



Financial Inclusion for Rural Microenterprises (FIRM)

What is FIRM?

FIRM is a USAID and Government of Kenya (GoK) partnership designed to expand and deliver innovative financial services to small businesses and entrepreneurs, including lending for projects in agriculture, renewable and clean energy, information and communication technology, gender and youth, and policy reform. The USAID-funded FIRM project works with the financial services industry and private sector consultants in Kenya to develop and deliver products and services aimed at people who are not traditionally served by the financial system and assists lenders and businesses by offering training, research and analysis, and consulting.



Robert Kagwe, a Kiambu dairy farmer, bought four new cows with a loan he received from the Kenya Commercial Bank. The bank's loan officers were trained through the FIRM program.

Project Duration and Budget

January 2011 – December 2013
\$18 million

Who Implements FIRM?

Development Alternatives, Inc.
www.dai.com

Where Does FIRM Work?

Nationwide

What Does FIRM Do?

In partnership with the financial services industry, GoK agencies and stakeholders, donors, and private sector consultants, FIRM designs sustainable financial services models that promote agriculture-led economic growth, improve livelihoods, and contribute to overcoming food insecurity. Project activities include:

Loan guarantees

- Support in the placement of USAID loan guarantees. USAID Kenya has one of the largest guarantee programs covering approximately \$40 million.

Policy reform

- Policy reform support to the Central Bank of Kenya, Ministry of Finance, and the Office of the President.

Institutional advancement

- Design of a consumer protection framework in partnership with the Ministry of Finance.
- Advising the Government of Kenya on creating an entity similar to the Small Business Administration in the United States.

Capacity building

- Assistance to the Central Bank of Kenya in adopting international best practices.
- Assistance to more than 40 institutions covering the private sector (financial and non-financial), government and industry associations.

How Is FIRM Making a Difference?

FIRM designs sustainable financial services models aimed at reducing poverty among smallholder farmers and rural populations. Achievements include:

- \$120 million loaned by FIRM partners to 58,333 individuals and small businesses previously lacking access to financial services.
- Support to small lending institutions has resulted in \$1.3 million in loans to 2,616 farmers and other small businesses in Western Kenya.
- Facilitated the first commercial financing for tea tree farmers in Central Kenya; leading to product entry into the international market.
- 500 farmers have increased production based on the availability of customized financial products.

What Key Challenges Does FIRM Face?

Inflation and high interest rates adversely affect lending practices. Many of Kenya's financial institutions lack the structure to finance high-risk business opportunities, and financial institutions are reluctant to enter new sectors. Changing perception and practices within Kenya's financial institutions is a long and complex process requiring multiple levels of acceptance before new product development can take place.

FIRM in action

Financial institutions in Kenya want to grow and diversify their business. FIRM was approached by the Central Bank of Kenya (KCB), the country's largest commercial bank, to develop a comprehensive strategy to finance Kenya's agriculture sector. FIRM worked with CBK to put in place an agriculture strategy focused initially on dairy.

To gain buy-in from the bank's leadership, FIRM partnered with KCB middle management to secure approval from their CEO and Board of Directors. With this leadership support, the plan for dairy finance got underway.

FIRM trained bank representatives from 32 branches of KCB in three loan products: herd improvement, asset finance (including refrigeration and transportation), and creation of agriculture deposit accounts.

FIRM then supported KCB in a pilot program that placed full-time technical support in three locations clustered around the 32 branches: Githunguri (Central), Nakuru (southern Rift Valley), and Eldoret (northern Rift Valley and Western).

Within the first six months, KCB lent \$2 million across the three loan products with a strong and growing pipeline.

With increasing pressure on KCB to expand beyond the initial 32 branches, FIRM is now creating a model branch for KCB in each cluster. The prototypes serve as training locations for KCB to train new agriculture loan officers. They also serve as springboards to development of other branches.

FIRM's support to KCB will soon expand into other commodities and areas of Kenya.

For more information:

www.dai.com

Mark Rostal, Chief of Party KCB
FIRM

Tel: +254 20 214 9880, 20 214 9879

Email: mark_rostal@dai.com

Geoffrey Otieno, Communications Coordinator
FIRM

Tel: +254 736 137 654

Email: geoffrey_otieno@dai.com

Pharesh Ratego, AOR
USAID Kenya

Agriculture, Business and Environment Office

Tel: +254 208 622 514

Email: pratego@usaid.gov

Updated February 2012