granted in the Period											
78	Funds Loaned in the Period											
79	Average Loan Granted											
80	New Loans											
81												
82	FINANCIAL RATIOS											
83												
84	Structural											
85	Cash/Assets								0.8910	0.1774	0.5195	0.2366
86	Loans/Assets								0.0000	0.1041	0.2723	0.5927
87	FA/Assets								0.1082	0.3549	0.1225	0.0961
88	Total Liabilities/Capital								0.0572	(3.2377)	269.8125	(13.4760)
89												
90	Operational Performance											
91												
92	Rec. Financial Income/Average Portfolio									0.0421	0.4831	0.2350
93	Total Credit Financial Income/Average Portfolio									0.8842	0.5965	0.3665
94	Total Financial Income/Average Portfolio									2.0632	0.8471	0.4624
95												
96	Net Final Results/Capital								(0.5357)	(1.6879)	9.5918	8.4400
97	Net Final Results/Average Assets								(0.5067)	(0.9866)	(0.7167)	(0.3545)
98												
99	G+A/Average Portfolio								0.5067	1.0920	0.7655	0.4730
100	G+A/Loans Disbursed											
101	G+A/Funds Disbursed											
102												
103	Financial Expense/Average Portfolio								ERR	0.0000	0.6463	0.1974
104												
105	Total Income/Total Expense								0.0000	0.1014	0.2231	0.7683
106												
107												

190

KAWA

KENYA RURAL ENTERPRISE PROGRAMME
KIHUDI CREDIT SCHEME - KAWANGWARE

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
Ksh 000's											
ASSETS											
1 Cash & Equivalents								570	38	762	372
2 Short Term Deposits											
3											
4 Loan Portfolio								49	68	514	705
5 Interest Receivable											
6											
7 Fixed Assets - Net								564	131	655	658
8											
9 Staff Loans								11	51	143	255
10 Other Assets										164	217
11 HO Current Account											
12											
13 TOTAL ASSETS	0		0	0	0	0		196	544	2,258	3,207
14											
15 LIABILITIES											
16											
17 Loans Outstanding											
18 Savings											
19 Interest Payable										50	100
20											
21 HO Loans								9	1,167	2,599	4,183
22 Other Creditors										21	
23 Other Liabilities										2	74
24											
25 TOTAL LIABILITIES	0		0	0	0	0		9	1,167	2,672	4,357
26											
27 CAPITAL											
28											
29 Programme Loan Fund											
30 Operating Grant									100	729	729
31 Membership Fees											
32 Net Profit (Loss)								(211)	(723)	(1,198)	(1,959)
33 Capital Revaluation										55	77
34											
35 TOTAL CAPITAL			0	0	0	0		(211)	523	(414)	(1,150)
36											
37 TOTAL LIABILITIES AND CAPITAL	0		0	0	0	0		(196)	544	2,258	3,207
38 Proof	0		0	0	0	0		0	0	0	0
39											
40 PROFIT AND LOSS											
41											
42 FINANCIAL INCOME											
43 Interest Income on Credit										11	58
44 Application Fees										8	10
45 Other Associated Credit Income									14	7	15
46 Other Financial Income											
47 Membership Fees									18	7	28
48											
49 TOTAL FINANCIAL INCOME	0	0	0	0	0	0	0		32	31	[illegible]
50											
51 FINANCIAL EXPENSE											
52 Interest on Loans											
53 Other Financial Charges											4
54 HO Financial Charges										50	50
55											
56 TOTAL FINANCIAL EXPENSE		0	0	0		0	0		0	50	54
57											
58 NET FINANCIAL RESULT					0	0	0	0	32	(19)	57
59											
60 G + A EXPENSES											
61 Salaries & Benefits								46	210	415	102
62 Office Occupation and Services									292	32	45
63 Depreciation										47	28
64 Other								165	52	(38)	181
65											
66 TOTAL G + A	0	0	0	0	0	0	0	211	544	456	754
67											
68 NET RESULTS FROM CREDIT OPERATION	0	0	0	0	0	0	0	(211)	(512)	(475)	(697)
69											
70 Other NON CREDIT Income											
71 Other NON CREDIT Expense											
72 Loan Loss Reserve											
73											
74 NET FINAL RESULTS	0	0	0	0	0	0	0	(211)	(512)	(475)	(697)
75 YTD							0	(211)	(723)	(1,198)	
76											

