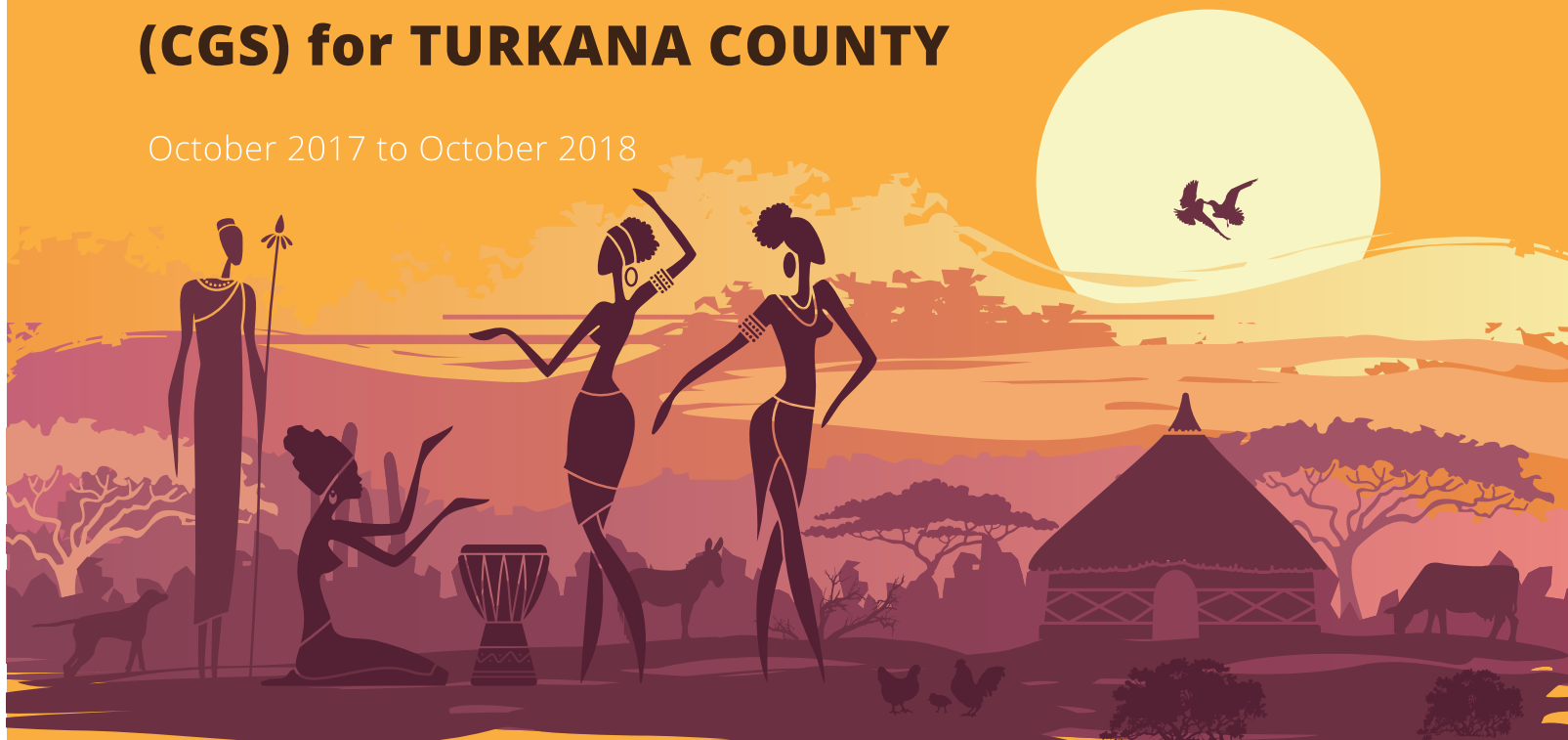


THE PILOT CREDIT GUARANTEE SCHEME (CGS) for TURKANA COUNTY

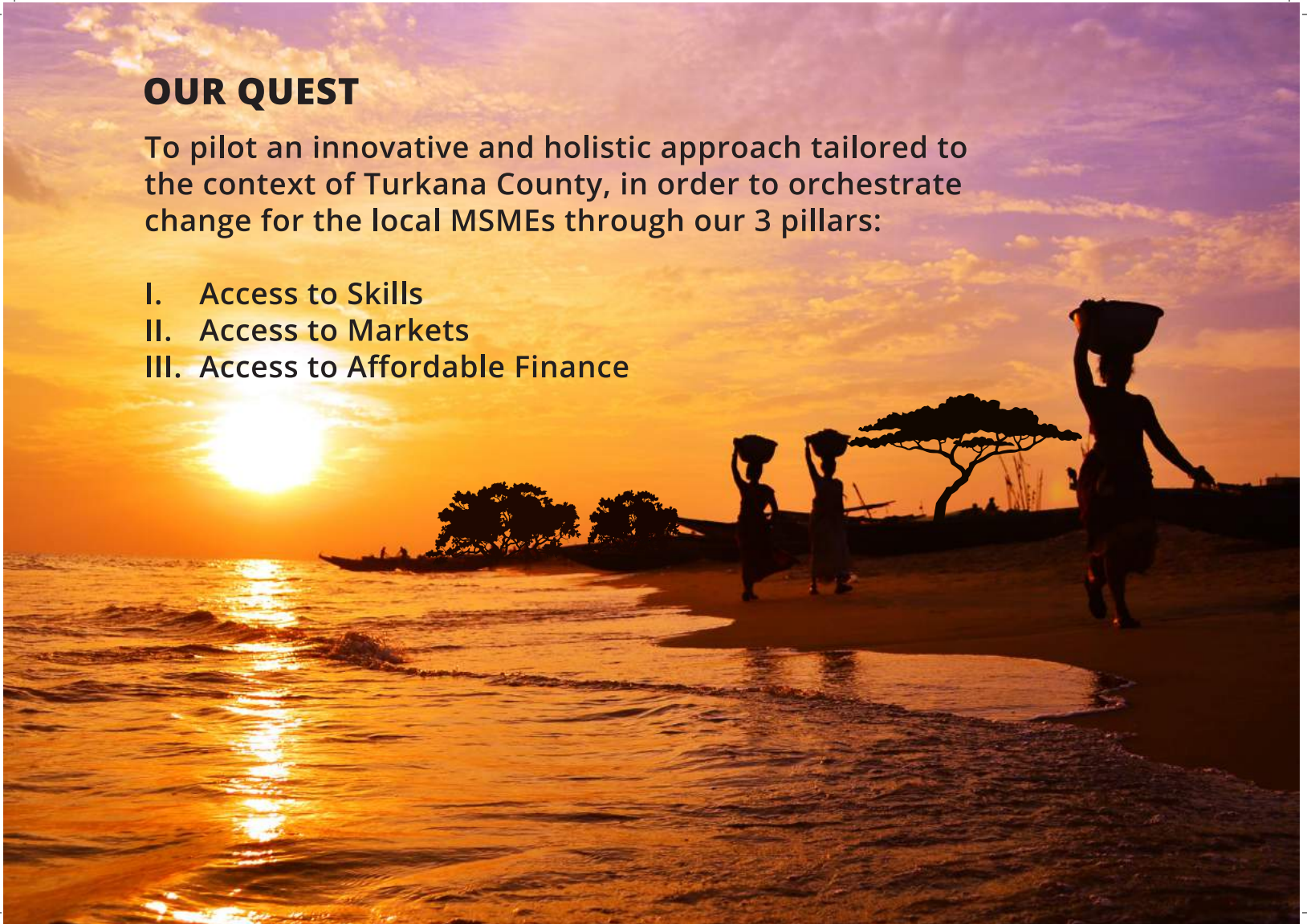
October 2017 to October 2018



OUR QUEST

To pilot an innovative and holistic approach tailored to the context of Turkana County, in order to orchestrate change for the local MSMEs through our 3 pillars:

- I. Access to Skills
- II. Access to Markets
- III. Access to Affordable Finance



CORE CHALLENGES FOR MSMEs IN TURKANA COUNTY

Financial Infrastructure and access is still very poor, resulting in significant adherence and compliance gaps.



