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KENYA ACCESS TO RURAL FINANCE

QUARTERLY REPORT:

OCTOBER 1 – DECEMBER 31, 2009

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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 October 1 through December 31, 2009.

KARF and FSD entered into a partnership to jointly assess the prospects for additional high priority commodities suitable for finance. A joint study was commissioned to examine existing material, policy priorities and evidence from on-going value chain financing initiatives to establish candidates for a more in-depth analysis. Based on the findings of this first phase, a second one will be undertaken, involving a more detailed analysis of those sub-sectors which show the most promise. This follow-on will most likely involve primary research to augment the data already available from earlier work.

The objective of the Value Chain Finance Prioritization Study called for a review of existing evidence on agricultural value chains in Kenya; followed by a synthesis of the emerging lessons; and then, a preliminary identification of candidate sub-sectors for further work – based on the highest priority commodities that offer significant opportunity for financial services and positive benefits for smallholder farmers.

Work continued in dairy value chain finance with numerous financial institutions – commercial banks and MFIs – expressing interest in a partnership with KARF on the development and implementation of new products and services. The Program implemented a screening approach similar to the methodology employed in its DCA work.

Assistance in the avocado value chain, an anchor of the Program since its inception, moved forward, albeit with a minor setback that was successfully resolved. Support will carry forward as the firm continues to expand and experience new problems associated with growth.

Additional agriculture value chains were added to the KARF's portfolio: finger millet, Omena (Daaga) and livestock. Support in these areas is at various stages of development.

The DCA loan guarantee program remained productive with a new facility under consideration for a leading deposit-taking MFI in partnership with the IFC.

A proposal to support the Central Bank of Kenya in five key areas was prepared and submitted to USAID Kenya. The Financial Sector Donor Working Group held its final meeting before the end of the 2009 calendar year.

IMPLEMENTATION CHRONOLOGY

October 2009

- KARF and FSD develop a Scope-of-Work for a Value Chain Finance Prioritization Study and initiate the work.
- KARF continues meeting with financial institutions having expressed interest in partnership on dairy value chain finance.

November 2009

- KARF and FSD complete the Value Chain Finance Prioritization Study, identifying VCs with high potential for financial services.
- KARF meets with financial institutions to discuss findings outlined in the Value Chain Finance Prioritization Study; outside of dairy, partners express current interest in fish, namely Omena/Daaga.
- KARF prepares a Scope of Work for research, analysis and product development for Omena/Daaga.
- KARF finalizes the collection of partner information for fiscal yearend reporting requirements and submits the data to USAID Kenya.

December 2009

- KARF conducts quantitative research in the Omena/Daaga value chain in the Lake Victoria region for the development of financial products and services.
- KARF begins to receive expressions of qualified interest for partnership from financial institutions on dairy value chain finance.
- The Financial Sector Donor Working Group meets briefly, without a quorum, and KARF has a separate discussion the possibility of partnering with the IFC on jointly supported DCA for KWFT.
- KARF submits a proposal to the USAID Kenya to support the Central Bank of Kenya.

RURAL AND AGRICULTURE FINANCE

Value Chain Finance Prioritization Study

Value chain analysis can provide a valuable entry point to identify opportunities for developing agricultural finance. A recent analysis of the dairy sub-sector commissioned by KARF illustrated the potential for this approach. The study found clear evidence of areas where profitable financial products might be rapidly (but cautiously) developed by Kenyan financial institutions. These products could directly help address constraints in the value chain by expanding markets and improving incomes for many smallholder farmers and others involved in the sector. KARF and FSD carefully reviewed the prospects of a joint venture to carry out the recommendations from the dairy study to move this activity forward, supporting the financial sector to develop new products.

Dairy is only one of a number of agricultural sub-sectors which benefit from a value chain driven approach to financial product development. KARF and FSD have decided to jointly assess the prospects for additional high priority commodities. A two-phase approach was decided upon. The first step involves an examination of existing material, policy priorities and evidence from on-going value chain financing initiatives to establish high-priority candidates for a more in-depth analysis. Based on the findings of this first phase, a second phase will be undertaken that will involve a detailed analysis of those sub-sectors which show the most promise. This later phase will most likely involve primary research to augment the data already available from earlier work.

The objective of the Value Chain Finance Prioritization Study called for a review of existing evidence on agricultural value chains in Kenya; followed by a synthesis of the emerging lessons; and, then a preliminary identification of candidate sub-sectors for further work – based on the highest priority commodities that offer significant opportunity for financial services and positive benefits for smallholder farmers.

The study began with the identification of all active agricultural sub-sectors in Kenya, drawing on data from the Ministry of Agriculture (MOA) and the Kenya National Bureau of Statistics (KNBS) Statistical abstract. Basic data was readily available on the scale of each sub-sector (focused on indicators such as the number of people economically active in a specific value chain). Other informational sources were also reviewed, including Tegemeo Institute (of Egerton University) and the World Bank. Data, in the form of studies and academic papers, was also obtained through the internet and reviewed.

