

KENDAT



Rural Transport Services Project for Kenya Savings and Credit Programme for Farmers

WORKSHOP REPORT

**Savings and Credit Programme Inception Training Workshop
Held at Mwea Irrigation Agriculture Development (MIAD),
Mwea Kirinyaga on 14th and 15th July 2004**

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1.0 INTRODUCTION

1.1 Background

Micro finance has been recognized the world over as a great tool to combat poverty. Accessing credit is today described as a basic need. This is in recognition of the poor having no tangible assets that they can present to conventional banks for credit rating. This is due to the fact that without access to credit facilities the poor cannot make any meaningful investments and hence consigning them to perpetual poverty. In this regard governments and non-governmental organizations are putting in place legislative measures to support the establishment and running of micro finance programmes. Here in Kenya, a micro finance bill has been published and is due to go to parliament for debate.

KENDAT in its development agenda has included a micro finance component that will be jointly implemented with the participating communities. Towards this end, the Rural Transport Services Project for Kenya (RTS) that is being implemented in Mwea Division in Kirinyaga District, Lari Division in Kiambu District and Matayos Division in Busia District and Conservation Agriculture (CA) project in Kalama Division in Machakos District and Arusha – Tanzania are in the process of designing appropriate systems and procedures that would guide the implementation of the micro finance initiatives in the respective regions. The initiatives will culminate in the establishment of Financial Service Associations (FSAs) that will be controlled and managed by the communities themselves. The role of KENDAT will be capacity building to ensure skills development and support in resource mobilization.

This reports highlights the proceedings of the microfinance scheme inception training workshop held in Mwea in July 2004. The workshop was attended by representatives of Community Parliaments from Busia, Lari, Mwea and Kalama. They were mainly the executive members of the community parliaments, who were expected to later train the other parliamentarians and subsequently the members of constituent groups.

1.2 Workshop Objectives

The objectives of the workshop were to;

1. Enable community members conceptualize, understand and own the policies governing the savings and credit schemes.
2. Develop a sustainable micro finance scheme by imparting appropriate governance knowledge and skills.

2.0 WORKSHOP PROCEEDINGS

2.1 Participants' Expectations

The participants had the following expectations;

- i. Learning how to spend the money that KENDAT has promised to disburse to their group.
- ii. Acquire knowledge on to safeguard and maintain the microfinance scheme.
- iii. Learn how to conduct business profitably.
- iv. Learn how to run and develop the micro finance to benefit the community.
- v. Understand the process of getting the proposed funds from KENDAT to start the micro finance scheme.
- vi. Acquire skills on how to manage micro finance.
- vii. Acquire skills and knowledge on micro finance and get to train other people.

Except for those who had come to the workshop expecting to learn how to run businesses profitably, the rest of the participants had expectations that were in agreement with the workshop objectives.

2.2 Community Parliaments Achievements in Micro Finance Scheme

Table 1 below shows what the Community Parliaments had achieved in establishing the structures for the micro finance scheme in their respective areas.

Table 1: Achievement Made by Community Parliaments by the time of the Workshop

| Item | Busia Community Parliament | Mwea Community Parliament | Lari community Parliament | Kalama Community Parliament |
|--|---|---|--|---|
| Registration with the relevant government authority. | Group registered | Group registered | Group registered | Group registered |
| Rules and regulations for operating the microfinance scheme. | Set rules and regulations for running the micro-finance scheme | Set rules and regulations for running the micro-finance scheme | Set rules and regulations for running the micro-finance scheme | No rules and regulation developed yet. |
| Financial transaction and operating Bank Accounts | Opened group bank account with KCB, current balance stands at Kshs.15,000 | Opened group bank account with Co-operative Bank, current balance stands at Kshs.30, 000 that includes the 20,000/- received from KENDAT. | Opened group bank account with Co-operative Bank of Kenya, current balance stands at Kshs.5, 000 | Opened group bank account with Co-operative Bank of Kenya, current balance stands at Kshs.15, 000 |
| Other activities related to microfinance scheme | Developed guidelines for operationalization of motorized tricycle that is anticipated to support the micro-finance. | Buying of shares by individuals is on-going. Already implementing a merry-go-round. Each member contributes 60/- per month out of which 20/- goes to the group account and 40/- is given to 4 group members, 10/- each. | Planning to implement merry-go-round. | Planning to start a merry-go-round |

2.3 Policy Guidelines and Implementation Tools

This session was aimed at reaching a consensus with the community representatives on the broad policy issues. The facilitator introduced the document that contained the issues below, by giving highlights on the key areas. The broad areas discussed were as follows:

2.3.1 Savings

Any amount of savings that is to be saved regularly (weekly/fortnightly/monthly) must be mutually agreed upon without putting a lot of pressure on those group members with the least resources. Savings were categorized into compulsory and optional savings.