Low financial penetration, particularly outside the regional capital, Lodwar



Low credit scores of SMEs



Limited credit history of many businesses, resulting in illegibility for commercial finance



Access to information on what procurement opportunities are available



Inability of Turkana-based micro-SMEs to meet the stringent demands of multinational suppliers

Main source of contracts - Turkana County Government.
(characterised by late and even non-payment for work done)

Result - Failure to honour financial obligations or service loans.

THE SITUATIONAL CONTEXT

Despite a number of initiatives by both National and County Government, as well as many development partners in the area, these initiatives are never enough. Marginalization thus remains a major conversation in Turkana County.

EFFECTS



Huge infrastructural development gaps/budget deficits.



Diminished sense of pride among the locals (gaps in core skill sets).



Lack of training.



Gaps in trust between communities and investors/financial institutions/outside.

REMEDIES



Building relationships (SME, Turkana, County Government, Kenya National Chamber of Commerce and Industry).



Unique business approach to overcome barriers to eligibility and willingness of SMEs to borrow.



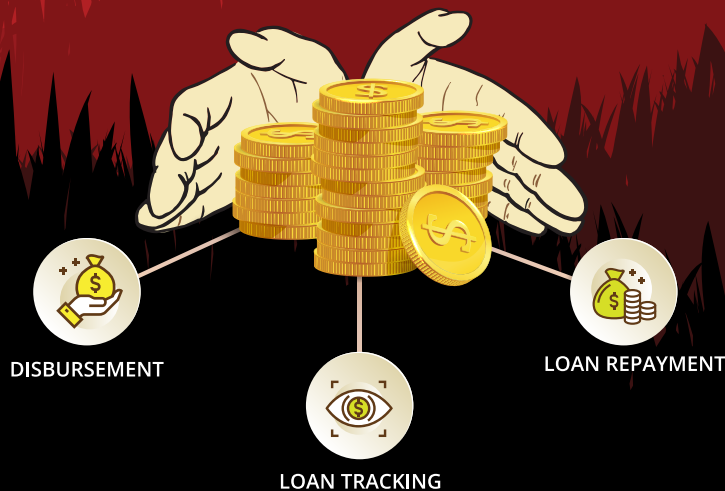
Innovation and project approach (online platforms within the APP platform).

OUR INTERVENTION

Through a grant support by UKAID, and the technical support of Tullow Kenya B.V, the CGS project was set up to leverage technology in providing access to affordable credit, while also empowering MSMEs through capacity building on business skills, and and linking them to other markets.

LEVERAGING TECHNOLOGY

1. Extending IIA's Platform initiative to the MSMEs in Turkana County
2. Piloting an Innovative financing scheme



HOW DO WE DO THIS?

The grant supports the project in the following ways:

1. **African Partner Pool (APP)** – Online business ecosystem that enables local SMEs prequalify for larger bids.
2. **Tender-Nakan** – An Android-powered Mobile Financial application whose name is a Turkana-Swahili rendition translated to mean "Tender at Hand", built onto IIA's APP Platform to provide affordable finance.

INNOVATION AND PROJECT APPROACH

Technology is once again the perfect way to get around physical infrastructure deficiencies.

In a context of limited physical banking and road infrastructure, the use of technology through a mobile app to overcome the problem of accessing loans provided SMEs with the confidence to borrow money to deliver on a specific contract.



From Lokichar - The heart of Oil and Gas activities in Turkana - nearest bank is 2hrs/90Km away.



PROJECT DESIGN

The Project planning and recruitment of micro-SMEs to the APP platform needed to be specifically suited to the physical economic and social environment here in Turkana.

Project design and
recruitment of
micro-SMEs to the
APP platform



Baseline Survey of 17 SMEs to assess and select appropriate businesses to take part in the programme.



Sectors for Consideration: Oil and Gas Contractors, Civil and Construction, Engineering, Transport and Logistics.



Recruitment Drive in the Project's first half (Oct '17 - Jan '18) .



Scoping - To provide IIA with a better understanding the challenges faced by businesses in Turkana, and designing the platform to meet user needs.

PROJECT OUTCOMES

SMEs

120

Registered on the APP platform during the course of the project duration.

65

Fully on-boarded.

20

Vetted and verified as Business-ready.

