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KENYA ACCESS TO RURAL FINANCE

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KENYA ACCESS TO RURAL FINANCE

QUARTERLY REPORT

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INTRODUCTION

This quarterly report for the Kenya Access to Rural Finance (KARF) program covers the period April 1 through June 30, 2009.

On the basis of the interest generated from the agriculture value chain seminar the previous quarter, KARF developed a Scope-of-Work (SOW) for an extensive analysis of the dairy value chain, targeting the identification of financing strategies for agribusinesses through partnership with Kenyan financial institutions. For the exercise, KARF partnered with Land O Lakes (LOL), the implementer of the USAID-funded Kenya Dairy Sector Competitiveness Program. Financing of the dairy sector is considered a critical programmatic objective of both KARF and LOL. In addition, several financial institutions expressed interest in dairy, given its overall importance to the Kenyan and regional economies, its reliance on tangible fixed assets and its regular cash flows.

The research and analysis began in June and it is expected to conclude in July 2009.

KARF continued its consultancy with Ideal Matunda. During the quarter, the avocado harvest began with substantial increases seen during the month of June versus quantities obtained during the previous period one year earlier. The harvest season ends in July and results will be reported in the September Quarterly Report.

The Strengthening the Kenya Omena Fish Value Chain study was carried out and completed in June 2009, based on the results of the Kenya Capture Fisheries study, a value chain finance case study jointly sponsored by the Kenya Access to Rural Finance (KARF) Project and the USAID AMAP Financial Services Knowledge Generation Project in July 2008. The team used a rapid assessment methodology, focusing primarily on the Omena value chain, to examine the current and potential fisheries financial service needs in the Kisumu Lake Region. The study looked into the current usage of rural finance resources, services and products, while also identifying alternative economic activities to fishing.

Delivery of the TOT program and a pilot rollout for institutions of the training materials was scheduled for June, during the period this report covers. However, implementation was postponed until July.

The results of the second national survey on access to finance in Kenya, FinAccess 2009, were launched in June by Professor Njuguna Ndung'u, the Governor of the Central Bank. The results show that Kenya has made considerable progress in improving access over the two and a half years since the last study which was undertaken in 2006.

During the quarter, KARF helped the Central Bank of Kenya (CBK) to further prepare a draft request for assistance that was submitted to USAID Kenya for discussion purposes. A meeting was scheduled between USAID Kenya and the CBK for early July to discuss the opportunity for U.S. government assistance.

The study that KARF facilitated on mobile banking and credit bureaus was widely circulated and, as a result, the program was asked to participate on a panel and present its findings.

The conference, *m-Banking 2009: Balancing Innovation and Regulation*, was jointly sponsored by the Center for Emerging Market Enterprises (CEME) at The Fletcher School, Tufts University and the Kenya School of Monetary Studies (KSMS), an affiliate of the Central Bank of Kenya (CBK).

IMPLEMENTATION CHRONOLOGY

April 2009

- KARF develops a Scope-of-Work (SOW) for an extensive analysis of the dairy value chain, targeting the identification of financing strategies for agribusinesses through partnership with Kenyan financial institutions.
- KARF helps secure funding for research and the completion of a study financed by the Micro Enterprise Office of USAID Washington on linking mobile banking platforms to credit bureaus.

May 2009

- KARF and FSD found the Financial Sector Donor Working Group (FSDWG) and hold its first meeting to discuss the functionality, purpose and objectives of the group.
- KARF participates in the conference, *m-Banking 2009: Balancing Innovation and Regulation*, jointly sponsored by the Center for Emerging Market Enterprises (CEME) at The Fletcher School, Tufts University and the Kenya School of Monetary Studies (KSMS), an affiliate of the Central Bank of Kenya (CBK).

June 2009

- KARF begins research and analysis of the dairy sector to development financial products and services.
- The avocado harvest begins with encouraging early results.
- The Strengthening the Kenya Omena Fish Value Chain study was carried out and completed in June 2009.
- Results of the second national survey on access to finance in Kenya, FinAccess 2009, were launched.
- KARF helps the Central Bank of Kenya (CBK) to further prepare a draft request for assistance and it is submitted to USAID Kenya for discussion purposes.

RURAL FINANCE

Dairy Value Chain Research and Analysis

Based on written expressions of interest from participants in the agriculture value chain finance seminar, dairy was identified as an immediate opportunity where financial institutions require support in developing and implementing new products and services. In response, KARF initiated a partnership with Land-O-Lakes (LOL), implementer of the USAID funded Kenya Dairy Sector Competitiveness Program (KDSCP). Terms of the partnership and details of the assignment were negotiated in April and May. The research and analysis began in June with an expected conclusion of July 2009.

