KENYA ACCESS TO RURAL FINANCE

QUARTERLY REPORT:
JULY 2008 – SEPTEMBER 2008

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QUARTERLY REPORT

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INTRODUCTION

The current quarterly report for the Kenya Access to Rural Finance project covers the period July 1, 2008 through September 30, 2008.

During this period, the much improved security situation in Kenya allowed the Program to refocus on contractual objectives and deliverables. At the conclusion of the quarter and USAID fiscal year, KARF had exceeded the majority of its first year benchmarks. The Program is therefore on target to meet all metrics specified in the Task Order.

KARF also continued to devote time and other resources to the post-election violence response working closely with the Association of Microfinance Institutions, the Financial Services Deepening Trust and the newly implemented Overseas Transition Initiatives activity, named the Kenya Transition Initiative, funded by the US government.

KARF helped to fund and close an additional DCA loan guarantee in micro-health insurance with an indigenous and leading microfinance institution. The Program assisted USAID Kenya in preparing legal agreements for the four DCA loan guarantees initiated during the current calendar year. The USAID Kenya mission director endorsed each agreement, authorizing all for implementation.

As Kenya stabilized politically and economically, KARF began to directly engage the avocado value chain working with Ideal Matunda, a private-sector agribusiness company. The Program began planning potential interventions in the Lake Victoria fish value chain and in HIV/AIDs affected populations.

Planning for the Rural Agriculture Finance assessment started with the Central Bank, the Financial Services Deepening Trust (FSDT) and other financial sector participants.

IMPLEMENTATION CHRONOLOGY

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.

POST-ELECTION VIOLENCE RESPONSE

Phase Two: Peace Building and Social Reconstruction

Working together with the Association of Microfinance Institutions (financed by FSDT), KARF began to implement Phase Two of the Peace Building and Social Reconstruction activity for MFIs. FSDT contracted and provided AMFI with a $120,000 grant to manage this next step in the process of gearing MFIs and their clientele to help prevent future outbreaks of violence and other forms of destructive behaviors in their communities and across the country. AMFI, in turn, contracted DAI through KARF to develop the overall strategy, design training materials and the delivery methodology.

KARF coordinated closely with the new DAI project – Kenya Transition Initiatives (KTI) – funded by the US government's Overseas Transition Initiatives (OTI) in Phase Two. KTI's lead advisor, a Kenyan national, led the overall technical effort, working with a senior microfinance professional, also a Kenyan national. KARF oversaw implementation ensuring that deliverables were met on-time and within budgetary parameters.

As part of the process, the Program met with Chief Executive Officers of leading banks and non-bank MFIs to garner their endorsement for and feedback on Phase Two, while introducing the senior executives to more specific notions of conflict mitigation and resolution. Using a detailed questionnaire, the team gathered important feedback and information from the CEOs on:

- The relationship chain – i.e. perpetrators of violence, financial institutions and their clientele.
- Guidelines for CEOs and their institutions.
- An overarching problem statement.
- Specific responses to violence.
- An outline for a way forward, animating Phase Two.

Next, the team developed a methodology for consultations with financial institutions, specific to each region of Kenya; afterwards, a questionnaire was developed for meeting with and gathering information from managers and line workers from each institution. The team then proceeded to collect and consolidate responses from across the country with a primary focus on Nairobi, Eldoret, Kisumu, Nakuru and Mombasa.

The team prepared a draft report on its findings and recommendations that were subsequently vetted in a workshop for all stakeholders to garner feedback and influence the final outcome of the report. The report was finalized and distributed widely throughout the financial sector (including the Central Bank of Kenya and the Ministry of Finance), the Government of Kenya, parliament, peace networks, other NGOs and the donor community.