Project realization and ongoing success as a result of the intervention.

APP PLATFORM ON-BOARDING AND TRAINING

Numerous SME recruitment drives and engagements were undertaken in Turkana County to increase registrations.

22nd March
2018

SME Forum at The Tullow EDC, Lokichar. Budgeting and financial best practices sensitization conducted.

20th March
2018

The 4th Turkana Tourism and Cultural Festival (Tobong'u Lore 2018), Lodwar. 52 SMEs registered on the APP.

29th June
2018

Suppliers Forum focusing on APP Training and On-boarding of SMEs that are registered, but have not completed the on-boarding process on the platform. 33 SMEs attended.

26th July
2018

IIA In collaboration with IFC convened The First Turkana Business Exchange Forum which included representatives from the Banking sector, Humanitarian Organizations (WFP & UNHCR), The Cradle Tented Camp and Lodge, Tullow Oil, and other Development partners, Reps from Ministry of Trade (National Government) and The Turkana County led by the Deputy Governor as Chief Guest, CECM for Trade, Gender and Youth Affairs; CECM for Finance and Economic Planning, and the Biashara Center.

1st-5th Oct
2018

Digital literacy skills and business compliance training at The Turkana Biashara Center. 50 SMEs were trained.



OUTCOMES

As a result of this 1st Turkana Business Exchange Forum, among other deliberated proposals were The Turkana County Finance Bill 2018 which was later debated in the County Assembly with a proposed 25% reduction in the cost of the County Business Permit in order to better the business environment for MSMEs.

PROVIDING LOANS THROUGH THE CGS

This was done by making IIA the Quasi-Guarantor linking the buyer company and the MSME.

IIA developed a model for the CGS which involves the buyer taking a quasi-guarantor role to provide a commitment to pay the supplier, and an assurance that the supplier will have the capacity to complete the contract. A tripartite agreement is signed among the parties involved in the loan facility as follows:



BUYER

Signs the agreement in committing to pay the Supplier upon completion of the works for which the Local Purchase Order (contract) was awarded.



IIA - KENYA

The issuer of the loan and ensures timely disbursement of the funds to the supplier, and post-loan tracking to ensure full repayment.



SUPPLIER

Fulfills all loan requirements and submits a formal application. Signs the agreement committing to honour the supplier ethics code which stipulates the use of funds specifically for the contract for which they were applied.

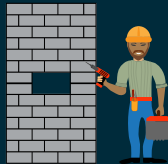
PROVIDING LOANS THROUGH THE CGS

During the development stage of the financing app five (5) MSMEs successfully received loans through the CGS (all the modifications to the app have been completed and it is now available on Google Play).



Akiberan Aberu Suppliers and Contractors Ltd

A women's co-operative food and supply company was the beneficiary of two loans to supply fresh and dried food to supply fresh and dried foods to Afex Group, the Tullow camp catering provider.



Garite Building and Construction Ltd

A building and construction company contracted from Tullow Oil to construct pit latrines and a bathroom for the community at Nakaalei.



Loteteleit Company Ltd

A woman-led construction company contracted to construct pit latrines for Tullow Oil.



Logistics Team International

Contracted by the International Rescue Committee for construction.



Nanaelo Ventures Ltd

Won tender to supply dry foods to a local primary school.

PROVIDING LOANS THROUGH THE CGS

The five (5) MSMEs that successfully received loans through the CGS.

Micro-SME	Contract value (KES)	Contract value (GBP)
Akiberan Aberu Suppliers and Contractors Ltd	582,470 730,345	4,315 5,410
Garite Building and Construction Ltd	530,291	3,928
Loteteleit Company Ltd	970,258	7,187
Logistics Team International	150,000	1,111
Nanaelo Ventures Ltd	100,000	741
TOTAL FINANCIAL LINKAGE	3,063,365	22,692

Outcomes:

Two businesses reported positive experiences with CGS:

- Straightforward and fast loan process
- Competitive interest rates in comparison to banks.



"This is the fastest loan disbursement that I ever received, taking less than 24 hours"

- Lydia Tioko -
Director, Loteteleit Company Ltd.



