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President's report

Proposed loan and grant to the Republic of Kenya for the

Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

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For: Approval

Contents

Abbreviations and acronyms	i
Map of the programme area	ii
Financing summary	iii
Recommendation for approval	1
I. The programme	1
A. Main development opportunity addressed by the programme	1
B. Proposed financing	1
C. Target group and participation	2
D. Development objectives	3
E. Harmonization and alignment	3
F. Components and expenditure categories	3
G. Management, implementation responsibilities and partnerships	3
H. Benefits and economic and financial justification	4
I. Knowledge management, innovation and scaling up	4
J. Main risks	5
K. Sustainability	5
II. Legal instruments and authority	5
III. Recommendation	6
Annex	
Negotiated financing agreement	7
Appendices	
I. Key reference documents	
II. Logical framework	

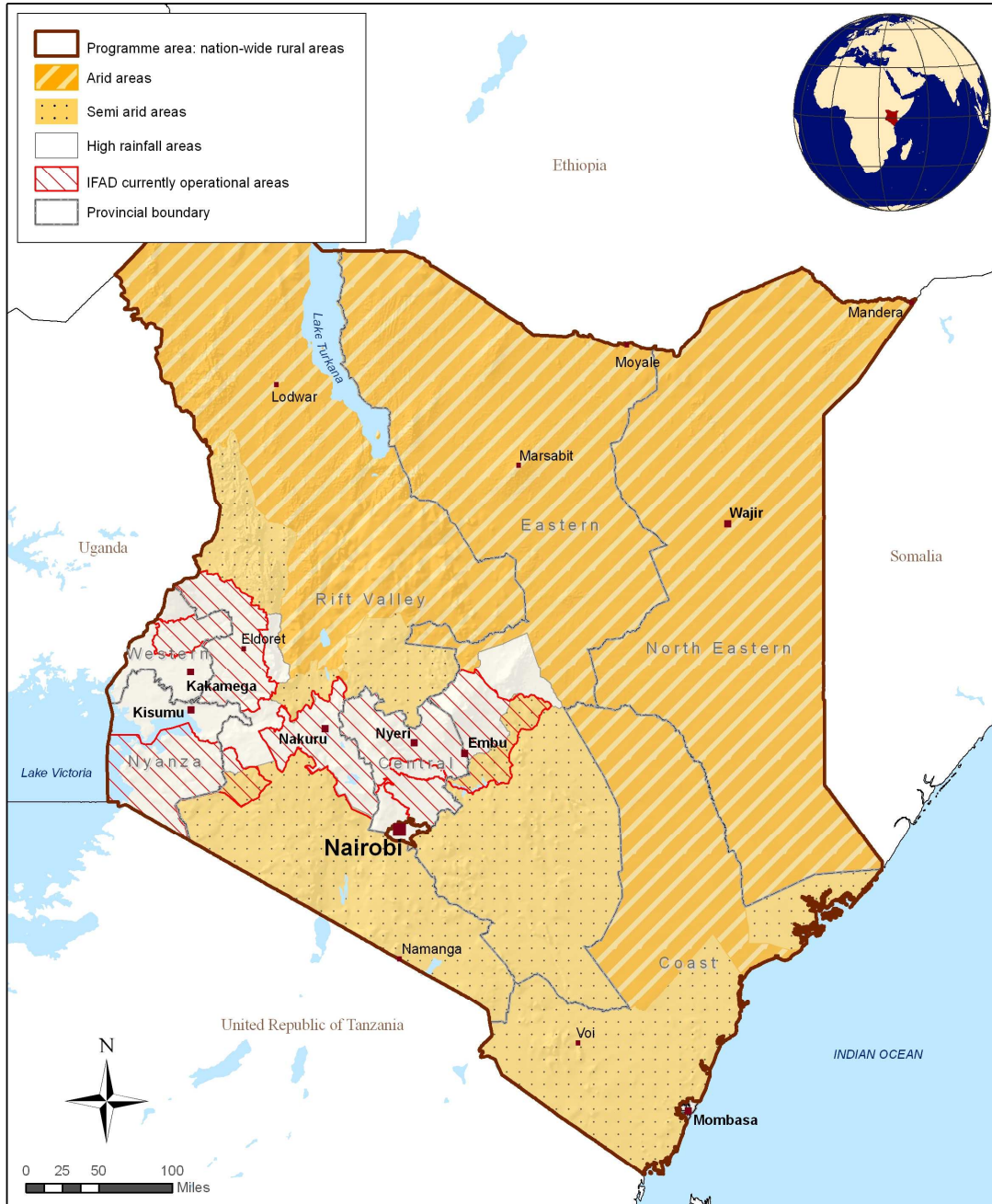
Abbreviations and acronyms

AGRA	Alliance for a Green Revolution in Africa
DTM	deposit-taking microfinance institution
FSDT	Financial Sector Deepening Trust
PROFIT	Programme for Rural Outreach of Financial Innovations and Technologies