Compulsory Savings

These are savings that each member of a particular group must save as agreed and without failure. These savings are the ones to act as collateral during the times that a group member has taken a loan from the group.

Optional Savings

Solidarity groups provide a good avenue for community members to save. The optional savings allow group members to save for the various needs that arise in life. These needs range from school fees and bills to unforeseen emergencies. A member is free to decide on amount and type of need to save for.

2.3.2 Credit

The micro finance project will disburse loans both in-cash and in-kind. Credit will be disbursed in staggered form to allow those with the greatest needs to get first. The number of members to access credit is dependent on the fund available.

2.3.3 Interest Rate

A flat rate of interest will be applied in this project. This method of charging interest is simple and can be administered at the community level easily. The reducing balances method requires constant calculation and often leads to errors.

2.3.4 Transaction Costs

The various projects must charge some reasonable fees for sustainability. The charges are necessary to meet overhead costs. In the initial stages, the project will charge on: loan application forms, passbooks, and a percentage on approved loans for insurance fee.

2.3.5 Security for the Loan

Security for the loans will be provided through the solidarity groups. In this respect, all loans given out will be individually and severally secured. On one hand, individual savings and personal items will provide the first line security for the individual borrowers. On the other hand, fellow group members will bear the responsibility for the loan incase the individual member is not able to meet the loan repayments.

2.3.6 Banking

All groups participating in the micro finance activities should strive to open bank accounts. Bank accounts are a prerequisite for running a transparent and accountable micro finance

scheme. Community groups without bank accounts have found themselves in very difficult circumstances in accounting for all funds collected from the members.

2.3.7 Records

A good micro finance scheme must provide a cash trail that is easy to follow at the community level. At the same time generation of reports should easily be possible from the records kept at the various levels. For this reason the following documents are recommended for a start.

Loan Application Form

This is the accounting document for loan recipients. They must always **originate from the group level** before being forwarded to the Community Parliament and KENDAT for final verification. Any attempt to have these applications **emanating from the Community Parliament level** must be strongly rejected. This is because those seeking to **avoid vetting** at the **grassroots** level could easily abuse it.

Cash Collection Receipt

A triplicate receipt should be designed to support the system. The book copy to remain with the group, the second copy to the Community Parliament and the third copy to the supporting organization (KENDAT). This is a powerful tool that has proved very effective in **controlling** any attempt at **embezzling** group funds. This tool must be **serialized** and the serial numbers of documents clearly recorded.

Members Passbooks

Each member will acquire a passbook that will be recorded all his/her financial transactions with the group. These will include all savings and loan payments. At any given time individual members passbook must reconcile with the Cash Collection Receipt in terms of savings and loan payments.

Monthly Reports

The regularity of these reports in the initial stages is critical for monitoring performance. The reports should clearly show growth patterns, loan repayment and training activities being undertaken.

2.3.8 Arrears and Default

Arrears are those payments that are defined as late payments while default is any accumulated payments past due date.

2.3.9 Grace Period

This is the period between the date of receiving the loan and the date of first repayment. This varies with the type of loan and amount. Seasonal credit for farmers dictates that the repayments are made soon after the sale of harvested farm produce.

2.3.10 Loan Insurance Fund

To safeguard members against Mother Nature an internally administered insurance scheme is vital in ensuring the sustainability of the micro finance projects. Due to the many cases that can be advanced for being covered by the insurance it is advisable that the facility be limited to only cases of incapacitation and death.

Thereafter, the participants discussed in detail each component of the proposed policies to guide the loan schemes in their respective Community Parliaments.

2.4 Plenary Presentations and Suggested Changes to the Policy Guidelines

At the end of the presentations by the facilitator the following changes were proposed on the policy guidelines;

- Inclusion of spouses name on the loan application whenever that is applicable;
- Mwea and Busia Community Parliaments recommended that there be an affidavit sworn and signed in front of a commissioner of oath;
- A Memorandum of Understanding be signed between groups and the Community Parliament. In this MoU the issue of attaching savings incase of default should be clearly spelt out to avoid any conflict in future;
- The third loan should be increased to Kshs. 50,000;
- That group constitutions should address the proposed guidelines so that the micro finance activities become legal activities;
- Community members recommended that the loan repayment period should be flexible such that one can repay their loan amount in 52, 39, 26, 13 or even 9 weeks depending the type of business and the loan size;
- Funds should be banked immediately and banking slips produced during the next group meeting;
- Each Community Parliament should form an audit committee to regularly go through the whole system and report to the general membership;
- Each Community Parliament should include the key areas discussed in their constitutions to safeguard their operations.