Scope of Work

The bullets outlined below detailed the tasks required to realize the goal of mapping the dairy value chain from a financier's perspective in order to drive out financial products to better facilitate the overall functionality of the sector. Not included are issues unrelated to the business and financing aspects of dairy production, processing and marketing. The critical tasks for analysis include:

- Review and reduce current documentation on the sector so that information is appropriate for supporting the provision of financial services;

- Survey key financial sector actors to determine qualified interest in terms of preferences for the potential development of products and services;
- Survey key risk management service providers to determine the extent of commercially available or publically-funded agricultural risk management services exist and associated costs (e.g. weather-based index insurance, price insurance, futures, options, etc.);
- Survey dairy agribusiness business actors at each transaction point in the value chain, understanding attendant goals, opportunities and constraints;
- Analyze data generated on qualified supply and disaggregate demand data to determine low-risk financing opportunities needed to improve the overall functionality of the value chain – within the framework of matching risk management, supply and demand;
- Devise and recommend to financial institutions high-impact, high-return, low-risk financing strategies to improve the overall functionality of the value chain using a largely private sector (and thus sustainable) strategy based on profit maximization, cost containment and risk management.

Sequencing and Time Required for Specific Tasks

The following table specifies the illustrative tasks, the tentative implementation dates and the expected level-of-effort (LOE) for the assignment.

Tasks	Implementation Dates	LOE (person days)
Review of extensive existing documentation on the dairy value chain to provide a general sense of market linkages between actors, market layers, margins, volume of transactions, etc.	June 5, 6	4
Lead a meeting with KARF, KDSCP and other stakeholders to discuss last minute changes to the SOW, finalize practical/actionable research objectives, select five representatives, commercialized milk sheds from KDSCP's portfolio and select KDSCP staff and consultants to serve as enumerators for data collection.	June 7	2
Conduct initial one-on-one meetings with financiers to ascertain interest in financing the sector, yielding a prima facie perspective on the degree to which particular institutions have an interest in dairy.	June 8, 9	4
Hold preliminary meetings with risk managers (insurers, guarantors, collateral managers, etc.) specified by KARF and KDSCP to develop an understanding of the mechanisms available to mitigate or lay-off financing risks.	June 10, 11	4
Develop field data questionnaires and information collection strategy/logistics, including travel and logistics plans and the training and use of enumerators.	June 12, 13	6
Run a group orientation for 15 to 20 enumerators providing a broad overview of research objectives, applicable tools and their use.	June 14	3

Tasks (continued from previous page)	Implementation Dates	LOE (person days)
Collect field data by enumerators for two weeks with telecommunication follow-up on a daily basis. (Rather than spending time in the field after orienting enumerators, KARF will follow-up by telephone and email to supervise the information gathering after enumerators are fully trained, thus reducing cost while delivering a reliable product.	June 22 – July 5	3
Review data collected with field teams and clarify data irregularities and ambiguities; identify missing data and develop and collection strategy.	July 6	3
Analysis and prepare strategy recommendation and initial financial products on a milk-shed by milk-shed basis.	July 7 - 11	15
Prepare and deliver a presentation of findings and recommendations to broad stakeholders.	July 13, 14	6
Draft final report	July 15, 16	6
	TOTAL LOE	76

Note: enumerator LOE is not included in the table above, only person days anticipated for KARF and Inspired Associates personnel.

Deliverables and Illustrative Outputs

Deliverables for the assignment will yield:

- A summary of documents reviewed;
- Field data questionnaires and a written data collection strategy;
- Presentations of the summary recommendations in PowerPoint for both the broad stakeholder audience and a financier audience;
- Summaries of potential financial products and strategies with a relative ranking segmented by feasibility and lender interest to possibly cover:
 - Savings products for inputs and veterinary services
 - Warehouse receipts/inventory credit products of raw and processed milk
 - Electronic payment systems for milk delivery and lines of credit secured by electronic records
 - Lease products for milk storage, transport and processing equipment
 - Structured trade products in which credit can be recovered from buyers
- A final deliverable including hard copies of spreadsheets clearly indicating values, volumes, timing, gross margins, returns and annualized returns on a milk shed-by-milk shed basis (written text will support the analysis, reviewing the relative opportunities for a financier with risks identified and attendant strategies developed.

Incremental Progress to Plan

Implementation began on schedule; however, difficulties were encountered in securing the services of qualified enumerators. An allowance for additional time to source enumerators

was built into a reconfigured LOE plan, increasing person days to complete the assignment, including supplementary personnel from KARF and Inspired Associates to directly oversee data collection in the field. The number of milk-sheds was reduced from five to four covering the production areas in Kabete, Nyeri, Nakuru and Eldoret. With these speedy adjustments to the SOW, the work will be completely on time but over cost outlined in the original budget.

Ideal Matunda

KARF continued its consultancy with Ideal Matunda. During the quarter, the avocado harvest began with substantial increases seen during the month of June versus quantities obtained during the previous period one year earlier. The harvest season ends in July and results will be reported in the September Quarterly Report.

Lake Victoria Fish

The Strengthening the Kenya Omena Fish Value Chain study was carried out in June 2009, based on the results of the Kenya Capture Fisheries study, a value chain finance case study jointly sponsored by the Kenya Access to Rural Finance (KARF) Project and the USAID AMAP Financial Services Knowledge Generation Project in July 2008. The team used a rapid assessment methodology, focusing primarily on the Omena value chain, to examine the current and potential fisheries financial service needs in the Kisumu Lake Region. The study looked into the current usage of rural finance resources, services and products, while also identifying alternative economic activities to fishing.