"I am happy because I can now safely bid for very big tenders while assured of the Financial assistance backing of Invest in Africa"

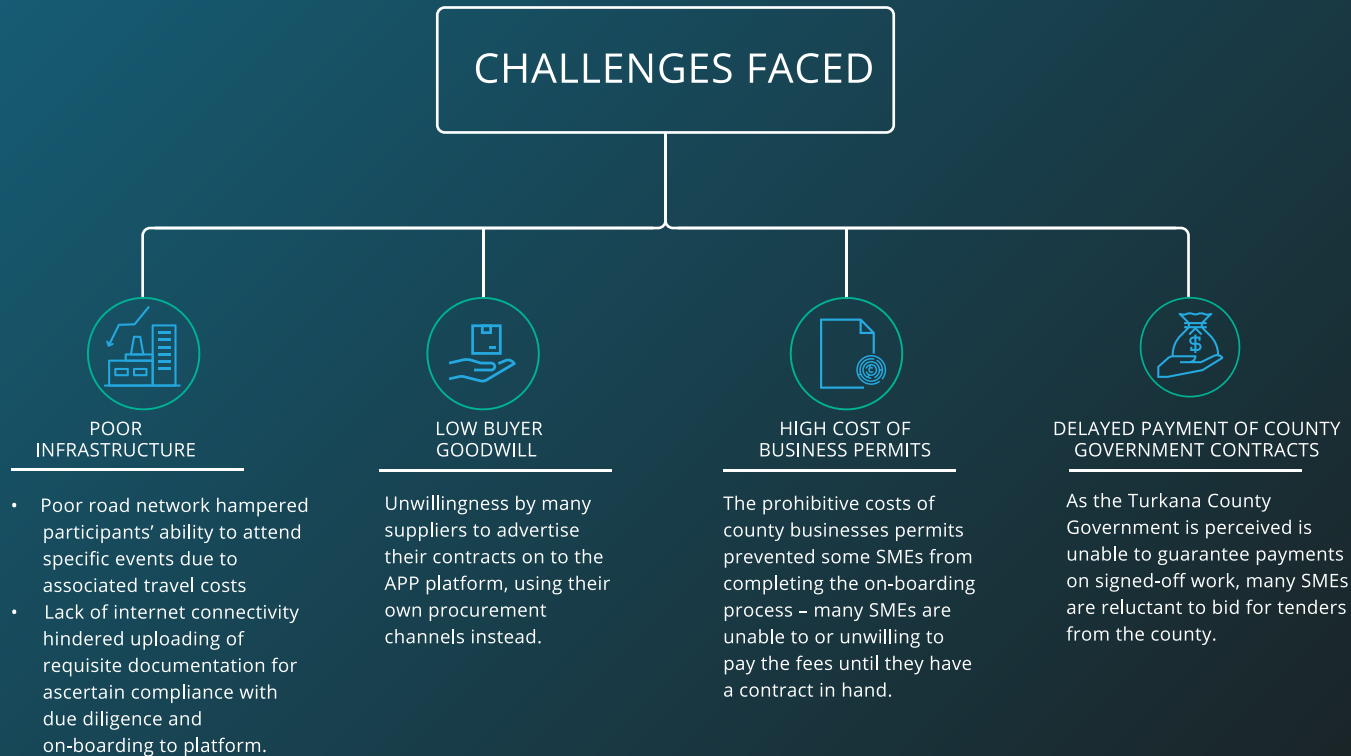
- Rael Mzee Lochodo -
Director - Akiberan Aberu Suppliers and Contractors Ltd.



"My only prayer is that this Project continues for many years, and that nobody spoils this good blessing that we have seen in Turkana for the first time"

- Isaya Emanikor -
Director - Garite Building and Construction Co. Ltd.

Lack of comprehensive policy frameworks to guide MSME operations in this area is manifested in various ways throughout the project as **MAJOR CHALLENGES.**



PROJECT RESULTS

Linkages beyond the Oil and Gas Sector, as well as the uptake of technology base networks are top on a list of **ACHIEVEMENTS**.

The project has improved business linkages, helping businesses acquire new contracts and financing. These are the most significant results of the programme:



Improved access to Finance

(5 SMEs, 3 of them women-led have received loans).