2.5 Roles and Responsibilities

The participants identified and recognized the various parties that have a role to play in the success and sustainability of the micro finance scheme. It was unanimously agreed that the entire community and the various government arms are among the critical partners the emerging Community Parliaments need to collaborate with in order to succeed in their Vision, Mission and Goal (VMG).

The participants were continuously reminded of the great importance of working together as a team. The roles of treasurers and secretaries have traditionally been confused. In most cases, the secretaries double up as treasurers due to the fact that they are able to read and write. The groups were advised to strictly adhere to their by-laws and support the office bearers in ensuring the success of the current and future endeavors. Office bearers should be accountable to the group members.

The General Community

The development initiatives that are taking place in the community are for the benefit of all the people of a given community. This is for both the living and those to be born. It is therefore the responsibility of the people to ensure these initiatives are sustainable.

Groups

Once groups are formed and registered they must protect their constitutions. Group officials, especially the executive must ensure they perform their duties without fear or favour.

Community Parliaments

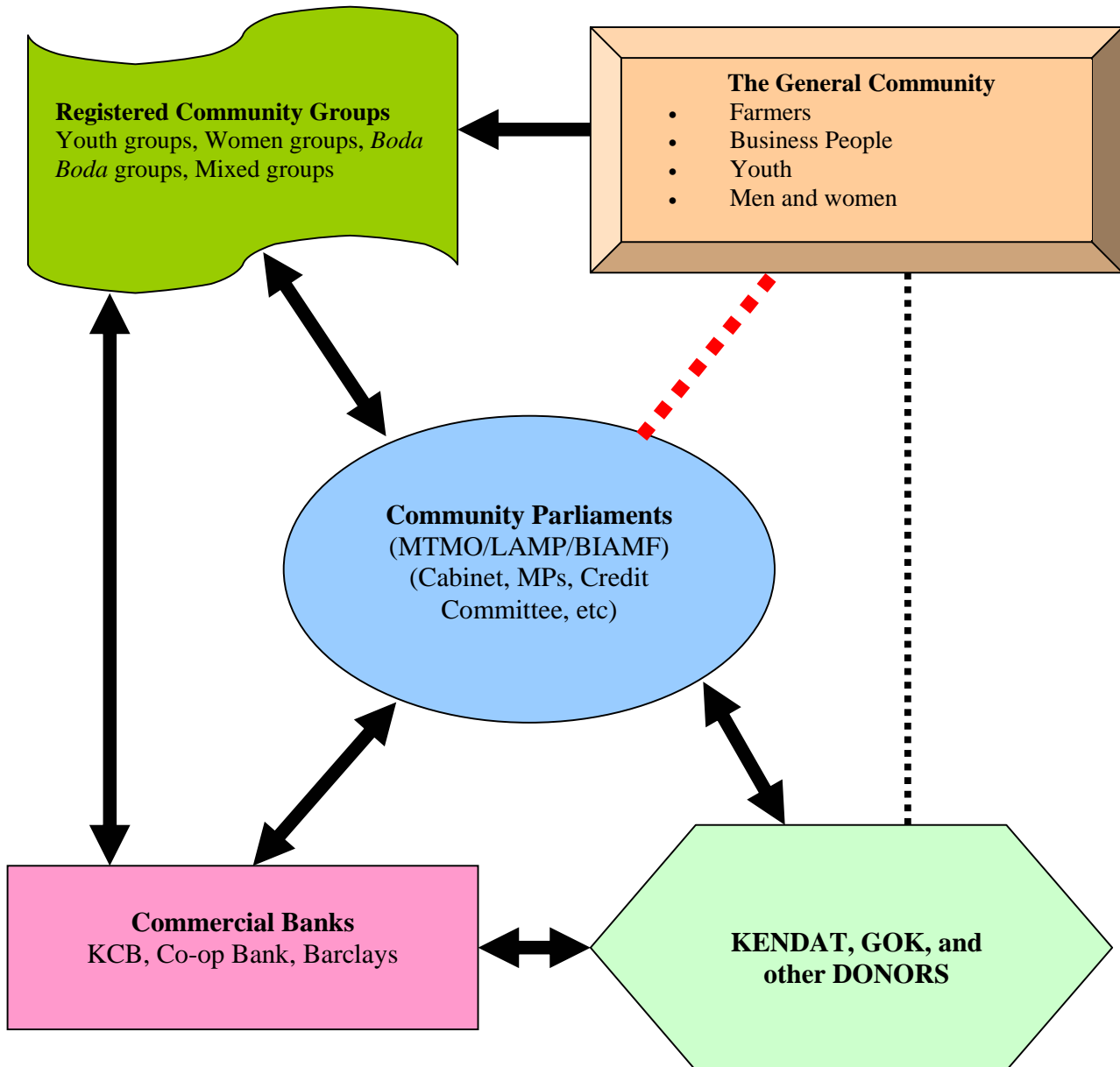
The role of the Community Parliaments as umbrella organizations is primarily to coordinate development activities in their respective areas. It is these organizations that are charged with the responsibility of mobilizing community members into action. Once they mobilize their community members they are thereafter required to start soliciting for resources to support whatever the community members will have agreed to undertake for the general good of the larger community. At this level those who are charged with the responsibility of managing the Community Parliaments must be men and women of high integrity. Their leadership will either steer the organization to great height of development or to a community that is stagnated development wise.