The Omena sector plays a significant role in the livelihood and food security, not only the inhabitants of the Nyanza district, but throughout urban regions in Nairobi to Mombasa. Furthermore, Omena is used as one of the most important animal proteins for the poultry feed industry in Kenya. The Omena fishery is currently valued at US \$200 million with the highest catch landings in Lake Victoria compared to Nile Perch and other species. However, results of the study showed that the financial services industry still views lending to sector participants as high risk. As a result, there are few financial products targeted at Omena processors or traders. Currently financial institutions offer limited asset financing targeted to fishermen and working capital loans for traders and processors are generally not available. Financial institutions also demonstrated a lack of understanding regarding the Omena business cycle, a lack of knowledge about the return on investment and the capacity of individuals to repay. As a result, Omena processors and traders have very limited options in terms of obtaining finance to upgrade and improve their drying systems.

The Omena processing industry is also dominated by women, which results in added layers of limitations particularly in accessing and controlling resources due to existing culture and tribal dynamics between fishermen and women. The main reasons for large numbers of women engaged in Omena processing as a livelihood is low start-up capital, ease of handling, long shelf life and unrestricted access to products. However, the strong existence of *Joboya* practices – also known as the sex for fish trade – limits the ability for these women to expand their businesses. Other constraints to business expansion include the low level of technology used for drying fish, which results in high spoilage and low quality due to

poor handling methods. The spoilage rate of Omena is poorly documented but a conservative estimate is about 25 to 30% of all Omena processed.

To help improve the value chain dynamics, KARF should work closely with local banks and MFIs to assist in product development, targeting Omena processors and traders. Although banks and MFIs are beginning to target the fishing community, more work could be done to enhance product offerings. A starting point could easily begin with improved market research on the expenditure and savings patterns of Omena traders and processors as to deepen the understanding of how household and business expenditures and income are intertwined. Market research – if done in conjunction with a financial service provider – would be a first step in understanding how to develop and provide working capital loans as well as appropriate savings products for this sector.

Second, KARF should work in partnership with other donors and organizations to increase leverage and efficiency of efforts and investments. Program activities could include working in tandem with the Private Sector Development for Agriculture (PSDA) program, a GTZ funded project, and/or assisting with the development of a Training/Training of Trainer program(s) on savings, lending and business cash flow within their program of strengthening the Omena value chain. With KARF's extensive network, the project could easily facilitate interactive forums with banks/MFIs/DTMs and Omena traders/processors to lessen the disconnect observed during the study such as misconceptions on the nature of business linkages between Omena processors, fishermen and traders.

Third, the study provided deeper insights for improving the livelihoods of HIV/AIDS-affected families by looking into upgrading and diversification opportunities beyond the fishing sector. The high occurrence of HIV/AIDS in this region is intertwined with the different aspects of cultural and sexual practices within fishing communities. The fish for sex trade, as a result of high poverty and unequal rights for widowers, serves as a main reason for the unstoppable spread of the disease. Current assistance programs working with these vulnerable groups generally do not address their constraints for diversification and upgrading of economic livelihoods. To maximize effort and investment, KARF should partner with organizations like WIFIP and other PEPFAR-funded NGOs in providing capacity building activities in finance or technology to strengthen economic activities (fishing, aquaculture, hyacinth handicrafts, and horticulture) for HIV/AIDS-affected communities.

PEACE BUILDING AND SOCIAL RECONSTRUCTION

Delivery of the TOT program and a pilot rollout for institutions of the training materials was scheduled for June, during the period this report covers. However, implementation was postponed until July. Execution of the pilot rollout will be summarized in the next reporting period, September 2009.

FINACCESS NATIONAL SURVEY 2009

The results of the second national survey on access to finance in Kenya, FinAccess 2009, were launched in June by Professor Njuguna Ndung'u, the Governor of the Central Bank. The results show that Kenya has made considerable progress in improving access over the two and a half years since the last study which was undertaken in 2006.

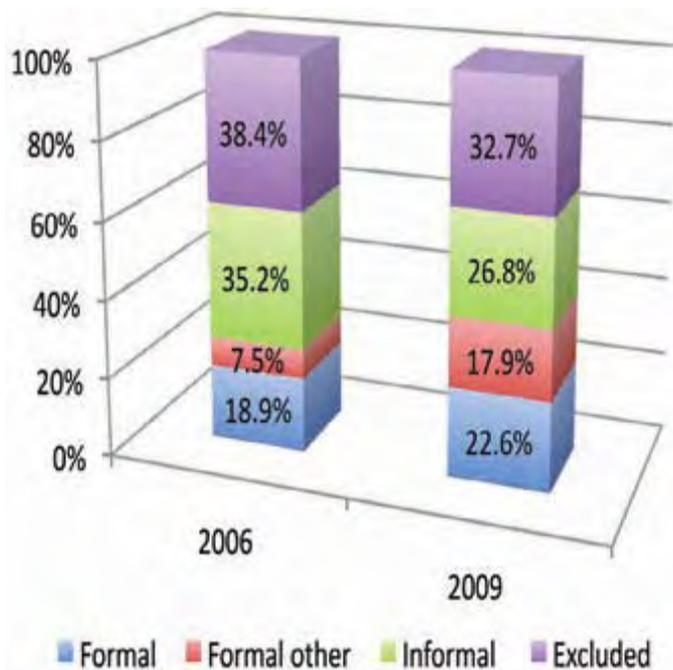
What is FinAccess?

