

**QUARTERLY REPORT**

**KENYA MICROFINANCE CAPACITY BUILDING PROGRAM  
(KEMCAP)**

**CONTRACT: GEG-I-00-02-00011-00, TASK ORDER: 804**

**MAY 17 - SEPTEMBER 30, 2004**

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FINAL VERSION

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## **I. INTRODUCTION**

During the first contract period, KEMCAP accomplished important activities toward the realization of project goals. On 17 May 2004, Development Alternatives, Inc. was authorized by USAID to incur costs associated with the implementation of KEMCAP. According to plan, the Chief-of-Party arrived one week later in Nairobi and the project officially commenced. Immediately thereafter, KEMCAP began working on-site at the Association of Microfinance Institutions (AMFI), the project's main recipient of its targeted capacity building efforts. At AMFI, KEMCAP successfully set in motion the process of relationship building and organizational learning.

KEMCAP began on-time and schedule, setting the tone, pace and standard for successful project implementation.

## **II. IMPLEMENTATION ACCOMPLISHMENTS**

### **A. Administration**

Following KEMCAP contract finalization with USAID, KEMCAP began start-up activities. Within one week, the Chief-of-Party was on the ground in Nairobi paving the way for program implementation.

During the reporting period, KEMCAP completed the following start-up actions:

- Hired a project support person
- Established a project support office housed inside AMFI
- Opened a project bank account at Commercial Bank of Africa
- Purchased a project vehicle, following appropriate USAID Kenya policy
- Localized the DAI field office accounting manual
- Developed an Emergency Evacuation Plan, utilizing a home office template, as was the Project Office Manual
- Secured long-term housing for the Chief-of-Party
- Obtained official registration for the project under Development Alternatives, Inc. and archived the appropriate documentation
- Held an official public launch at the Serena Hotel that was well attended by financial service providers and AMFI members, mission personnel, GOK officials and the media

The KEMCAP year-one and life-of-project work plans were submitted on-time to USAID. (At the writing of this report, the year-one workplan has not yet been formally submitted for final approval, even though it is being implemented, since the project is waiting for AMFI's strategic plan to be formally endorsed by its board and membership. Much of KEMCAP's plan is contingent upon the strategic direction set by AMFI. KEMCAP anticipates the strategic plan will be approved in November 2004.)

## **B. Technical**

During the reporting period, numerous actions were launched and accomplished, creating the conditions for the successful expansion and rollout of project activities.

### **AMFI No-Cost Extension and Realignment Proposal**

KEMCAP prepared the technical justification for AMFI's no-cost extension and budget realignment proposal. The proposal described the rationale for extending AMFI's grant for an additional two-years, giving it the necessary time and resources to become a permanent fixture in the Kenyan financial services marketplace.

### **Small Grant Proposal**

KEMCAP prepared a proposal for a \$500,000 small grant facility for AMFI, aimed to spur product innovation and expansion into underserved markets, emphasizing rural areas and agriculture producers.

### **AFMIN Uganda Meeting**

KEMCAP, representing AMFI, participated in a week-long African Microfinance Network meeting covering the topic a industry standards.

### **Nationwide MFI Mapping Proposal**

KEMCAP, at the request of AMFI's Chief Executive, prepared a Nationwide MFI Mapping Proposal that was submitted to a European donor.

### **Proposal for a Market Survey to Grow Africa**

KEMCAP, at the request of AMFI's Chief Executive, prepared a response to Grow Africa's request for a proposal to conduct a market survey that it will use to assess possible entry into the marketplace as a new provider of financial services.

### **Proposal to Assess the Condition and Status of OIBM**

KEMCAP, following a lead provided by USAID Washington's Office of Microenterprise, prepared a proposal to provide advisory services to DFID in Malawi through its investment in the Opportunity International Bank of Malawi. Per the proposal, AMFI will coordinate the delivery of services under the supervision of the KEMCAP Chief-of-Party. Revenues will be booked to AMFI. This proposed activity is part of AMFI's new strategy to attain financial viability and become a leading provider (or outsourcer) of advisory services.