In all the project areas Mwea, Lari and Busia there was a very high emphasis on the Community Parliament operations at the expense of the grassroots groups that send representatives to the Parliament. During the workshop a long and sometimes strenuous debate kept on popping up. The main question was on who is supposed to benefit first – the cabinet, parliamentarians or the group members. Finally, the facilitator designed a chart to illustrate relationships and linkages, as they exist currently. This was a reminder of how the various Community Parliaments had come up.

Actually, it is noteworthy that the members (MPs) who had been elected to the Community Parliament by the constituent groups had gradually, over the last 1 year, started abandoning their groups and creating autonomy within the Community Parliaments. This was going on intentionally with a purpose to block the access of microfinance funds from the grassroots group members and to only benefit the members of the Community Parliaments.

This was detrimental for the microfinance scheme and other projects that are being implemented at community level through the Community Parliaments. However, the diagram below was used by the facilitator to explain the appropriate model for operation of the Community Parliament. In summary the approach ruled out the possibility of individual community members becoming “express” members of the Community Parliament without going through the groups. This was tantamount to a Member of Parliament (MP) without a constituency.

Chart 1: Relationships and Linkages for the Operation of Community Parliaments.



The Chart shows the operation model of the Community Parliaments as far the microfinance scheme is concerned. The Community Parliaments are the central organs of the scheme. Black continuous arrows show strong appropriate linkages, black dotted arrow shows weak appropriate linkage while the red dotted arrow shows inappropriate linkage. The direct linkage of individual members to the Community Parliament is inappropriate in that it weakens the scheme because individual members will strive to overshadow the constituent groups. The desired linkage is that of the general community being organized in groups and then groups come together as the community parliament. This model is important because of the legal implications too i.e. self-help community groups are only limited to a certain number of members (45 members) and allowed to operate within a limited area, usually at Location level. To operate legally, it is mandatory that the self-help community groups are registered with the relevant Government authority. However, individual community members had joined the Community Parliaments. It is now advisable that further recruitment of individual community members to Community Parliaments does not take place and those already registered should seek to join the Parliament through constituent groups. In future the constitutions of the Community Parliaments will need to be reviewed to provide for corporate membership only i.e. community groups.

The main role of the Community Parliament is to set up the basic systems and structures for the operation of the scheme and then to manage it from a central point. The Community Parliament will also be tasked with networking and collaboration.

KENDAT and other NGOs operating in Mwea, Lari and Busia are important key players in the scheme. KENDAT is currently supporting the scheme but in the near future other NGOs could easily enter into partnerships with the emerging Community Parliaments. Once developed these microfinance projects are likely to attract funding from many NGOs. It is therefore imperative that they are systematically managed to be able to attract such donors now and in future.

The Government of Kenya, through the various Departments like the Department of Culture and Social Services, Provincial Administration etc will provide the arbitration mechanism in case of disputes that are not resolved at the group level. The offices of the Chief and Assistant Chief will be useful in dealing with those members who will default in loan repayment. In addition, the Government could also fund the scheme through its various projects targeting poverty alleviation at community level.

Commercial Banks are linked to the community groups, the parliaments and donors through the financial transactions that take place between them. They safeguard the money for the groups, the parliaments and for the NGOs alike.