FinAccess is a public-private sector initiative, jointly managed by the Central Bank of Kenya (CBK) and FSD Kenya. Financial sector institutions, government ministries, development agencies and research institutes came together to drive the process in the Financial Access Partnership (FAP) of which KARF is a member. The survey was undertaken by the research company, Synovate (formerly Steadmans), in February and March of this year with technical support from the Kenya National Bureau of Statistics and FinScope, a specialist international agency. Funding was provided by FSD Kenya, CBK, Commercial Bank of Africa, Equity Bank and Ministry of Finance.

Based on a large-scale national survey, FinAccess 2009 provides detailed information on the use of financial services in Kenya. People across the whole country, from all walks of life, were asked detailed questions about which services they use and why. Results from the first study (FinAccess 2006) showed that this information is invaluable to both policymakers and financial institutions. The data has been used to inform key policy such as the Vision 2030 and helped guide banks, micro-finance institutions and others in developing new products and services.

Key Findings

The overall findings on access to finance in the study are summarized in the chart below, which details encouraging developments. The level of financial exclusion – that is, people without access to any form of financial services – has fallen from 38.4% to 32.7% of the population. The usage of banking services has increased markedly, from 18.9% to 22.6%. However, the dramatic change came in access to 'formal other' institutions, increasing from 7.5% to 17.9%. Combined, the results demonstrate that the total proportion of people 'formally included' (able to access a service from formal sources: banks, SACCOs, MFIs and money transfer operators such as M-PESA) has increased significantly over the last two and a half years, from 26.4% to 40.5%.



Much of the dramatic change can be attributed to M-PESA which has changed the landscape of domestic remittances in Kenya. In the 2006, the first survey indicated that a mere 16.5% of respondents received money transfers but by 2009 this figure had grown over three times to 51.8%. In 2006, the most popular means of transfer was physical – using friends and family members to carry and give cash. After its launch, however, M-PESA has now become the most popular means of money transfer, now used by 39.9% of all adults.

While money transfer is clearly an important and much needed service, it is only one part of the financial service picture. Access to savings, credit and insurance are key elements of a complete service offer. It is encouraging to note the strong expansion into previously unserved markets by a number of banks, led by Equity Bank, over the last two and a half year. This increase, while lower than the dramatic expansion in the money transfer area, does represent a very substantial gain in a relatively short period and one which results in access to a much broader range of services.

The results show the proportion of those who are classified as ‘informally included’ has reduced significantly from 35.2% to 26.8%, reflecting the growing numbers who are now counted as ‘formally included.’ This positive trend hasn’t translated into a decline in the overall usage of informal services – rotating savings and credit associations, welfare and clan groups, etc. The overall level of usage of these mechanisms remained virtually unchanged with just over 50% of Kenyans using them. So while there is a trend towards greater use of formal services, many people continue to make use of informal mechanisms.

The Way Forward

Professor Ndung'u observed at the FinAccess launch that, "over the last five years, Kenya's financial landscape has considerably changed and the financial system is now offering a wide range of financial services to more Kenyans and to a wider geographical coverage than ever before. FinAccess 2009 marks a major contribution towards improving our understanding of the dynamics of the changing financial landscape in Kenya."

This understanding is important to both financial institutions in identifying new opportunities and the government in developing the policy and regulation needed to support a rapidly developing market. In the short term, the financial industry and related actors need deeper analysis of the new data to understand the full implications, while in the longer term the survey will need to be developed and periodically repeated. More in depth analysis is well underway and will also be made available shortly. Through FAP, KARF participates in ongoing research and analysis.

DCA LOAN GUARANTEE PROGRAM

The loan guarantees performed to plan, including the four closed in fiscal 2008. The uptake of additionality by Fina Bank and Kenya Commercial Bank demonstrated substantial increases. Likewise, Oiko Credit exhibited excellent utilization of its facility.

THE CENTRAL BANK OF KENYA

During the quarter, KARF helped the Central Bank of Kenya (CBK) to further prepare a draft request for assistance that was submitted to USAID Kenya for discussion purposes. A meeting was scheduled between USAID Kenya and the CBK for early July to discuss the opportunity for U.S. government assistance. The areas where the CBK seeks support include:

1. Refine and improve guidelines for branchless financial services through agency relationships;
2. Review and upgrade anti-money laundering (AML) and know your customer (KYC) guidelines;
3. Enhance crisis management capabilities;
4. Build risk-management capacity in deposit-taking microfinance supervision;
5. Review and improve the current legal and regulatory framework for credit reference bureaus;
6. Define and upgrade consumer protection for consumer of financial services.