Map of the programme area

Kenya

Programme for Rural Outreach of Financial Innovations and Technologies



25-6-2010



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD

Republic of Kenya

Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

Financing summary

Initiating institution:	IFAD
Borrower:	Kenya
Executing agency:	Microfinance Unit (Ministry of Finance, Economic Affairs Department)
Total programme cost:	US\$83.22 million
Amount of IFAD loan:	SDR 19.3 million (equivalent to approximately US\$29.31 million)
Amount of IFAD grant:	SDR 0.395 million (equivalent to approximately US\$0.60 million)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Cofinanciers:	Alliance for a Green Revolution in Africa (AGRA) Commercial banks
Amount of cofinancing:	AGRA: US\$2.75 million Commercial banks: US\$50.00 million
Contribution of borrower:	US\$0.56 million
Contribution of beneficiaries:	Not directly computed as partly captured in private-sector participation
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan and grant to the Republic of Kenya for the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) as contained in paragraph 37.

Proposed loan and grant to the Republic of Kenya for the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

I. The programme

A. Main development opportunity addressed by the programme

1. There has been little progress in reducing poverty in Kenya over the last 25 years and nearly half of the population lives below the poverty line. A major constraint to increasing smallholder incomes, productivity and production in rural areas is the limited access to financial services. Although Kenya's financial sector has grown rapidly in the past and is vibrant today, it faces some key constraints. The banking sector has considerable liquidity but lacks the risk appetite to provide services to clients it perceives as high risk – poor people living in rural areas. The provision of services is also hampered by the lack of appropriately designed financial services and products. The programme will seek to turn these constraints into opportunities for the financial sector and thereby institute systemic change to bring more investments into rural areas. In so doing, it will contribute to the achievement of the first Millennium Development Goal, the eradication of extreme poverty and hunger.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide to the Republic of Kenya a loan in the amount of SDR 19.3 million (equivalent to approximately US\$29.31 million), on highly concessional terms, and a grant in the amount of SDR 0.395 million (equivalent to approximately US\$0.60 million) to help finance the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT). The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The allocation defined for Kenya under the PBAS is US\$52 million over the 2010-2012 allocation cycle. The proposed loan and grant amounts fall well within the country allocation and planned lending programme.

Relationship to national medium-term expenditure framework criteria

4. In May 2008, the Government of Kenya launched Kenya Vision 2030, a development blueprint whose aim is to transform Kenya into "a newly-industrialized, middle-income country". Vision 2030 will be implemented through five-year rolling medium-term plans (MTPs). This programme falls within the first MTP, which covers 2008-2012.

Relationship to national sector-wide approaches or other joint funding instruments

5. The programme's executing agency, the Microfinance Unit under the Economic Affairs Department of the Ministry of Finance, is currently managing two similar

programmes (funded by the World Bank and Agence Française de Développement). Furthermore, (i) arrangements have been made to establish a partnership with the Consultative Group to Assist the Poor (CGAP) for the financial graduation subcomponent; (ii) linkages between PROFIT and the Rural Finance Knowledge Management Partnership have been elaborated; (iii) the World Bank-funded Financial and Legal Sector Technical Assistance Project will provide support for rural finance policy; (iv) the Financial Sector Deepening Trust (FSDT) of Kenya is expected to manage the programme's innovation facility, and FinAccess surveys will provide benchmarking, monitoring and impact assessment data; (v) the World Council of Credit Unions is expected to be a technical service provider for strengthening rural savings and credit cooperatives; and (vi) links will be established with the United States Agency for International Development (USAID) to learn from its experience in value chains. PROFIT will be represented in the donor working group on financial services and FSDT's project implementation committee.

Country debt burden and absorptive capacity of the State

6. Kenya's total outstanding borrowing from IFAD stands at US\$115 million, in the form of ongoing loans for three projects and two programmes. The country has serviced its loans regularly and is expected to continue to do so. Outsourcing most of programme implementation responsibilities to the private sector and extensive use of private services will ensure that the Government's absorptive capacity is not a constraint on implementation.