2.6 Community Action Plans (CAPs)

| Community Parliament | Activity | When (date) | By Who | Where | Remarks |
|---|---|------------------------------------|--|---|---|
| LAMP | Follow up visits by KENDAT | 26/7/04 | KENDAT, parliament and group leaders | Kimende market | |
| | Training the constituent groups | 10/8/04 | Parliamentarians | Kimende market | |
| | Sharing on policies and formats | 26/7/04 | Parliamentarians | Kimende market | |
| | Mobilization, registration and affiliation of community groups c | Continuous process | Parliamentarians | At village level | Targeting 5 groups for the start. |
| | Loan disbursement | 5/10/4 | LAMP/KENDAT | Kimende | |
| | Training of Cabinet & Parliamentarians | 26/7/04 | Cabinet & MPs who attended training in Mwea. | Kimende | |
| | Exchange visits | 11/9/04 | LAMP & KENDAT | To be proposed by KENDAT | Busia/Kalama |
| | Training of Group leaders | 27/7/04 | Parliamentarians | Group meeting venues | |
| BIAMF | Training of Parliamentarians on record keeping, leadership skills etc | 24/8/04 | KENDAT | Kimende | |
| | Follow up visits by KENDAT | 4/8/04 | KENDAT | Penigra Hotel | To assess progress |
| | Training the constituent groups | 22/7/04 | Officials who attended Mwea seminar | At the group demonstration centre | Group to acquire knowledge on micro finance |
| | Finalize policies and formats | Before follow-ups | KENDAT | | |
| | Mobilization, registration and affiliation of community groups. | Continuous process | Parliamentarians | At the village level | Targeting 5 groups for the start. |
| | Loan disbursement | 1/9/4 | BIAMF/KENDAT | Busia | |
| | Training of Cabinet & Parliamentarians | 26/7/04 | BIAMF | BIAMF meeting place | |
| | Exchange visit | 15/9/04 | BIAMF & KENDAT | Lari, MTMO & one micro finance institution | |
| | Training of Group leaders | 11/8/04 | Parliamentarians | Group meeting venues | |
| Training of Parliamentarians on record keeping, leadership skills etc | 5/8/04 | BIAMF will collaborate with KENDAT | BIAMF meeting place | Training MPs who will in-turn train group members | |
| MTMO | Follow up visits by KENDAT | 29/7/04 | MTMO/KENDAT | Christian Community Services Centre (CCS) | To assess progress |
| | Training the constituent groups | 15/8/04 | Officials who attended Mwea seminar | Christian Community Services Centre (CCS) | |
| | Finalize policies and formats | Before follow-ups | KENDAT/MTMO | | |
| | Mobilization, registration and affiliation of community groups c | By 20 th August | Parliamentarians | At the village level | Targeting 5 groups |
| | Loan disbursement | 15/9/4 | MTMO | Christian Community Services Centre (CCS) | |
| | Training of Cabinet & Parliamentarians | 26/7/04 | MTMO | Group level | |
| | Exchange visits | 15/10/04 | MTMO | LAMP, BIAMF, MTMO & Kalama | |
| | Training of Group leaders | 11/8/04 | Parliamentarians | Group meeting venues | |
| | Training of Parliamentarians on record keeping, leadership skills etc | 29/7/04 | MTMO will collaborate with KENDAT | Christian Community Services Centre (CCS) | Training MPs who will in-turn train group members |

2.7 Workshop Evaluation

During the workshop evaluation session participants were requested to respond in writing to questions relating to the workshop. In general all the 14 participants were happy with the workshop facilitation process. One of the participants wrote:

“What I liked most about this workshop is that the facilitator (teacher) had the required ability to put in my mind rich information about micro finance and also getting a chance to open my mind and having a clear vision of what is ahead of our groups and showing me that group work is the best option for success.”

Another stated:

“The approach and presentation was clear and straight forward. Everything was made so simple and clear”

Participants were happy with group discussions and the opportunity to raise questions at the plenary. Every participant was satisfied with the structure presented showing the linkages that will enhance the development of Community Parliaments.

However, few participants (2) felt that those who came in late were dragging others and hence slowing the learning process through asking questions on issues that had already been covered. Five (5) participants did not like the tight schedule, which was a result of the few days allocated for the workshop.

The participants strongly recommended that regular follow-ups be maintained to sustain the high spirits raised during the workshop. Further, the participants suggested that KENDAT should ensure that the Community Parliaments are supported in the implementation of micro finance scheme so that the project can grow.