KAWA

KENYA RURAL ENTERPRISE PROGRAMME
JUHUDI CREDIT SCHEME – KAWANGWARE

	Sep-91	Dec-91	Mar-92	Jun-92	Sep-92	Dec-92	Mar-93	Jun-93	Sep-93	Dec-93	Mar-94
Ksh 000's											
77 STATISTICAL INFORMATION											
78 Loans Granted in the Period											
79 Funds Loaned in the Period											
80 Average Loan Granted											
81 New Loans											
82											
83 FINANCIAL RATIOS											
84											
85 Structural											
86 Cash/Assets								2.9062	0.1491	0.3375	0.4278
87 Loans/Assets								(0.5051)	0.1025	0.2276	0.2198
88 FA/Assets								(1.3469)	0.5140	0.2901	0.2052
89 Total Liabilities/Capital								(0.0711)	(2.2314)	(6.4541)	(3.7887)
90											
91 Operational Performance											
92											
93 Rec. Financial Income/Average Portfolio								0.0000	0.0000	0.1517	0.3806
94 Total Credit Financial Income/Average Portfolio								0.0000	0.6798	0.3310	0.3447
95 Total Financial Income/Average Portfolio								0.0000	1.5515	0.4276	0.7285
96											
97 Net Final Results/Capital								8.0000	5.5804	4.0555	3.5652
98 Net Final Results/Average Assets								8.6122	(9.1429)	(1.3094)	(1.0203)
99											
100 G+A/Average Portfolio								8.5253	26.3758	6.2897	4.9483
101 G+A/Loans Disbursed								NA	NA	NA	NA
102 G+A/Funds Disbursed								NA	NA	NA	NA
103											
104 Financial Expense/Average Portfolio								0.0000	0.0000	0.5897	0.3544
105											
106 Total Income/Total Expense								0.0000	0.0568	0.0613	0.1374
107											
108											

ANNEX F

PERSONS INTERVIEWED

PERSONS INTERVIEWED

K-REP Staff

A. Kimanthi Mutua	Managing Director
Stephen Mirero	Deputy Managing Director, Credit, Finance and Administration
Christopher Aleke-Dondo	Deputy Managing Director, Research and Training
Joyce Charo	Credit Officer, Kibera
Kamau Kabbucho	Training Manager
Kanini Kioko	Research and Evaluation Department
Martin Koyabe	Systems Administrator
John Lwande	Juhudi Credit Manager
Janet Mabwa	Finance and Administration Department
Teresa Maru	Branch Manager, Eldoret
Frederick Masingu	Branch Manager, Nyeri
David Minja	Branch Manager, Kibera
Rodah Mwashigadi	Credit Officer, Nairobi
Catherine Njane	Credit Officer, Eldoret
Carolyne Njari	Credit Officer, Kibera
Martin Ntabathia	Financial Analyst
John M. Oduhulla	Credit Officer, Eldoret
Henry Oketch	Senior Research Officer, Research and Evaluation Department
Richard Okwanyo	Accountant, Kibera
Nancy Thuo	Area Credit Officer, Institutions Credit Department
Alice Wachira	Credit Officer, Nyeri

K-REP Board Members

Bethel Kiplagat	Board Chairman
Harry Mugwanga	Board Member (on leave)

K-REP-Supported NGOs

Jonathan Campaign	PRIDE Africa
William Gitau	Tototo Home Industries, Mombasa
Johnson Muiyuro	NCCK, Nakuru Branch
Elvina Mutua	Tototo Home Industries, Mombasa
J. Riara-Ouko	Kenya Women Finance Trust
Lucy Waweru	Kenya Women Finance Trust

Other Organizations Providing Financial Assistance to Microenterprises

Joyce Brown	African Housing Fund
Washington Kiiru	SEFCO (member of evaluation team)
Calvin Mbugua	African Housing Fund