Flow of funds

7. The proceeds of the IFAD loan and grant will be channelled through a designated account held in the Central Bank of Kenya or a commercial bank acceptable to IFAD. From this account, funds will be disbursed to a programme account operated by the Microfinance Unit.

Supervision arrangements

8. The programme will be supervised directly by IFAD.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

9. No exceptions are foreseen.

Governance

10. The following planned measures are intended to enhance the governance aspects of the IFAD financing: (i) all procurement under PROFIT will strictly adhere to the Public Procurement and Disposal Act of 2005 to the extent such is consistent with IFAD's procurement guidelines; (ii) all contracts will be awarded following competitive bidding, with prior review and approval by IFAD; (iii) all implementing partners will provide annual audited statements; (iv) an internal auditor will be based within the Microfinance Unit to ensure that proper and transparent procurement and financial management processes are followed; and (v) communities will also be involved in monitoring programme activities at field level and will report inappropriate behaviour.

C. Target group and participation

Target group

11. It is expected that, as a result of PROFIT, at least 7 per cent of households will experience an improvement in household assets and food security. Women and young people in particular will benefit from enhanced access to financial services, especially the graduation programme. An estimated 548,000 clients will benefit from the risk-sharing facility and 135,000 from the credit facility, both to be created by the programme. At least 50 per cent of people accessing the credit facility will be women and 10 per cent young people.

Targeting approach

12. In line with the IFAD Targeting Policy, PROFIT has been designed to address constraints at different links of the value chains in which the target groups engage. These include stakeholders at the lower value chain links (such as rural smallholders, agropastoralists, pastoralists and artisanal fishers) and market intermediaries (such as agro-input suppliers, agro-traders, agro-processors, wholesalers and transporters).

Participation

13. The programme will adopt a value chain approach to most of its investments. Value chain analyses, designed as a set of area-focused studies, will ensure the full involvement of stakeholders in each stage of the process, including the finalization of conclusions and recommendations.

D. Development objectives

Key programme objectives

14. The programme's development objective is increased incomes of the target group as a result of improved production and productivity in the rural smallholder farm and off-farm sectors. The principal outcomes expected from the programme are that (i) poor rural households have enhanced access to a broad range of cost-effective financial services; (ii) systemic changes are made in the financial sector for a sustainable flow of funds to agricultural and rural areas; and (iii) the target group effectively manages its assets, markets its produce and increases its employment.

Policy and institutional objectives

15. The programme will provide a unique opportunity to contribute to the rural finance policy process and thereby will contribute to the reform of financial sector policy in Kenya.

IFAD policy and strategy alignment

16. PROFIT is aligned with the IFAD Rural Finance Policy. The majority of programme funds will be directed towards providing incentives to both commercial and microfinance banks to increase the volume of their agricultural lending and diversify their services and products to rural areas.

E. Harmonization and alignment

Alignment with national priorities

17. Programme objectives are well aligned with Vision 2030. PROFIT is also consistent with the Kenya Joint Assistance Strategy 2007-2012 and the principles of the Strategy for Revitalization of Agriculture.

Harmonization with development partners

18. PROFIT has been designed in close coordination with key partners in the donor community in Kenya. FSDT was fully involved in the design process. The experiences of other donors with the financial sector in Kenya – including those of Agence Française de Développement, the German Agency for Technical Cooperation (GTZ), Kreditanstalt für Wiederaufbau (KfW) (a German Government-owned development bank), the Swedish International Development Cooperation Agency (SIDA), the United Kingdom's Department for International Development (DFID), the United States Agency for International Development (USAID) and the World Bank – have also been incorporated into PROFIT's design. The same intense consultation was made with the Danish International Development Assistance (DANIDA) for value chain and enterprise interventions. The programme has been presented to both the agriculture and rural development and the financial services donor groups, and their inputs have been very useful in shaping the programme's design process and approach, and have included suggestions on how to strengthen donor harmonization in the programme design process.

F. Components and expenditure categories

Main components

19. The programme has three components: (i) rural finance outreach and innovation (US\$72.55 million); (ii) technical support services (US\$7 million) and (iii) programme management (US\$3.66 million).