ANNEXES

Annex I: List of Participants

| No. | Name | Organization | Position | Postal Address | Telephone |
|-----|----------------------|--------------|----------------|---------------------------|--------------------------|
| 1. | Philip Kilaki | KDUC | Group Chairman | Box 1473, Machakos | 0733-369847 |
| 2. | Peter K. Mbugua | LAMP | MP | Box 215, Uplands | 0721-435978 |
| 3. | Lennox C. Baraza | BIAMF | Chairman | Box 501, Busia (K) | 0720-687681 |
| 4. | Perminus Wachira | MTMO | Cabinet Member | Box 8, Kagio | 0733-622359, 0720-667009 |
| 5. | Fredrick Mubadi | BIAMF | Vice chairman | Box 537, Busia | |
| 6. | Joseph M. Thuo | LAMP | Cabinet Member | Box 175, Matathia | 0722-691591 |
| 7. | Abraham K. Mburu | LAMP | Org. Secretary | Box 123, Matathia | 0733-829245 |
| 8. | Alice Nyengesa | BIAMF | Treasurer | Box 179, Nambale | 0734-917530 |
| 9. | John N. Gachimu | LAMP | Chairman | Box 165, Matathia | 0720-812440 |
| 10. | Philip W. Namulundu | BIAMF | Secretary | Box 675 Busia (K) | 0720-812436 |
| 11. | Kamau Nguku | KENDAT | Field Officer | Box 30, Kinale Via Limuru | 0722-639955 |
| 12. | Gerald Murithi | Consultant | | Box 6472- 00300 Nairobi | 0721-931511 |
| 13. | Alex Gichobi | KENDAT | Field Officer | | 0723-846347 |
| 14. | John Njongoro | MTMO | Chairman | | 0722-372623 |
| 15. | Peter Gitau | MTMO | MP | Box 7 Wang'uru | |
| 16. | Beatrice N. Wainaina | MTMO | Treasurer | Box 166 Wang'uru | |
| 17. | James Kinyanjui | MTMO | Cabinet Member | Box 65 Wang'uru | |
| 18. | Eston Murithi | KENDAT | Project Leader | Box 4129-00200 Nairobi | 0722-329201 |

KDUC – Kalama Donkey Users Club

LAMP – Lari Agricultural Marketing Programme

MTMO- Mwea Transport and Marketing Organization.

Annex II: Drat Policies, Rules and Regulations

1.0 Introduction

The village banking model is based on the premise that poverty is a function of low levels of personal savings, lack of external resources and low perception of personal capabilities. The minimalist approach is the method used to run the village banks. The methodology is therefore designed to alleviate poverty and enhance social status of the beneficiaries. This methodology uses self-selected group members who guarantee the loans taken by their colleagues. Each village bank is administered by a committee whose responsibility include convening meetings, approving loans, supervising loan repayment, savings mobilization and keeping up-to-date records.

2.0 Group Registration

All groups must be registered with the Department of Culture and Social Services or any other relevant Government Department so that they can acquire legal status that will enable them open bank accounts.

3.0 Eligibility Criteria

Any member is eligible for the loan as long as they belong to a group that is officially registered with the government.

4.0 Savings

All groups will discuss and mutually agree on the minimum amount of money to be saved by each individual and the regularity (weekly/monthly). Each member will be encouraged to save on regular basis. These savings will be used for various activities. However, each member is free to make any of the following decisions:

- a) Save for an emergency – hence Emergency Account
- b) Save for collateral – to be able to borrow loans against these savings – compulsory savings.
- c) Save for a specific purpose e.g. school fees etc – school fees account.

Savings mobilization is key to the success of any credit scheme, therefore group members will be encouraged to open as many accounts with the group as they can possibly afford. Compulsory savings are those savings that the group members will set for purposes of securing loans that individual members will take from the group.

5.0 Loans

5.1 Loan Type

The scheme will advance loans for improvement of transportation of farm produce and any other items that enhances profit maximization by farmers. Other loans will be extended to group members for any legal income generating activity.

5.1 Loan Amount

The loan scheme will in the initial stages lend loans as follows:

1st loan: not more than Kshs.10, 000

2nd loan: not more than Kshs. 20,000

3rd and subsequent loans should not exceed Kshs. 50,000

5.2 Security for the Loans

The security for the loans will be at two levels. Level one is by the individual members. This will be through individual assets. Each member will declare personal items that will be attached in case of loan default. Individual savings with the group will also be attached to cover any defaulted amount.

In case the above steps do not recover the defaulted loan amounts fully then those savings and other assets of the guarantors will next be attached.

5.3 Purpose of Loan

The clients acquiring loans must commit themselves to using funds for the purpose for which they were applied. Officials of the respective groups must ensure compliance of this rule by visiting their members and confirming the member did not use the loan for any other purpose other than the intended one.

5.4 Transaction Costs

The loan will carry minimal transaction costs to ensure sustainability. The transaction costs are recommended as follows:

- a. Loan application form: Kshs. 100
- b. Member's passbook: Kshs. 50
- c. Loan Insurance 1% of loan

5.5 Interest Rate

It is recommended that interest rate be at 10% flat rate. This rate will be reviewed from time to time to conform to the realities of the money market in the country.

5.6 Loan Repayment Period

Loans will be repaid weekly/monthly for a period not exceeding one year. This translates to 52 weeks. Members are free to choose between weekly and monthly mode of payment. At the same time members will be encouraged to make prepayment when they get windfalls from their income generating activities.