With wide-spread stakeholder consensus on the crucial role financial services have to offer in peace building and crisis mitigation, the team began designing materials to pilot train a small group of credit officers on their role and responsibility as change agents and peace activists. Financial institutions and MFIs in particular have far reaching branch networks

that penetrate each region and province of the country, often much deeper than the vast majority of banks. MFIs work with economically marginalized populations, which most banks do not serve and many of their clientele have the potential to mitigate violence in their communities. It was broadly agreed that the prevention of violence is part of their collective and individual self-interest at both levels. MFIs and their clientele should work together to prevent violence before it begins since destructive behavior directly impacts business sustainability and individual economic livelihoods as well as the ability of the financial community to service the ongoing needs of micro entrepreneurs (and their families).

The Program then prepared materials for a pilot training program for forty credit officers and senior managers from a range of banks and non-bank MFIs. A workshop was held in Nairobi and Kisumu for MFIs on peace building and crisis mitigation. Afterwards, based on participant responses, the materials were reviewed and adjusted for a larger scale roll-out.

During the upcoming quarter, the Program will work with AMFI and FSDT on the design a larger-scale, country-wide, rollout with the intent of training 3,500 credit officers, who work with over approximately two million micro entrepreneurs (ten million potential beneficiaries, assuming each person has a five-person household).

DEVELOPMENT CREDIT AUTHORITY

During the reporting period, KARF and USAID Kenya participated in a conference call with the Credit Review Board (CRB), providing a justification for the micro-health insurance loan guarantee program. The CRB unanimously approved the $5,000,000 loan guarantee with Faulu. The $250,000 subsidy was paid by USAID Washington.

The Program worked with the USAID Legal Regional Advisor, USAID Kenya Technical Office (Agriculture, Business and Environment Office - ABEO), USAID Washington Office of Development Credit, and each partner financial institution to finalize individual loan agreements for signature by the mission director. By the September 30 deadline, the USAID Kenya mission director signed and authorized for implementation four new DCA agreements (K-Rep community water, Oiko Credit MFI/SACCO liquidity, Equity Bank MFI/SACCO liquidity and Faulu micro health insurance).

USAID Kenya has six active loan guarantees with seven institutions, the largest number of DCAs for any country, according to the Office of Development Credit in Washington.

Partner Financial Institution	Type of DCA	Guarantee Value
K-Rep Bank	SME (women owned)	$3,200,000
K-Rep Bank	Community water	$5,000,000
Fina Bank	SME	$5,000,000
Kenya Commercial Bank	SME, agriculture	$7,900,000
Equity Bank	Microfinance liquidity	$5,000,000
Oiko Credit	Microfinance liquidity	$5,000,000
Faulu	Micro health insurance	$5,000,000

At the conclusion of the annual reporting period, KARF ended with a total of $36,100,000 in DCA loan guarantees after beginning with $23,100,000 – an increase of $13,100,000 and a net gain of 57 percent.

USAID Kenya has a total portfolio of $36,100,000 in DCA loan guarantees, covering a broad range of activities. These guarantees will, in turn, generate many multiples of loans extended by financial partners using their own financial resources (far exceeding the $36,100,000 in guarantees placed by USAID).

During the upcoming quarter, KARF will work closely with its new partners on the implementation of their financial products (and in some cases, assisting in design and implementation) and training on the entry of loan information into the USAID reporting system.

As part of the new package of DCAs issued, KARF designed a report card system for partner financial institutions as a means to monitor performance, suggest improvements and take corrective action. Quarterly report cards will also help ensure that regular performance information is received by the chief executive of the institution, including his or her senior managers. In many cases, and in particular with larger institutions, CEOs do not always receive information on DCA performance due to time constraints, focus on other issues, etc. The report card will help disperse performance data throughout the financial institution and USAID, creating an important paper trail.

RURAL FINANCE

Avocados

KARF deepened its partnership with Ideal Matunda by assisting it to strengthen and add multiple core business functions, in addition to boarding the range of financial services offered to smallholder farmers.

Growing from a donor-dependent project to a financially independent, sustainable and commercially-oriented business has required a significant deployment of time, and to a lesser degree, financial resources by the Program. KARF views the effort as worthwhile since tremendous opportunities exist in the avocado value chain for domestic consumption and export, as well as higher value addition in processing for juice and cosmetics.