Expenditure categories

20. There are six expenditure categories: (i) vehicles, equipment and materials; (ii) technical assistance, training and studies; (iii) line of credit; (iv) risk-sharing facility; (v) salaries and allowances; and (vi) incremental operating costs.

G. Management, implementation responsibilities and partnerships

Key implementing partners

21. These will be the Alliance for a Green Revolution in Africa (AGRA), commercial banks, deposit-taking microfinance institutions (DTMs), innovation facility managers, and technical service providers such as the Cooperative for Assistance and Relief Everywhere (CARE), SNV Netherlands Development Organisation and Technoserve. There has been considerable investment in the creation of technical capacity in the financial sector in Kenya, and PROFIT is designed to use this capacity. Some specialized institutions, such as the World Council of Credit Unions and the Kenya Rural Savings and Credit Societies Union, are also expected to assist with the strengthening of rural savings and credit cooperatives.

Implementation responsibilities

22. PROFIT will be implemented and coordinated by the Microfinance Unit. A programme advisory committee and FSĐT's programme investment committee will provide periodic guidance and advice. The Microfinance Unit will be responsible for finalizing memorandums of agreement with key partners, such as AGRA. It will also procure the services of DTMs, the innovation facility managers and technical service providers, and monitor and evaluate their work. In addition, it will ensure synergy and coordination with other donor programmes and ongoing IFAD-financed projects in Kenya.

Role of technical assistance

23. PROFIT will encourage the participation of technical service providers to help producer groups and market intermediaries expand their businesses and increase their profitability.

Status of key implementation agreements

24. In addition to the financing agreement, a set of memorandums of understanding and contracts will be concluded during the life of the programme.

Key financing partners and amounts committed

25. The total programme cost is US\$83.22 million over six years. The sources of financing are IFAD (35.9 per cent), the private sector (60.1 per cent), AGRA (3.3 per cent) and the Government (0.7 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

26. At least 7 per cent of households will experience an improvement in household assets and food consumption and an increase in their capacity to access social services. This will happen as a result of a reduction in the percentage of population excluded from access to financial services, which is expected to fall from 33 per cent in 2009 to 25 per cent by programme end.

Economic and financial viability

27. The results of the analysis demonstrate that increased access to working capital generates healthy financial returns even with partial adoption, which is the more

likely outcome during the early part of PROFIT's implementation. The high level of financial benefit to the target group contributes to the high economic rate of return of about 20 per cent.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

28. PROFIT will liaise with both the African Rural and Agricultural Credit Association (AFRACA) and the IFAD-financed Rural Finance Knowledge Management Partnership to disseminate its experience with some of its most innovative activities. At the level of IFAD, lessons will be shared with the Financial Sector Working Group.

Development innovations that the programme will promote

29. The programme will encourage the development of a range of innovative financial products, such as savings and remittance services, community infrastructure loans, value chain financing, medium-term financing for the agricultural sector, microventure capital modalities, index-based insurance, health insurance, and the cutting edge biometric point of sale devices as applied by Jamii Bora (a registered non-profit trust in Kenya).

Scaling-up approach

30. PROFIT is designed to create incentives to scaling up innovative initiatives and products that have been proved successful in the programme and elsewhere.

J. Main risks

Main risks and mitigation measures

31. The programme faces three main risks involving: the (i) tribal structure of society, (ii) targeting of poor people, and (iii) high prevalence of HIV/AIDS and poor health status. The risk posed by the tribal structure of society will be mitigated through well-defined selection criteria and geographic targeting strategies that will ensure that resource flows are not based on tribal affinities. The private sector will be encouraged to offer insurance products, which will help underwrite part of the risk involved in targeting poor people. Regarding HIV/AIDS, microfinance institutions can operate successfully in AIDS-affected communities by maintaining a diverse portfolio.

Environmental classification

32. Pursuant to IFAD's environmental assessment procedures, the programme has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability

33. The programme will: (i) encourage systemic changes in the commercial banking sector that will sustainably enhance its lending appetite for the smallholder agricultural and rural sector; (ii) promote systemic changes in DTMs, which will enable them to offer savings services and use these funds for expanding rural outreach; and (iii) ensure that markets work for poor rural people by investing in new innovations and technologies.