5.7 Grace Period

This is subject to the type of loan. For petty trade type of loan, a grace period of one week is allowed. That is to say the repayments are due the following week during the day that the group usually meets. A grace period of three months will be extended to members accessing agricultural equipments and transport improvement loans.

5.8 Loan Insurance Fund

The 1% levied on each loan will exclusively be used only to cater for default in case of death or incapacitation of a loan client. The loan insurance fund belongs to the scheme.

6.0 LOAN PROCEDURES

6.1 Selection and Training

At the scheme inception stage, groups will be assessed to verify their legal status and activities they are undertaking. After this verification group members will be taken through an orientation seminar. During this seminar the participants will be enlightened on the various aspects of the microfinance scheme and given hints on managing a loan. The training will focus on making the microfinance scheme being run by the Community Parliaments on a sustainable basis.

6.2 Loan Application, Approval and Disbursement.

Application and Approval at Group Level

Group members will acquire and submit filled loan application forms from their respective groups. At the group level, all members will be involved in reviewing, approving or rejecting loan applications. The minutes of the discussions must be taken by the secretary to form the basis of future deliberations in case of appeal by members whose applications will be rejected. Approved loan application forms will be forwarded to the Community Parliaments for further approval.

Approval at Community Parliament Level

All loan applications forwarded by the groups must be verified by the respective Community Parliaments. The *Loan Committees* within the Parliament may at this point want to ascertain some of the items pledged by the beneficiaries before approving any loan. The Community Parliaments may put in place any other systems and structures necessary to ensure success and sustainability of the scheme. The final approval of all loans rests with the respective Cabinets. Approved loan forms will then be submitted to KENDAT for final approval and subsequent release of loans. (It is noteworthy that KENDAT will only be involved during this inception stage of the scheme and pulling out after the scheme has stabilized).

Approval by Supporting Organization (KENDAT)

The role of KENDAT is to ensure that the scheme takes off. A KENDAT officer will approve all loans applied for, and maintain close monitoring of all transactions for purposes of giving appropriate advice to the Community Parliaments.

Appeal Process

Loan appeal will be at two levels. Firstly, group members whose loan application has been rejected at group level will appeal at that level and may call the Community Parliament to witness the decision making process. Secondly, a group member whose application is rejected at Community Parliament level will sanction his group officials to appeal to the Community Parliament on his/her behalf. Such group officials and the member whose application is rejected at this level may be required to attend the decision making meeting. In each case, the group and the Parliament respectively are the final decision makers.

Loan Disbursement

At the inception stage, KENDAT will disburse approved loans to the various Community Parliaments, who then disburse the loans to the various groups. The groups then disburse the loans to the approved loan applicants. However, when the scheme has stabilized, disbursements will begin at Community Parliaments, with KENDAT having little or no role to play in loan disbursement.

7.0 LOAN REPAYMENT

7.1 Repayment Process

Group members will repay their loans to their respective groups during group meetings and at their designated meeting venues. The group officials will then submitted the loan dues to the Community Parliaments, who are the managers of the scheme. The weekly/monthly cash collection receipt **MUST** be appropriately filled and signed by the authorized group official and such repayments entered into member's passbook.

7.2 Banking

All funds collected at the group meeting being payment for loan must be banked immediately. The Community Parliaments shall open appropriate bank accounts (the accounts will be closely monitored by KENDAT) where groups can remit their loan repayments. Bank deposits slips or other such evidence **MUST** be timely forwarded to the Community Parliaments. The bank deposit slips **MUST** be produced at the next group meeting. These are crucial for ensuring all funds collected from the group members are banked promptly and regularly as agreed.

7.3 Fines on Repayment

Groups and the Community Parliaments will charge fines on repayment offences such as arrears, late repayment, etc. A loan is considered to be in arrears if one installment is missed. A penalty of 1% of the face value of the loan may be charged for arrears.

7.4 Default

A loan is considered in default in case the client's misses four consecutive or cumulative payments. A letter should immediately be written to the loan client giving him/her time duration to clear the outstanding loan balance. The guarantors must be informed too, since if the client doesn't pay they will be called upon to clear the outstanding loan balance.

8.0 MONITORING AND EVALUATION

Internal audit will form an integral part of this scheme. The internal audit will be able to access all the records of group and bank statements and be able to report to the general membership on the findings of the group records. The team will be composed by the members of the Community Parliaments. The scheme will regularly be monitored by KENDAT to assess the status of the clients and give the relevant social and technical assistance.

The scheme will be evaluated at two levels; one, the performance of the beneficiaries will be evaluated using indicators such as business expansion, increase in incomes levels, betterment of their lives through acquisition of new assets etc. Two, the performance of the programme of the microfinance scheme will be evaluated using indicators such as repayment rates, income generated from fees and other transaction costs charged. This will be compared against the costs of running the programme to gauge the level of sustainability.