LINKING MOBILE BANKING PLATFORMS TO CREDIT BUREAUS

The study that KARF facilitated on mobile banking and credit bureaus was widely circulated and, as a result, the program was asked to participate on a panel and present its findings. The conference, *m-Banking 2009: Balancing Innovation and Regulation*, was jointly

sponsored by the Center for Emerging Market Enterprises (CEME) at The Fletcher School, Tufts University and the Kenya School of Monetary Studies (KSMS), an affiliate of the Central Bank of Kenya (CBK). The conference was attended by leading Kenyan commercial banks, CGAP, the World Bank, M-PESA, the Bank of Tanzania, Telecom Orange, the Kenya Banker's Association, Reserve Bank of South Africa, the Ministry of Finance (Kenya), the Communication's Commission of Kenya, PayNet, Net1UEPS, Google, DAI and others.

FINANCIAL SECTOR DONOR WORKING GROUP

During the quarter, the second meeting of the Financial Sector Donor Working Group was held. Issues regarding group objectives and participation were further discussed and clarified. The next meeting is scheduled for September 2009.

EMERGING OPPORTUNITIES

Lake Victoria fish, particularly Omena, is seen as an important opportunity, although the value chain is fraught with numerous problems and, therefore, KARF will approach it methodically and with care.

PROBLEMS ENCOUNTERED

KARF is on track to meet or exceed all benchmarks specified in the Task Order. No problems were encountered during the quarter.

ANNEXES

ANNEX A: TECHNICAL DOCUMENTS (Cumulative)

Workplans/PMPs

- KARF Workplan and PMP (Life-of-Project, Including Year 1 Detail)
- KARF Workplan (Year 2)

Quarterly/Annual/Final Reports

- Quarterly Report, October 1, 2007 – March 30, 2008
- Quarterly Report, April 1, 2008 – June 30, 2008
- Quarterly Report, July 1, 2008 – September 30, 2008
- Annual Report, October 1, 2007 – September 30, 2008
- Quarterly Report, October 1, 2008 – December 30, 2008
- Quarterly Report, January 1, 2009 – March 31, 2009
- Quarterly Report, April 1 – June 30, 2009

Post-Election Violence

- AMFI Extraordinary Board Meeting Post-Election Violence Document
- Literature Review on Microfinance Disaster Responses
- Microfinance Post-Election Way Forward Paper
- Final Report on the Consultative Forum for CEOs
- Final Report on the Development of Microfinance Peace Building Initiatives
- Pilot Peace Building Training for MFIs in Kenya
- SAM Microfinance as a Tool for Promoting and Maintaining Peace in Conflict Areas presentation
- Final Curriculum for Peace Building (MFIs)
- Peace Building Trainer-of-Trainers (TOT) program

Avocado Value Chain

- KBDS Avocado Value Chain Lessons Learned
- Ideal Matunda Strategic Vision Document
- Ideal Matunda Pro-forma Financial Statements – Income statements, Balance Sheets, and Cash Flows
- Individual Farm Census Projections
- Ideal Matunda Partnership Agreement
- IFG (Ideal Farmer Group) Bylaws
- IFG Rights and Responsibilities
- IFG Loan Application
- IFG Loan Agreement
- IFG to Individual Loan Agreements
- Treasurer Books
- Secretary Book
- Factory Lease Agreement

- Crude Oil Equipment Lease

Lake Victoria Fish Value Chain

- The Role of Financial Services in the Economic Empowerment of AIDS-Affected Households: A Review of Practice and Options in Kenya
- Economic Empowerment of People Living with or Affected by HIV/AIDS: a Review of Financial Sector Options
- MicroNOTE 50: Growth, Finance and the Triple Bottom Line in Kenya's Fisheries Value Chain
- The Kenya Capture Fisheries Value Chain: An AMAP-FSKG Value Chain Finance Case Study, MicroREPORT #122
- Strengthening the Kenya Omena Value Chain

Maize Value Chain

- Maize Warehouse Receipting Presentation to Banks
- Case Study: Uganda-Kenya Cross Border Maize Trade

Value Chain Finance

- Final Report: Value Chain Financing Seminar

Development Credit Authority

- DCA Report Card Template

Mobile Banking and Credit Bureaus

- Mobile Banking – the Key to Building Credit History for the Poor? Kenya Case Study: Linking Mobile Banking and Mobile Payment Platforms to Credit Bureaus

ANNEX B: WORKSHOPS/TRAININGS/FORUMS (Cumulative)

Association of Microfinance Institutions

- Three-day SEEP Frame Tool for AMFI Membership

Post-Election Violence: Peace Building and Social Reconstruction

- MFI Emergency Post-Election Crisis Meeting (KARF, AMFI and FSD Trust)
- AMFI Extraordinary Board Meeting on Post-Election Crisis
- First Industry Forum on the Impact of Post Election Violence on Microfinance Providers and Potential Responses
- Second Industry Forum on the Impact of Post Election Violence on Microfinance Providers and Potential Responses
- One-day workshop on Social Reconstruction and Peace Building in Kenya: A Consultative Forum for CEOs of Microfinance Institutions (Phase I of the overall activity)
- Introductory seminar to the CEOs of leading MFIs and banks in conflict mitigation and response
- Pilot Peace Building Training for MFIs in Kenya in Nairobi, Eldoret and Kisumu