II. Legal instruments and authority

34. A programme financing agreement between Republic of Kenya and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as an annex.
35. The Republic of Kenya is empowered under its laws to receive financing from IFAD.
36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

III. Recommendation

37. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on highly concessional terms to the Republic of Kenya in an amount equivalent to nineteen million three hundred thousand special drawing rights (SDR 19,300,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Kenya in an amount equivalent to three hundred and ninety-five thousand special drawing rights (SDR 395,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)"

(Negotiations concluded on 24 August 2010)

Loan Number:

Grant Number:

Programme Title: Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) (the "Programme")

The Republic of Kenya (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1.
 - A. The amount of the Loan is nineteen million three hundred thousand Special Drawing Rights (SDR 19 300 000)
 - B. The amount of the Grant is three hundred ninety five thousand Special Drawing Rights (SDR 395 000)
2. The Loan is granted on highly concessional terms.
3. The Loan Service Payment Currency shall be the US dollar.
4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of principal and service charge shall be payable on each 15 June and 15 December.

6. The Borrower/Recipient shall provide counterpart financing for the Programme in the amount of 0.561 million USD.

Section C

1. The Lead Programme Agency shall be the Ministry of Finance, Department of Economic Affairs.

2. The following are designated as additional Programme Parties: the Alliance for a Green Revolution in Africa and participating commercial banks.

3. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Programme supervised by the Fund.

Section E

The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy.

For the Borrower/Recipient:

Deputy Prime Minister and
Minister for Finance
P.O. Box 30007-00100
Nairobi, Kenya.

This agreement, dated _____, has been prepared in the English language in six (6) original copies, three (3) for the Borrower/Recipient and three (3) for the Fund.

For the Borrower/Recipient
Deputy Prime Minister and
Minister for Finance

For the Fund
Kanayo F. Nwanze
President

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. *Target Population.* The Programme shall benefit at least 683 000 smallholder farmers, small pastoralists, artisanal fishermen, women, landless labourers and the youth in the rural areas of Kenya. The Programme will have national coverage but is designed only for rural areas of Kenya. Special focus will be given to areas with agricultural potential, areas of high poverty incidence, the Arid and Semi-Arid Lands region and synergies will be sought with IFAD's ongoing projects.

2. *Goal.* The goal of the Programme shall be to contribute to the reduction of poverty in the rural areas of Kenya.

3. *Objectives.* The objectives of the Programme shall be to increase incomes of the target group as a result of improved production, productivity and marketing in the various rural enterprise sectors. The Programme will achieve this through an enhanced and systematically sustainable access of poor rural households to a broad range of financial services, coupled with the necessary capacity building.

4. *Components.* The Programme shall consist of the following three Components and their associated sub-component:

4.1 Rural Finance Outreach and Innovation Component

- a) The Risk Sharing Facility sub-component is designed to enhance the risk appetite of commercial banks for rural and agricultural lending; it will leverage substantial commercial funds;
- b) The Credit Facility sub-component is for deposit taking Micro-Finance Institutions that need immediate access to funds for expansion of their rural and agricultural portfolios;
- c) The Innovation Facility sub-component is designed to develop and pilot-test innovations and the use of technology in the financial sector.

4.2 Technical Support Services Component

- a) The Business Support Service Facility sub-component is aimed at the Programme's target group at the rural/village level with limited business experience. The sub-component will also strengthen the management and governance of selected rural Savings and Credit Cooperatives Organizations to enhance their efficiency;
- b) The Financial Graduation Facility sub-component aims to facilitate the vulnerable women and youth acquire financial graduation through skills training and asset creation. It will, eventually, help the Government of Kenya to substantially reduce its social transfer payment liabilities.

4.3 Programme Management Component

This component aims at ensuring an efficient and cost effective use of Programme and complementary donor resources to achieve the development objective.

II. Implementation Arrangements

5. The Programme shall be implemented and coordinated by the Microfinance Unit (MFU) under the Economic Affairs Department of the Ministry of Finance. A Programme Advisory Committee shall provide policy-related guidance and advice while the MFU and the Programme's membership on Financial Sector Deepening Trust's Project Implementing Committee shall ensure receipt of technical implementation guidance and harmonisation with Financial Sector Deepening Trust's agenda. The MFU shall be responsible for procurement of the services of key partners, such as Alliance for a Green Revolution in Africa (AGRA), the Deposit Taking Microfinance Organizations (DTMs), the Innovation Facility Manager (IFM), and Technical Service Providers and for monitoring and evaluating their work. The MFU shall also be responsible for coordinating the preparation of a joint AWPB, collection of baseline information, monitoring reports, withdrawal applications and ensuring the production and dissemination of the learning notes, case studies and product profiles. The MFU shall provide support to the supervision missions and undertake any other tasks that facilitate the implementation of the Programme and ensure its success. A key responsibility of the MFU shall be to ensure synergy and coordination with other donor programmes and on-going IFAD projects in the country. An internal auditor shall be based within the MFU to provide assistance on compliance and oversight support to the Programme.