Demand far outstrips local capacity to supply the various market pathways. The primary difficulties to supply reside in two challenging areas: organizing the smallholder value chain and upgrading the business capacity of Ideal Matunda to manage the process from production to market.

Moreover, avocado production can be viewed as a food security issue – i.e. improvements to quality and quantity of fruit at the farm level leads to increased monetary payments to producers, who use cash proceeds to improve and diversify dietary consumption.

Smallholder Farmer (producers)

Smallholders face a plethora of problems relative to running their household plots as family businesses, principally:

- The system of production, transport and sales is dysfunctional and works to keep small producers impoverished. Farmers require specific assistance to care for and maintain their trees at optimal production capacity (quality and quantity), especially in grafting, pruning, disease and pest control (and following controlled and precise regimes).

  Harvesting and post-harvest transport are also crucial time-bound considerations. Generally, left on their own, failure to comply with one or some, or all of these important agronomic practices has potentially devastating consequences on quality and quantity, resulting in significant losses which cause reduced incomes for families – families that survive at subsistence levels.

- Previously, Ideal Matunda introduced donor-subsidized methodologies to overcome these obstacles for the benefit of the farmers and their families. During this time frame, approximately five years, Ideal began to view the avocado value chain as a business opportunity grounded in commercial practices (managing the chain from production to market).

  Gradually with assistance from USAID Kenya, a system was introduced to finance extension services outlined above working with a local bank. The system was, however, imperfect and fraught with numerous problems, many unforeseen. Difficulties included: delays in payments to farmers following bulked sales to exporters; damage of produce during transport, disputes over grading, quality and volumes; etc. – causing farmers to side-sell to middlemen and brokers for reduced prices but for cash at the point of sale.

- The practice of side-selling created harmful knock-on effects for both farmers and Ideal Matunda. Farmers lost faith in the new system and grew frustrated with Ideal, a business designed to help them, and it re-enforced long-held bad practices, even though production yields improved and quality increased. Ideal, as well, lost conviction in the system designed, while discovering a new range of issues that had to be overcome beyond production, harvest, post-harvest handling, transport and sales to exporters.

  Ultimately, side selling negatively impacted the ability of Ideal to operate with a strictly commercial orientation and on a for-profit basis. The situation had the potential to create an ongoing donor dependency, or mentality at a minimum, resulting in no real solution to assist smallholder producers and their families.

A New Approach and Solution

The crux of the problem facing farmers and ideal was the plague of side selling and the negative cascade of incidental effects. The original credit scheme designed in partnership with a local bank, in combination with down-grading fruit quality, at the point of purchase with exporters, led to side selling with brokers for immediate cash at the farm gate. In

addition, farmers had little to no incentive to meet weekly to overcome common problems since avocado, like maize, is primarily a single season agricultural commodity, unlike passion and dairy, which are sold daily.

To overcome the financing and settlement dilemma, the Program first proposed and designed an embedded credit scheme. At the beginning of the season, Ideal would lend to farmers so that they could meet their immediate and future seasonal agricultural needs for extension services. The Program helped Ideal negotiate a revolving line of credit with a local bank to meet its operational and financing needs. Ideal would therefore be adequately capitalized to run its business and execute the new model.

Next farmer groups had to strengthened and incentivized to meet weekly since the Ideal loan would be dispersed through a group mechanism. Farmers would receive their loans through their group with each individual co-guaranteeing one another. As a means to entice farmers to meet weekly, not only to ensure proper loan management and that the proceeds were used to strictly follow best agronomic practices, a mandatory internal savings and loan program was introduced, allowing farmers to make weekly contributions to a self-managed account with the proceeds lent out to members of the group.

Three new financial products were pioneered:

(1) An operational loan from a local bank to Ideal to meet on-going cash requirements
(2) An embedded credit product (external loan) from Ideal to farmers to meet producer needs
(3) A village banking, self-managed, group saving and loan product (internal account) to bolster group solidarity, ensure weekly meeting attendance thus promoting adherence to following agronomic and extension best practices and to ultimately eliminate side selling.