Avocadoes

- Two-day Strategic Vision Workshop for Ideal Matunda
- Two-day Operational and Financial Planning Workshop for Ideal Matunda
- Two-day business re-forecasting workshop for Ideal Matunda, running a sensitivity analysis on its pro-forma financials and actual expenses/revenues based on increased growth and the reengineered business model
- Pest and disease control seminar for new spraying providers

HIV/AIDs and Financial Services

- Economic Empowerment of People Living with or Affected by HIV/AIDS: a Review of Financial Sector Options

Maize

- Warehouse Receipting for potential banks and other financiers to promote additional entry and competition in the marketplace

School of Applied Microfinance

- Microfinance as a Tool for Promoting and Maintaining Peace in Conflict Areas

Value Chain Finance

- Agriculture Value Chain Finance Seminar

Mobile Banking and Credit Bureaus

- m-Banking 2009: Balancing Innovation and Regulation

ANNEX C: PARTNERSHIPS AND COLLABORATIONS

	Name:	Activity:
1.	Association of Microfinance Institutions	Post-election crisis response
2.	FSD Trust	Post-election crisis assistance and funding/RAF Market Assessment, Lake Victoria fish value chain diagnostic
3.	USAID Office of Development Credit	Post-election crisis liquidity facilities and new DCAs
4.	Equity Bank	Post-election crisis liquidity DCA (existing), Lake Victoria fish value chain product development
5.	Oiko Credit	Post-election crisis liquidity DCA (existing)
6.	K-Rep Bank	Water DCA (existing) and SME DCA (existing)
7.	Faulu	Micro health DCA (existing)
8.	Jitigeme Trust	Debt/equity DCA (postponed)
9.	Fina Bank	SME DCA (existing)
10.	Kenya Commercial Bank	SME DCA (existing)
11.	Cooperative Bank of Kenya	Multiple DCAs (existing)
12.	Water Sanitation Program (World Bank)	K-Rep water DCA
13.	USAID Kenya Office of Public Health	Water DCA
14.	Kenya Business Development Services	Avocado value chain
15.	Ideal Matunda	Avocado value chain
16.	Central Bank of Kenya	RAF market assessment (update)
17.	Women Advancing Microfinance	Peace building, social reconstruction
18.	Women's Network of Agricultural Exporters	Agriculture finance
19.	JM Matunda	Avocado value chain
20.	Cameta	Avocado value chain
21.	USAID's AMAP (Office of Microenterprise Development)	Lake Victoria fish value chain diagnostic
22.	School of Applied Microfinance	Peace and social reconstruction training for banks, MFIs and SACCOs
23.	Inspired Associates	Maize cross-border trade finance
24.	USAID Uganda's LEAD program	Maize cross-border trade finance
25.	Stanbic	Maize cross-border trade finance
26.	Unga Millers	Maize cross-border trade finance
27.	Financial Access Partnership (FAP)	FinAccess National Survey 2009

28.	Financial Sector Donor Working Group	Coordination of activities/information sharing
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ANNEX E: IMPLEMENTATION CHRONOLOGY (Cumulative)

October 2007

- KARF implementation formally begins and running concurrent with Kenya Microfinance Capacity Building Program (also implemented by DAI); both are administered by the same project management team.
- KARF holds project kick-off workshop with KEMCAP and other potential partners to begin integrating them into KARF project design and implementation.

November 2007

- KARF attends the 3rd Annual BDS conference in Mombasa.
- KARF signs a Memo of Understanding and Confidentiality Agreement with Ideal Matunda to support their work in avocado production and marketing with smallholder farmers.

December 2007

- Ideal Matunda produces a lessons learned paper based on the multi-year KBDS experience.
- KARF supports AMFI in its delivery of a three-day workshop on the SEEP Frame Tool.
- Kenyan presidential and parliamentary elections held.

January 2008

- Post-election erupts, causing widespread implementation confusion and uncertainty. The microfinance industry and their clientele are deeply affected.
- KARF, AMFI, and FSD convene an emergency meeting on how to support the troubled microfinance industry.
- KARF, AMFI and FSD prepare a literature review on *Microfinance Disaster Responses* to help guide the industry.
- AMFI, assisted by KARF, holds extraordinary board meeting on the crisis and documents its discussions.
- AMFI, assisted by KARF, convenes the First Industry Forum on the Impact of Post Election Violence on Microfinance Providers and Potential Responses.
- AMFI, assisted by KARF, drafts a paper summarizing the findings and a way forward from the Industry Forum.
- KEMCAP ends.

February 2007

- AMFI, assisted by KARF, holds the Second Industry Forum on the Impact of Post Election Violence on Microfinance Providers and Potential Responses, vetting the draft paper for discussion and adoption.
- KARF, AMFI and FSD design a three-pronged solution to the crisis facing the microfinance industry: (1) a \$10 mm liquidity fund backed by the Development Credit Authority; (2) a technical assistance fund to support struggling MFIs meet the demands of the radically altered lending environment; and (3), a conflict prevention and mitigation response activity to support peace building and social reconstruction.
- The Office of Development Credit conducts its first post conflict on-site assessment, assisting KARF and the MFI industry to structure a rescue facility backed a potential \$10 mm DCA facility.