6. *Implementation Arrangements.* Implementation arrangements for the two main components shall be as follows:

6.1 Component 1: Rural Finance Outreach and Innovation – The three sub-components under this component shall have the following implementation arrangements.

a) The Risk Sharing Facility (RSF) shall be managed by AGRA. A subsidiary agreement shall be negotiated between the Ministry of Finance and AGRA which will guide the manner in which AGRA will manage the RSF. The RSF will build on previous AGRA work in structuring similar arrangements with commercial banks and it is expected that banks will participate in the facility. AGRA, through a Fund Manager, shall provide technical assistance and mentorship support to participating Banks and will oversee and supervise the structuring of each risk sharing arrangement. AGRA shall also be responsible for ensuring that proper governance systems are in place for implementation. In addition, AGRA shall be responsible for monitoring and evaluation and will, in particular, ensure that a rigorous set of metrics for measuring the impact of the RSF are in place, especially to assess if it is achieving scale in lending, systemic change and sustainability.

b) The Credit Facility shall be managed by the MFU. There are currently four institutions that have converted into DTMs and the Programme will, for now, work with these DTMs. The MFU shall require the DTMs to demonstrate that they will use the line of credit to deepen their rural outreach, expand the range of their financial services, especially savings and demonstrate their use of innovative financial products and technologies for the Programme's target group. The participating DTMs can also access the Innovation Facility for helping them develop their savings products and assist in strengthening their internal systems for deposit mobilisation, if required. As and when more financial institutions convert into DTMs, they shall be able to apply for participation in the PROFIT Credit Facility.

c) The Innovation Facility shall be managed by a competitively procured IFM with experience and capacity to manage such a facility. The innovation facility shall be accessed by other implementing partners of the Programme, such as DTMs, Microfinance Institutions, Technical Service Providers, etc., through proposals and arrangements that will be determined by the chosen agency. The Programme Implementation Manual shall provide guidance on how the facility is expected to work, the selection criteria, monitoring and evaluation.

6.2 Component 2: Technical Support Services – This component has two sub-components.

a) The *Business Services* sub-component will be managed by one or two Technical Service Providers (TSPs), to work directly with producer groups and market intermediaries. The MFU will negotiate performance-based contracts with each of the selected TSPs. The TSPs will also facilitate the producer groups and market intermediaries link with commercial banks and DTMs for provision of rural finance.

In addition, the sub-component will be used to strengthen the management, governance and business skills of rural Savings and Credit Cooperatives Organizations (SACCOs) through the District Cooperative Officers, together with services of competitively procured TSPs. Under this programme, SACCOs will receive technical support and those considered credit worthy by AGRA may receive funding under the Risk Sharing Facility. The programme monitoring system will include arrangements to monitor the impact of the technical assistance received by participating SACCOs.

b) The *Financial Graduation* sub-component shall be implemented under guidance from the Consultative Group to Assist the Poor (CGAP) and the BRAC Development Institute. CGAP and BRAC shall, with the assistance of MFU, short list an implementing partner in Kenya. They will also supervise the process closely throughout the period of pilot-testing. The pilot will link with the government's Hunger and Safety Nets Programme (HSNP) to feed lessons from its experience for the refinement of Phase 2 of the Government's HSNP.

7. *Programme Implementation Manual*. The MFU shall prepare the Programme Implementation Manual (PIM), which will include a Financial Management Manual, and will forward it to the Fund for comments and no objection.