Annex III: Loan Application FormCommunity Savings and Credit Scheme
Loan Application Form

Form No. _____

Group DetailsName of Community Parliament _____
Name of Group _____
Group Registration Number _____
Group Meeting Place/Field Office _____**Applicant's Details**Name _____
National ID No./ Passport No. _____
Member Registration Number _____
Residence; Division _____ Location _____ Village _____**Loan Details**Type of Business to be conducted _____
Business Location; Division _____ Location _____ Village _____
Purpose of the Loan _____
Amount of Loan Applied Kshs. _____
(In words _____)
Date of Application _____**Loan Security Details**

I, Mr/Mrs/Miss _____ voluntarily pledge the following items as security for the loan applied.

| No. | Description of Item | Serial Number | Value in Kshs. |
|--------------------|---------------------|---------------|----------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| TOTAL VALUE | | | |

Loan Consent

I the undersigned hereby certify that I have read and understood the terms and conditions for this loan and the same has fully been explained to me, and I agree to fully abide by all the terms and conditions.

Applicant: Name _____ Sign _____ Date _____
Witness: Name _____ Sign _____ Date _____**Loan Guarantors**

We have read and understood this loan agreement, which has been fully explained to us. We the undersigned, certify that the applicant is able to service the loan and confirm that he/she has complied with all the Loan policies, rules and regulations. In the event the applicant fails to meet loan repayment according to the agreement, we jointly and severally agree to immediately meet all financial obligations. This includes but not limited to, deductions from our savings.

| No. | Name | ID. No. | Total Savings | Signature | Date |
|-----|------|---------|---------------|-----------|------|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

Loan Approval

Amount Approved Kshs. _____

Group OfficialsChairperson: Name _____ Sign _____ Date _____
Secretary: Name _____ Sign _____ Date _____
Treasurer: Name _____ Sign _____ Date _____**Community Parliament Officials**Chairperson: Name _____ Sign _____ Date _____
Secretary: Name _____ Sign _____ Date _____
Treasurer: Name _____ Sign _____ Date _____**KENDAT Officer**Name _____ Position _____
Sign _____ Date _____

Annex V: A Sample of the Weekly/Monthly Cash Collection Form

Serial No.

SAVINGS AND CREDIT PROGRAMME
WEEKLY/MONTHLY CASH COLLECTION REPORT(WCCR/MCCR)

Date _____

Name of the Scheme _____

Name of the Group _____

Locality _____

| No. | Name | Present/Absent | Savings Deposit | Loan Repayment | Fines | Total |
|--------------|------|----------------|-----------------|----------------|-------|-------|
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| 6. | | | | | | |
| 7. | | | | | | |
| 8. | | | | | | |
| 9. | | | | | | |
| 10. | | | | | | |
| 11. | | | | | | |
| 12. | | | | | | |
| 13. | | | | | | |
| 14. | | | | | | |
| 15. | | | | | | |
| 16. | | | | | | |
| 17. | | | | | | |
| 18. | | | | | | |
| 19. | | | | | | |
| 20. | | | | | | |
| 21. | | | | | | |
| 22. | | | | | | |
| 23. | | | | | | |
| 24. | | | | | | |
| 25. | | | | | | |
| 26. | | | | | | |
| 27. | | | | | | |
| 28. | | | | | | |
| 29. | | | | | | |
| 30. | | | | | | |
| TOTAL | | | | | | |

Total amount in words Kshs: _____

Chairperson (Name) _____ Sign _____ Date _____

Secretary (Name) _____ Sign _____ Date _____

Treasurer (Name) _____ Sign _____ Date _____

Annex VI: Monthly Monitoring Report Form

COMMUNITY SAVINGS AND CREDIT SCHEME
MONTHLY MONITORING REPORT

Month _____ Year _____

| Monitoring Item | Details | Remarks |
|----------------------------------|---------|---------|
| Membership Growth | | |
| Number of members at start | | |
| Number of new members | | |
| Number of members withdrawn | | |
| Number of active members | | |
| Total numbers of members | | |
| Savings Mobilized | | |
| Total savings | | |
| Average savings (per person) | | |
| Gender Breakdown | | |
| Total members loaned | | |
| Number of men loaned | | |
| Number of women loaned | | |
| Average loan amount to men | | |
| Average loan amount to women | | |
| Risk Analysis | | |
| 1 Month arrears | | |
| 2 Months arrears | | |
| 3 Months arrears | | |
| Over three months arrears | | |
| Total number of loans in arrears | | |
| Total amount in arrears | | |

Comments;