Previously, farmer participation with Ideal was voluntary. Farmers were not expected to purchase extension services from Ideal or other providers. Under the new system, participation was mandatory. Ideal signed contracts with groups and farmers to participate in the external loan and internal account, purchase extension services from Ideal, and sell their fruit to Ideal at the farm gate (less the external loan and cost of services). Ideal would bear the risk of transport, down-grading of fruit at the export gate and negotiating with exporters.

At the farm level, the Program designed and helped Ideal implement the following documentation.

Documentation	**Purpose**
1. Individual Farm Census Projections	Details quantity of fruit expected for sale (benefiting producer and Ideal)
2. Ideal Matunda Partnership Agreement	Locks producers into partnership with Ideal
3. IFG (Ideal Farmer Group) Bylaws	Details governance of each group
4. IFG Rights and Responsibilities	Outlines mutual rights and responsibilities between producer members and Ideal

5. IFG Loan Application	Loan application from IFG to Ideal
6. IFG Loan Agreement	Loan agreement between IFG and Ideal
7. IFG to Individual Loan Agreements	Loan agreement between IFG and individual member
8. Treasurer Books	Tracks external loan and internal account activity
9. Secretary Book	Records weekly meeting attendance, decisions and actions

Over the course of the period, KARF held three important workshops and trainings for Ideal.

Workshop	**Problem addressed**
1. Financial Service Documentation	Farmer group solidarity; side selling; reliance on an external financier to fund inputs and spray services; adherence to pest and disease control regimes; reduced consolidation of production and low levels of bargaining power with exports, etc.
2. Business Reforecasting	Aligns business model and previous pro-forma financials with increased growth and new realities; introduces the full Ideal team to the importance of following weekly, monthly, quarterly and annual plans and interdependencies/linkages (i.e. strategy to operations to financials).
3. Pest and disease control for spraying	Adds additional and required personnel to keep pace with new farmers and groups so quality and quantity of fruit is held to standard; enforces the system of embedded finance and new business documentation; enhances the potential for Ideal profitability.

Lake Victoria Fish

With financing secured from AMAP Financial Services Knowledge Generation (FSKG) to pay in the Lake Victoria and capture fisheries value chain, a DAI Bethesda team began their analysis in country. The study focused on:

- Previous analysis undertaken by USAID Kenya 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 in financing needs).
- The ability of potential suppliers of finance including banks, NGOs and other value chain actors to unlock the competitiveness through the provision of financial services.
- The fish Value Chain Finance Guidelines developed in the analysis of the upgrading strategy for the fisheries value chain.

It is expected that the results of the work will be published in two papers during the upcoming quarter.

HIV/AIDs and Financial Services

KARF also began an assessment of the HIV/AIDs and financial services financed by FSDT. The Program published its findings 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" and, in addition, KARF delivered a workshop on its key findings and recommendations for donor and industry stakeholders, named, "Economic Empowerment of People Living with or Affected by HIV/AIDS: a Review of Financial Sector Options." KARF determined that FSDT is best suited to support opportunities addressing the constraints of HIV/AIDs population through its existing projects. FSDT has unique comparative advantage in a number of areas in, for example: rural finance, G2P payments and consumer education. In these areas, the trust could potentially deepen the impact of existing services throughout the target demographic.

FSD should:

- Conduct further analysis and the piloting of financing the deployment of labor-saving agricultural inputs and approaches and testing the ability of improvised farmers to bear debt and the interest of financial institutions to provide funding through the creation of customized financial products and services.
- Add a new project under its G2P payments program, thereby supporting the expansion of Government of Kenya and UNICEF cash transfers to utilize more efficient payment mechanisms. Increasing efficiency will improve and expand access for the poor to the financial sector and deepen payment system penetration.
- Expand current consumer education initiatives that address legacy planning (including both the legal and financial issues) and financial issues surrounding inheritance and children rights into its Core Financial System activities.