### **AMFI's Five-Year Strategic Business Plan**

KEMCAP prepared AMFI's first-ever five-year strategic business plan. The new plan contained the following components: a newly refined business model and strategy, a new organizational structure and staffing plan, twenty-three new products and services, and a financial viability plan.

### **AMFI's 2005 Operational Plan**

KEMCAP prepared AMFI's year-one operational plan based on the completed five-year strategic business plan.

### **AMFI Draft Institutional Diagnostic**

KEMCAP completed a draft diagnostic of AMFI and its capacities and capabilities. The report will serve as the foundation for a technical assistance and capacity building plan.

### **Office Supply Management System**

KEMCAP designed an office supply management system for AMFI and trained the staff in its use, eliminating personnel downtime due to avoidable shortages of necessary office items.

### **Income and Expense Tracker**

KEMCAP created an income and expense tracker for AMFI and trained the accountant in its use, thereby streamlining the process billing clients and paying vendors on time eliminating the need to refer to source documentation for each and every transaction.

### **Weekly Staff Meetings**

KEMCAP instituted weekly staff meeting for AMFI's junior staff adding process and structure to planning, workflow and staff follow-through/accountability.

### **AMFI Revenue and In-Kind Contributions**

KEMCAP created a system to capture, archive and report on all AMFI revenue and in-kind contributions, resolving an unresolved issue from a recent external audit report and the reason for USAID's denial of AMFI's no-cost and small grants proposal submissions.

### **Cooperative Bank Exposure Visit to Uganda**

KEMCAP, at the request of USAID, prepared a detailed plan and agenda for an exposure visit to Uganda, coordinating closely with USAID Uganda and the SPEED project. Four bankers from Cooperative Bank, the Chief-of-Party from ACDI-VOCA, and one representative from USAID Kenya participated in the trip.

### **WAM Workshop Preparation**

KEMCAP brokered a workshop scheduled for delivery in January through USAID's Office of Microenterprise Development for Women Advancing Microfinance on the topic of AIDS/HIV and microfinance.

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**C. Expenditures to Date**

Category	Budget Amount	Cumulative Amount	Remaining Amount	Percent Expended
Workdays Ordered	1,167,582.00	122,078.88	1,072,631.76	8.13%
Less 5% Withheld	-	(6,103.94)	-	-
ODCs	667,185.00	141,108.07	573,999.23	13.96%
G&A @ 8.28%	55,240.00	11,683.75	47,527.53	13.96%
<b>TOTAL</b>	<b>1,889,967.00</b>	<b>268,766.76</b>	<b>1,521,200.24</b>	<b>14.22%</b>

KEMCAP's expenditures to date are slightly ahead of its budget, having approximately a 1.72% positive variance. Of the \$800,000 that is funded, the project has expensed 33.60%. KEMCAP is spending on target.

**III. Challenges**

**Central Bank of Kenya**

An early offer from USAID and KEMCAP to provide direct technical support to the CBK, in lieu of the eventual passage of the microfinance bill, was less than enthusiastically welcomed. Since that time however, the CBK was undergone a restructuring, and the newly formed department tasked with microfinance appears more respectful to partnership. KEMCAP and AMFI will work to finesse the relationship so that best practice regulations and supervision are developed and implemented.

**The Ministry of Finance**

KEMCAP is working to build a relationship with the Ministry of Finance (Treasury) in order to create a policy framework governing the development of the rules and regulations under the microfinance bill. An appropriate entry points appears to be the International Year of Microcredit that AMFI chairs and Treasury is a key member.

**AMFI No-Cost Extension and Small Grants Proposals**

AMFI's extension and small grants proposals were denied due to issues related to cost share and in-kind contributions. Even though KEMCAP has provided AMFI with basic systems and procedures to capture, archive and report cost share and in-kind, the ultimate status of both grants are uncertain, placing the future of AMFI at risk. Delays in approving AMFI's extension and budget realignment, in addition to the small grants proposal, are having an impact on KEMCAP implementation – minimal at the writing of this report, but if approval is delayed more than six months or if the proposals are denied, the impact on KEMCAP implementation and success will increase.