Schedule 2*Allocation Table*

1. *Allocation of Loan and Grant Proceeds.* The Table below sets forth the categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each category and the percentages of expenditures for items to be financed in each category:

Category	Amount of Loan Allocated (Expressed in SDR)	Amount of Grant Allocated (Expressed in SDR)	% of Expenditures to be Financed
I. Vehicles, Equipment and Materials	70 000		100% net of taxes or 75% of total expenditures
II. Technical Assistance, Training and Studies	5 770 000	395 000	100% net of taxes
III. Line of Credit	4 440 000		100% of total expenditures
IV. Risk Sharing Facility	5 930 000		100% of total expenditures
V. Salaries and Allowances	770 000		100% net of taxes or 90% of total expenditures
VI. Incremental Operating Costs	390 000		100% net of taxes or 65% of total expenditures
VII. Unallocated	1 930 000		
TOTAL	19 300 000	395 000	

Key reference documents

Country reference documents

Vision 2030

MTP 2008-2012

IFAD reference documents

Project design document (PDD) and key files
COSOP

Logical framework

Results Hierarchy	Objectively Verifiable Indicators (OVIs)	Means of Verification (MOV)	Assumptions/Risk
Overall Goal: The programme goal is to contribute to the reduction of poverty in rural Kenya.	<ul style="list-style-type: none"> • % HH with improved assets by at least 7%. • Reduction in the national poverty line from 45% in 2010 to 38% by the end of the programme • % of reduction in the prevalence of child malnutrition by at least 5%. 	<ul style="list-style-type: none"> • Demographic and Health Surveys conducted by the Kenya National Bureau of Statistics • Kenya Integrated HH Budget Surveys produced by the Poverty Analysis and Research Unit (PARU) in the Central Bureau of Statistics (CBS). • Core Welfare Indicators Survey by GOK 	Stable political and economic environment.
Development Objective Increase in incomes of the target group as a result of improved production and productivity in the rural small holder and off-farm sectors.	<ul style="list-style-type: none"> • (%) of households with improvement in household assets, food consumption and those accessing social services by at least 7%. • (%) of reduction in the prevalence of child malnutrition from current rates by at least 5%. 	<ul style="list-style-type: none"> • Participatory beneficiary assessments. • Poverty Score cards for Kenya conducted periodically by the World Bank, CGAP or by PROFIT. • Demographic and Health Surveys. 	Stable political and economic environment.
Component 1: Rural Finance Outreach & Innovation Outcome 1.1: Enhanced access of poor rural HH to a broad range of cost effective financial services.	Reduction in the percentage of population which is excluded from access to financial services from the current 50% in rural areas in 2009 to 40% by the end of the programme period.	<ul style="list-style-type: none"> • Participatory beneficiary assessments. • Periodic FinAccess surveys conducted by the Financial Sector Deepening Trust. 	Stable political and economic environment. Negative impact of HIV/AIDs and poor health status of poor HH
Outcome 1.2: Systemic changes in the financial sector ensure flow of funds for agriculture and rural areas.	<ul style="list-style-type: none"> • No of commercial banks lending to MFIs, SACCOs, market intermediaries and clients without risk sharing mechanism in place. • % of portfolio in the agriculture sector and rural areas without risk sharing mechanisms in place. • % of clients in the agriculture sector and rural areas without risk sharing mechanisms in place. • % of portfolio at risk (outstanding balance of overdue loans for more than 30 days) • % of operational self-sufficiency. • 13 Indicators of the Social Performance Task Force (see M&E section of PIM). 	<ul style="list-style-type: none"> • Central Bank Reports. • FinAccess Surveys by FSDT. • Annual Reports of participating Banks providing services in the target area. • Mid-Term and End of Project Evaluation Reports. • Mix Market • Social Performance Reports of participating partners. 	
Component 2: Technical Support Services Outcome 2.1: Target group effectively manages its assets, markets its produce and increases its employment.	<ul style="list-style-type: none"> • Increase in the volume of produce marketed by the producer groups. • Increase in the profit margins for participating small holder producers and market intermediaries. • Increase in active SACCO membership over the programme period. • Increase in the operational self-sufficiency of participating SACCOs. • At least 70% of participants in the financial graduation project with increased assets and or in gainful employment. 	<ul style="list-style-type: none"> • Marketing Records of participating producer groups, cooperative- Farmers, dairy farmers, etc. • Focus group discussions with clients and Participatory appraisals. • Annual and Audit Reports of participating SACCOs • Reports by the TSPs. • Mid-Term and End of Project Evaluation Reports. 	Technical services lead to an increase in the uptake of financial services and business development.
Component 3: Programme Management Outcome 3.1: Efficient & cost effective use of programme and complementary donor resources to achieve the development objective.	<ul style="list-style-type: none"> • Staff strength of MFU. • Overall disbursement rates. • Timely procurement of service providers. • Government and donor perception regarding PROFIT. 	<ul style="list-style-type: none"> • MFU reports on PROFIT. • Minutes of Meeting of PAC. • Minutes of Donor meetings. 	