March 2008

- The Office of Development Credit conducts its second on-site risk assessment. ODC undertakes a due diligence risk assessment of Equity Bank and Oiko Credit. Both are potential partners of the MFI rescue facility. The ODC examiner reviews two other potential transactions. One is a micro health insurance product with Faulu. The other supports debt/equity investment by a MFI wholesaler with Jitegemee Trust.
- KARF, AMFI and FSD finalize a three-pronged solution to the crisis facing the microfinance industry: (1) a \$10 mm liquidity fund backed by the Development Credit Authority; (2) a technical assistance fund to support struggling MFIs meet the demands of the radically altered lending environment; and (3), a conflict prevention and mitigation response activity to support peace building and social reconstruction.

April 2008

- KARF conducts a one-day workshop on Social Reconstruction and Peace Building in Kenya: A Consultative Forum for CEOs of Microfinance Institutions (Phase I of the overall activity).
- KARF issues a final report on the consultative forum for CEOs.
- KARF, USAID Kenya and the Financial Services Deepening Trust participate in a conference call with the Credit Review board, providing a justification for the microfinance liquidity fund guarantee.
- USAID Credit Review Board approves the \$10 million microfinance liquidity fund guarantee to Equity Bank and Oiko Credit. The \$433,500 subsidy is paid by FSD.

May 2008

- KARF delivers a two-day workshop with Ideal Matunda, providing them with a new strategy for growth and development (i.e. the company's business reengineering that sets the plan for moving from a donor funded project dependent on subsidies to independence and sustainability).
- KARF contracts Cameta to assist Ideal Matunda with Table Banking activities in the avocado value chain.

June 2008

- KARF and USAID Kenya participate in a conference call with the Credit Review board, providing a justification for the community water loan guarantee.
- USAID Credit Review Board approves the \$5 million community water loan guarantee with K-Rep Bank as the lender and the World Bank as a technical assistance provider and value chain manager. The \$365,000 subsidy is paid by USAID Washington.
- KARF facilitates a two-day operational and financial planning workshop for Ideal Matunda.
- KARF begins planning for an assessment of the Lake Victoria fish and HIV/AIDs value chains, coordinating with USAID Kenya, AMAP, DAI Washington and FSD Trust.

July 2008

- KARF begins and concludes an analysis, financed by AMAP Financial Services Knowledge Generation (FSKG), in the fisheries value chain in order to develop a Value Chain Upgrading Plan that addresses critical finance constraints consistent with key stakeholders' business plans and capacities (with the focus placed on lake capture fisheries but also including a rapid assessment of the Indian Ocean capture fisheries to explore potential for intra sub-sector financing similarities).
- KARF undertakes an assessment, financed by the Financial Services Deeping Trust, in the areas of HIV/AIDs and financial services. The assessment animated opportunities for KARF in the HIV/AIDs value chain and potentially highlighted the intersection of HIV/AIDs issues and potential financial service responses in the fish producing region of Lake Victoria. The review and analysis assisted FSDT to assess the prospects of defining a market-based approach to developing financial services in Kenya for the prevention of HIV transmission and to mitigate the economic impact of HIV/AIDS.
- KARF pioneers a quarterly report card for partner DCA financial institutions as a means to monitor partner performance, suggest improvements and take corrective action under the USAID DCA loan guarantee program.

- Based on the findings from the HIV/AIDs and financial services assessment financed by FSDT, KARF delivers a workshop on its key findings and recommendations for donors and industry stakeholders titled, “Economic Empowerment of People Living with or Affected by HIV/AIDS: a Review of Financial Sector Options.”
- KARF delivers a one-day workshop and presentation for the FSDT on Warehouse Receipting in maize for potential banks and other financiers to promote additional entry and competition in the marketplace.

August 2008

- KARF completes its findings and recommendations for FSDT in a paper titled, “The Role of Financial Services in the Economic Empowerment of AIDS-Affected Households: A Review of Practice and Options in Kenya.”
- KARF assists Ideal Matunda in its effort to greatly improve smallholder group solidarity and individual farmer profitability by designing and introducing a system to ‘lock-in’ farmer participation to eliminate ‘side selling’ using a new approach to financing through embedded savings and credit.
- KARF designs and introduces new documentation for Ideal Matunda to guide saving and credit methodology for smallholder avocado farmers.
- KARF leads a two-day business re-forecasting workshop for Ideal Matunda, running a sensitivity analysis on its pro-forma financials and actual expenses/revenues based on increased growth and the reengineered business model.
- KARF delivers an introductory seminar to the CEOs of leading MFIs and banks in conflict mitigation.
- KARF prepares a final report on the Development of Microfinance Peace Building Initiatives.

September 2008

- KARF and USAID Kenya participate in a conference call with the USAID DCA Credit Review board, providing a justification for the micro-health insurance loan guarantee.
- USAID Credit Review Board approves a \$5 mm micro-health insurance DCA loan guarantee with Faulu. The \$250,000 subsidy is paid by USAID Washington.
- USAID Kenya mission director signs and authorizes for implementation four new DCA loan guarantees prepared during the fiscal year (K-Rep community water, Oiko Credit MFI/SACCO liquidity, Equity Bank MFI/SACCO liquidity, and Faulu micro health insurance).
- Ideal Matunda, using a new legal agreement prepared by KARF, contracts smallholder avocado farmers implementing the approach designed in August.
- KARF prepares and delivers a presentation at the School of Applied Microfinance (SAM) in Mombasa on the subject: Microfinance as a Tool for Promoting and Maintaining Peace in Conflict Areas.
- KARF prepares and delivers a training on Pilot Peace Building Training for MFIs in Kenya in Nairobi, Eldoret and Kisumu.
- KARF facilitates pest and disease control seminar for new spraying providers to keep pace with Ideal Matunda’s growing business.