Considerable investment has been deployed by various donors and programs in mapping a number of agricultural value chains in Kenya. This material was carefully reviewed for evidence of where opportunities exist for value chain financing. A majority of the known material was derived from either an agricultural or business development services perspective rather than a financial sector viewpoint. Consequently, the evidence from this universe of material was merely indicative at this stage and further investigation involving primary research will be required before strong conclusions are eventually drawn.

A number of financial institutions have already developed products addressing specific agricultural sub-sectors. Most of these have not arisen from specific value chain analysis but nevertheless do seek to provide products which are tailored to the needs of specific agricultural sub-sectors, focusing primarily on producers. These products and services were rapidly appraised to determine key features and evidence of success or otherwise in the market. At this stage, an in-depth examination was not warranted – those products considered higher priority will be flagged, investigated and analyzed later. Among the institutions known to have developed potentially relevant products, include: Equity Bank, Family Bank, K-Rep Bank, Cooperative Bank of Kenya and K-Rep Development Agency. Other potentially relevant institutions are Kenya Women Finance Trust (KWFT), Faulu Kenya, ECLOF Kenya, Stanbic Bank and Kenya Commercial Bank (KCB).

Prioritization will need to be based on a combination of policy objectives and market opportunities. Possible factors include the number of smallholders involved, level of financial services, level of state intervention, export potential, relevance to food security and internal consumption.

Government policy already clearly highlights the strategic importance of the agricultural sector in national development. Relevant policy papers were reviewed to identify Government concerns including particular sub-sectors which have been accorded precedence. Additional documentation reviewed were the national long-term plan set out in Vision 2030 and the Strategic Plan for the Revitalization of Agriculture (SRA). This desk analysis will be augmented with a rapid consultation of key agricultural sector players across

the public and private sectors. The latter activity will help confirm market-related factors which need to be considered for the leading sub-sector opportunities.

Based on the factors identified to drive prioritization and the evidence collected from existing material, a ranking of the sub-sectors was undertaken. The paper identified five leading commodities for financial services: fish, dairy, rice, fruit and maize. The paper is in draft form and expected to be finalized in the early New Year.

Dairy Value Chain Product Development and Financial Institution Partnership

Numerous financial institutions – commercial banks and MFIs – expressed interest in partnering with KARF on the development and implementation of new products and services to serve the dairy value chain throughout Kenya. The Program implemented a screening approach similar to the methodology employed in its DCA work. Potential partners include: Family Bank, Commercial Bank of Kenya (KCB), Cooperative Bank, Equity Bank, Stanbic Bank, K-Rep Development Agency (KDA), Post Bank, KWFT and Faulu.

KARF met on multiple occasions with the institutions listed above to discuss areas of opportunity and collaboration, outlining the products and the manner in which technical assistance would be provided over the short and long term. The prospective partners were asked to detail in writing a formal request for partnership, covering specific products, geographies and areas of assistance and capacity building. By the end of December, a majority of requests were received and follow-on meetings were scheduled during January in the new calendar year to further define partnerships.

Omena (Daaga) Value Chain Research, Analysis and Product Development

During the current reporting period, KARF and FSD co-sponsored an extensive review of existing literature written on Kenya's various agribusiness value chains with the goal of triaging commodities against those offering the highest immediate potential to undergo further development, support financing on commercial terms and therefore positively impact rural Kenyans. Following the review and completion of the draft study, the potential to finance these value chains was discussed several of Kenya's financial institutions. The top-five performing value chains were fish, dairy, rice, fruit and maize. Since the Program was actively involved in dairy with many institutions, fish was cited by partners as a high priority. Given that KARF already has made significant and important progress in the study of the fish value chain, particularly Omena (Daaga), in combination with qualified interest of lenders, a deeper quantitative study was necessary to better understand the opportunities and risks of financing fish for Kenya's financial institutions.

KARF prepared a Scope-of-Work, outlining critical tasks for purposes of the research, analysis and product development. Those areas include:

- Review and reduce existing documentation appropriate for supporting the case for the provision of financial services.

- Punctually contact key financial sector actors to re-assess qualified interest in terms of preferences for savings, loan, lease and lease products, building on earlier data collected.
- Survey and supervise enumerators collecting financial and non-financial information from Omena (Daaga) agribusiness actors at each value chain transaction point to understand cash flows, costs, revenues, gross margins, returns and growth constraints.
- Analyze data generated on qualified supply; at the same time, disaggregate demand data to determine low-risk financing opportunities needed to facilitate and improve the overall functionality of the value chain while matching supply, demand and risk management.
- Recommend high-impact, high-return, low-risk financing strategies able to facilitate the overall functionality of the value chain using a largely private sector (and thus sustainable) strategy based on costs, risks and benefits.

Key deliverables for assignment called for:

- A brief summary of applicable documentation reviewed.
- The development of customized field data questionnaires for each transaction point and a written data collection strategy.
- The training and supervision of field enumerators.
- A final product firmly grounded on customized solutions for each segment (transaction point), where applicable, based on quantitative data collection and analysis, including supporting evidence – i.e. hard copies of spreadsheets clearly indicating the value, volumes, timing, gross margins, returns and annualized returns on each beach surveyed.

The research and analysis began during the quarter and was concluded in December. The final paper will be completed in January 2010 and it will include specific product recommendations.