With its recommendations accepted by FSDT and its stakeholder, KARF will examine opportunities to partner and move the agenda forward over the coming months.

Maize Warehouse Receipting

During the reporting period KARF brokered financing from FSDT to DAI Bethesda to finance a maize warehouse receipting workshop, designed to 'crowd in' other financial institutions. Previously, DAI, under the Kenya Microfinance Capacity Building Program (KEMCAP), designed a warehouse receipt system for Cooperative Bank of Kenya that was eventually implemented by Equity Bank. KEMCAP introduced the system to Equity Bank and it remains the only financial institution involved in financing the storage of maize in Kenya.

KARF led a workshop in July, bringing together a range of financial sector participants. The institutions were introduced to financing opportunities in the value chain from production to market, including storage.

During the workshop, KARF held discussions with a small group of institutions on the possibility of financing the importation of maize from Uganda (a surplus country) to Kenya (a deficit country). This opportunity would help obviate food security issues in Kenya,

particularly in the leading household stable consumed in Kenya – Ugali, a maize derivative. The prospects for this transaction appear promising. KARF will begin to analyze the market pathway for and potential actors involved in importation during the upcoming quarter.

RURAL AGRICULTURE FINANCE ASSESSMENT

In 2006, FSD Kenya funded the first nationally representative survey on access to financial services in Kenya, referred to as FinAccess 2006. The survey produced valuable insight into the demand for and use of financial services throughout the country. Following the success of FinAccess, gaps were identified by users of the survey, leading to a follow-on survey set to begin in 2008. Implementation was delayed as a result of post-election violence.

A cross-section of stakeholders was assembled to oversee the new survey activity and the resulting stakeholder group – the Financial Access Partnership – chaired by the Central Bank of Kenya (CBK) requested that USAID join the partnership through its steering committee. On behalf of USAID, KARF became a member for partnership. KARF has been an active member in the steering committee for the new survey, FinAccess 2008.

The new survey will close gaps from the initial 2006 survey and provide crucial information that will:

- Allow for comparisons over time, thus providing a solid empirical basis to track progress and evaluate the effect of various government-led and donor-led initiatives.
- Provide information to policymakers about the main barriers to access, geographic or socio-economic, creating the platform and impetus for necessary reforms.
- Disperse information to the private sector about market opportunities and, in particular, insight into the types of products that suit newly identified, underserved market segments.
- Yield data for use in academic research regarding the impact of access to financial services on economic growth and poverty reduction.

Rather than administer a competing and underfunded parallel survey, KARF joined the partnership to leverage resources and give its ideas to more a comprehensive, better capitalized, and managed through a consortium led by the Central Bank of Kenya. KARF contributed in an advisory role at quarterly meetings, supporting the development of a robust and inclusive survey methodology by targeting mutual areas of importance and matters of importance to USAID Kenya.

EMERGING OPPORTUNITIES

Financing in maize is a recurrent opportunity for finance. From the maize warehouse receipting workshop led by KARF, the Program will pursue the possibility of designing a cross border importation transaction, underpinned by finance. Doing so has the potential to reduce food security issues in Kenya for ordinary citizens dependent on daily consumption of Ugali, the primary household food staple.

PROBLEMS ENCOUNTERED

Implementation of the Program is expanding across all contractually-mandated activities. KARF is on track to meet or exceed all benchmarks specified in the Task Order.

ANNEXES

ANNEX A:
TECHNICAL DOCUMENTS
(Cumulative)

Workplans/PMPs

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

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

Post-Election Violence

- AMFI Extraordinary Board Meeting Post-Election Violence Document
- Literature Review on Microfinance Disaster Reponses
- 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

Financial Services

- 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

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

Maize Value Chain

- Maize Warehouse Receipting Presentation to Banks

Development Credit Authority

- DCA Report Card Template

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

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.	Jitigemee 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

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 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.