October 2008

- KARF enters into a strategic partnership with Inspired Associates, LTD. – a Uganda-based constancy, specializing in a broad range of financial services activities, including agriculture value chains, agribusiness, micro and SME, etc.
- KARF begins working with Ideal Matunda in Central Kenya to implement new financing arrangements and documentation.
- KARF finalizes two papers in Lake Victoria fish from work undertaken the previous quarter (MicroNOTE 50: Growth, Finance and the Triple Bottom Line in Kenya’s Fisheries Value Chain; The Kenya Capture Fisheries Value Chain: An AMAP-FSKG Value Chain Finance Case Study, MicroREPORT #122).
- Oiko Credit begins disbursing loans under the DCA loan guarantee finalized the previous month.

November 2008

- KARF and Inspired Associates conceptualize and develop a cross-border maize finance scheme and trade strategy.
- KARF refines training materials and a final curriculum for the Association of Microfinance Institutions (AMFI) and the Financial Services Deepening Trust (FSD) on the Phase III Peace Building and Social Reconstruction program
- KARF participates in the design work, as a member of the Financial Access Partnership (FAP), leading to the enumeration of data collection for the FinAccess National Survey 2009.

December 2008

- KARF negotiates a Memorandum of Understanding with USAID's Livelihoods and Enterprises for Agricultural Development (LEAD) Project in Uganda to support producer organizations and Stanbic in order to facilitate a cross-border maize finance scheme and trade strategy.
- KARF begins work on a Trainer-of-Trainers Program so that it can begin the delivery of comprehensive and country-wide program on Phase III Peace Building and Social Reconstruction for its membership.
- KARF supports AMFI in its delivery of a three-day workshop on the SEEP Frame Tool.
- KARF starts discussions with the Central Bank of Kenya to provide technical assistance and capacity building in six discrete topical areas.

January 2009

- KARF signs a Memorandum of Understanding (MOU) with USAID's Livelihoods and Enterprises for Agricultural Development (LEAD) Project in Uganda to support producer organizations and Stanbic in order to facilitate a cross-border maize finance scheme and trade strategy.
- KARF helps secure funding for research and the completion of a study financed by the Micro Enterprise Office of USAID Washington on linking mobile banking platforms to credit bureaus.

February 2009

- KARF and FSD found the Financial Sector Donor Working Group and hold its first meeting to discuss the functionality, purpose and objectives of the group.
- KARF begins planning additional work in the fish sector and develops SOWs that were submitted to USAID Kenya for approval.
- KARF assists Ideal Matunda to locate a suitable factory for the processing and storage of avocados and helps with structuring and negotiating the terms of the facilities lease, in addition to providing similar support with the lease of processing equipment.
- KARF supports Ideal Matunda to source buyers in Greece and South Africa for processed crude avocado oil and negotiate terms.

March 2009

- KARF conducts an agriculture value chain finance seminar for financiers and donors involved in the sector.
- KARF completes its revisions of and finalizes the Peace Building and Social Reconstruction training materials and a final curriculum for the Association of Microfinance Institutions (AMFI) and Financial Services Deepening Kenya (FSD).
- KARF finalizes work on a Trainer-of-Trainers (TOT) program for AMFI so that it can begin the delivery of a comprehensive and country-wide program on Phase III Peace Building and Social Reconstruction for its membership.
- The study on linking mobile banking platforms to credit bureaus is completed.

April 2009

- KARF develops a Scope-of-Work (SOW) for an extensive analysis of the dairy value chain, targeting the identification of financing strategies for agribusinesses through partnership with Kenyan financial institutions.
- KARF helps secure funding for research and the completion of a study financed by the Micro Enterprise Office of USAID Washington on linking mobile banking platforms to credit bureaus.

May 2009

- KARF and FSD found the Financial Sector Donor Working Group (FSDWG) and hold its first meeting to discuss the functionality, purpose and objectives of the group.
- KARF participates in the conference, *m-Banking 2009: Balancing Innovation and Regulation*, jointly sponsored by the Center for Emerging Market Enterprises (CEME) at The Fletcher School, Tufts University and the Kenya School of Monetary Studies (KSMS), an affiliate of the Central Bank of Kenya (CBK).

June 2009

- KARF begins research and analysis of the dairy sector to development financial products and services.
- The avocado harvest begins with encouraging early results.
- The Strengthening the Kenya Omena Fish Value Chain study was carried out and completed in June 2009.
- Results of the second national survey on access to finance in Kenya, FinAccess 2009, were launched.
- KARF helps the Central Bank of Kenya (CBK) to further prepare a draft request for assistance and it is submitted to USAID Kenya for discussion purposes.