Avocados

KARF's partner and lead firm in the value chain – Ideal Matunda – experienced a setback as it was forced to vacate the warehouse and processing facility it had leased. Fortunately, the business impediment occurred during the off-season. KARF worked with Ideal to locate a new and more suitable facility. Negotiations were undertaken to secure the site and plans developed to move locations and upgrade the premises in compliance with various Kenyan rules and regulations (labor, environmental, etc.). In addition, the leased processing equipment is now fully owned by the firm so harvest operations will not be hindered when the fruit matures in approximately March 2010. The equipment will be moved in the upcoming quarter.

Negotiations began with a company outside of Kenya to procure add-on processing equipment to refine the avocado oil into a higher export grade, increasing value of the commodity. Also, KARF began a planning exercise with the firm to source much needed

growth capital in the form of equity since it has outgrown debt financing (or is rapidly approaching that threshold). Discussions were held with several private equity firms that have recently entered the Kenyan marketplace.

The harvest season is expected to be significant given the substantial rain experienced throughout Central Kenya

Finger Millet

The structured trade finance scheme developed for maize in 2008 was adopted for finger millet. The transaction involves the import of millet from Uganda to Kenya with the USAID Uganda LEAD program, their supported growers and cooperative farmer associations, a bank on both sides of the border and Unga Millers in Kenya.

A pilot of 1,500 metric tons is planned for mid calendar year 2010 with increasing volumes to follow based on success of the initial transaction.

DCA LOAN GUARANTEE PROGRAM

KARF began discussing the possibility of a joint DCA loan guarantee with the IFC for a leading microfinance institution. All others are performing according to expectation.

THE CENTRAL BANK OF KENYA

During the quarter, KARF submitted a proposal for capacity building and technical assistance to the Central Bank of Kenya on branchless/agency banking, anti-money laundering (AML) and Know Your Customer (KYC), risk/crisis management, deposit-taking microfinance supervision and credit reference bureaus.

FINANCIAL SECTOR DONOR WORKING GROUP

During the quarter, the fourth meeting of the Financial Sector Donor Working Group was held. The meeting did not have a full quorum of members due to the holiday season. KARF met separately with the IFC to discuss a joint approach to a DCA with a leading Kenyan MFI.

The next meeting is scheduled for February 2010.

EMERGING OPPORTUNITIES

KARF met with USAID during the reporting period to explore the possibility of researching, analyzing and developing financial products and services in the livestock value chain in the Arid and Semi-Arid Land (ASALs). The Program plans to develop a Scope-of-Work in the new calendar year with research following soon after.

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
- Quarterly Report, July 1 – September 30, 2009
- Annual Report, October 1, 2008 – September 30, 2009
- Quarterly Report, October 1, 2009 – December 31, 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
- Value Chain Prioritization Study

Dairy Value Chain

- Kenya Dairy Value Chain Finance – Research and Recommendations
- Dairy Value Chain Financing: Research Recommendations (presentation)

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

Dairy

- Dairy Value Chain Financing: Research Recommendations (presentation)

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
29.	Land O Lakes	Dairy value chain financial services

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.

July 2009

- KARF finalizes its dairy value chain finance research, analysis and product recommendations.
- KARF facilitates a seminar on its dairy findings to an audience of bankers, donors and service providers.
- The CBK and KARF met with USAID Kenya to discuss the policy reform agenda in the financial sector and potential areas for collaboration.

August 2009

- KARF begins meeting with financial institutions having expressed interest in partnership on dairy value chain finance.
- KARF prepares a Scope of Work for quantitative research, analysis and product recommendations in the Omena (Daaga) value chain for financial services.

September 2009

- The Financial Sector Donor Working Group met and jointly decided to prepare a paper on prioritized agenda items for engagement with the Government of Kenya.
- KARF begins work on the process of engaging the financial sector on dairy finance product development and implementation.
- KARF starts collecting and analyzing fiscal yearend reporting requirements from partners.

October 2009

- KARF and FSD develop a Scope-of-Work for a Value Chain Finance Prioritization Study and initiate the work.
- KARF continues meeting with financial institutions having expressed interest in partnership on dairy value chain finance.

November 2009

- KARF and FSD complete the Value Chain Finance Prioritization Study, identifying VCs with high potential for financial services.
- KARF meets with financial institutions to discuss findings outlined in the Value Chain Finance Prioritization Study; outside of dairy, partners express current interest in fish, namely Omena/Daaga.

- KARF prepares a Scope of Work for research, analysis and product development for Omena/Daaga.
- KARF finalizes the collection of partner information for fiscal yearend reporting requirements and submits the data to USAID Kenya.

December 2009

- KARF conducts quantitative research in the Omena/Daaga value chain in the Lake Victoria region for the development of financial products and services.
- KARF begins to receive expressions of qualified interest for partnership from financial institutions on dairy value chain finance.
- The Financial Sector Donor Working Group meets briefly, without a quorum, and KARF has a separate discussion the possibility of partnering with the IFC on jointly supported DCA for KWFT.
- KARF submits a proposal to the USAID Kenya to support the Central Bank of Kenya.