Jim Tomeko	Kenya Industrial Estates, Informal Sector Programme
Ted Vail	Food for the Hungry
Frederick Weigel	Kenya Industrial Estates, Informal Sector Programme

USAID Staff

Alfreda Brewer	Deputy, Private Sector Office
Tom Hobgood	Chief, Private Sector Office
Mary McVay	Monitoring and Evaluation Officer, Private Sector Office
Zack Retemo	K-REP Project Manager, Private Sector Office

Other Donors

Tom Miller	Program Officer, Ford Foundation
Hugh Scott	Program Officer, Overseas Development Agency
Barbara Steenstrup	Consultant to European Economic Union

Others

Joan Parker	Independent Consultant

GEMINI PUBLICATION SERIES

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*Publications of general interest

196

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51b. "USAID/Morocco: Assessment of Programming Options for Microenterprise Development. Report on Workshop and Field Investigations." Matt Gamser, Housni El Ghazi, Sheila Reines, Steve Silcox, and Katherine Stearns. GEMINI Technical Report No. 51b. December 1992. Also in French. [not for general circulation]

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*1. Series Notebook: Tools for Microenterprise Programs (a three-ring binder, 1 and 1/2 inches in diameter, for organizing technical notes and training materials) and "Methods for Managing Delinquency" by Katherine Stearns. April 1991. $7.50. Also available in Spanish and in French.

*2. "Interest Rates and Self-Sufficiency." Katherine Stearns. December 1991. $6.50. Also available in Spanish and in French.

*3. "Financial Services for Women." C. Jean Weidemann. March 1992. $5.00. Also available in Spanish and in French.

*4. "Designing for Financial Viability of Microenterprise Programs." Charles Waterfield. March 1993. $10.00 with diskette

*5. "Monetary Incentive Schemes for Staff." Katherine Stearns, ACCION International. April 1993. $3.80. Also available in Spanish and in French.

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*1. "A Field Manual for Subsector Practitioners." Steven J. Haggblade and Matthew Gamser. November 1991. $4.65. Also available in Spanish and in French.

*2. "Facilitator's Guide for Training in Subsector Analysis." Marshall A. Bear, Cathy Gibbons, Steven J. Haggblade, and Nick Ritchie. December 1992. $35.00

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*1. "A Manual for Conducting Baseline Surveys of Micro- and Small-scale Enterprises." Michael A. McPherson and Joan C. Parker. February 1993. $13.60. Also available in French.

Special Publications:

*1. *The ADEMI Approach to Microenterprise Credit*. A. Christopher Lewin. Special Publication No. 1. 1991. $15.00

*2. *Microempresas y Pequeñas Empresas en la República Dominicana. Resultados de una Encuesta Nacional*. Miguel Cabal. Michigan State University and FondoMicro. Special Publication No. 2. 1992. $9.00

*3. "GEMINI in a Nutshell: Abstracts of Selected Publications." Compiled by Eugenia Carey and Michael McCord. Special Publication No. 3. 1993. $10.00

*4. "GEMINI Publications Catalog." Special Publication No. 4. 1993.

205

5. "Mongolian Chamber of Commerce and Industry: Business Development Specialists Training. Special Publication No. 5. September 13-24, 1993. In English and Russian. $11.40.

6. "Private Enterprise Development in Armenia: Training Materials." Special Publication No. 6. March 21-23, 1994. In English and Russian. $9.70.

7. "Private Enterprise Development in Georgia: Some Beginning Steps." Special Publication No. 7. April 26-29, 1994. In English and Russian. $19.00.

8. "Private Enterprise Development in Georgia: Some Beginning Steps." Special Publication No. 8. July 1994. In English and Russian. $18.50.

9. Private Enterprise Development in Armenia: Some Beginning Steps. Special Publication No. 9. July 1994. In Russian. $9.70.

Other Publications of General Interest:

1. "Expansion with Quality: Building Capacity in American Microenterprise Programs." Elisabeth Rhyne. Development Alternatives, Inc. July 1993. $3.30

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8/94

206