New business secured outside Oil and Gas sector

(2 contracts with the International Rescue Committee - IRC).



Improved business linkages within Turkana

(Connections of SMEs through IIA organized events).



Access to online procurement opportunities:

Focus shifts to getting more buyers on to the APP Platform for a diversity of contracts and more tender opportunities for the Turkana suppliers.

GENDER AND SOCIAL INCLUSION

Without explicitly targeting women, the number of female led business in the program is impressive.

14 MSMEs out of the on-boarded suppliers on to the APP platform have women as majority shareholders.

3 out of the 5 funding recipients are women-led MSMEs.

"I have been able to network and get business mentors through the Training and Forums organized by IIA. I am now more confident in expressing myself and even going out to get more business opportunities, contrary to my fears in the past"

- Lydia Tioko -
Director, Loteteleit Company Ltd.



UNEXPECTED RESULTS

For IIA and other organizations working with SMEs in rural areas of Kenya, CGS provides critical insights and lessons on how to design, manage and measure similar projects.

BIG NETWORKS

The forums and larger events run by IIA created networking opportunities and new stakeholders and big service buyers like Safaricom.

HIGH TECHNOLOGY UPTAKE

Most business owners have smartphones and are regular users of social media platforms. Digital literacy levels are mostly hampered by unreliable internet connectivity.



ASSESSMENT OF PROJECT MANAGEMENT RESULTS AND LESSONS LEARNT

PROJECT MANAGEMENT

The project was well managed. Building relationships and ensuring buy in by both business and government stakeholders was a crucial part of the project. We also facilitated networking platforms for linkages and progressive, open dialogue.



PROJECT DELIVERY AND IMPACT



Improved awareness of procurement standards and procedures



(Better awareness = Increased understanding/access to opportunities = new contracts + financing).



Key Output = Contribution to the desired **KEXPRO** Output 1: Increased capacity of local businesses to benefit from supply chain opportunities linked to the emerging oil and gas sector, as demonstrated below.



5 loans successfully disbursed



Key Output: Contribution to **KEXPRO** Output target 1.1: 'SMEs with improved business skills, linkages, finance and information'.



Documentation and publication of success cases



- Three SMEs who successfully applied for business financing interviewed
- IIA is producing a documentary detailing their experiences.
- IIA has also publicised the success of the CGS loans on various media outlets including Capital FM Kenya and appkenya.com
- A short video featuring Lydia Tioko from Loteteleit Ltd and the women from Akiberan Aberu Suppliers and Contractors Ltd was produced.

PROJECT DELIVERY AND IMPACT



Building relationships and linkages



- New linkages facilitated between SMEs and large suppliers, leading to new contracts for several businesses; and linkages between SMEs in Turkana, which has supported new relationships and increasing confidence.
- Additionally, we have created platforms for SMEs to engage the Turkana County Government through the Biashara Centre and the KNCCI.



Outcome gaps



No evidence to suggest that the project has contributed at a higher level to the achievement of Outcome indicator 2 of 'Significant changes in extractive sector policy, systems and practice supported by **KEXPRO**'.

LESSONS LEARNT

CORE LESSONS from this project highlighted the need for better convergence between multiple players, improve access to financial information and services.



A challenge in achieving convergence between industry, government and local suppliers



- Convincing industry to use the IIA APP for their procurement needs when there is not much industry activity going on is clearly challenging.
- There is an almost insurmountable challenge posed for Turkana SMEs in the simple non-payment of government contracts.



Tailoring access to finance options to a specific context can fill a gap in frontier contexts



In a context where banking services are limited and banks are regarded with suspicion among many SMEs, creating an alternative financing option which removes the need for physical banking infrastructure and relies on the trust of three parties has proven an effective alternative.



Information gaps can hamper business development



- SMEs were often not aware of the free business resources offered by Tullo and the Biashara centre in Lodwar - small computer labs with internet access for use by local business free of charge - so they were under-utilised.
- Biashara staff acknowledge there is little known about what businesses exist in the county and what the levels of skills are.



A more unified business community could be a good first step in engaging government



- Although the IIA project sought to engage business associations, associational life in Turkana remains nascent and there is need to develop the lobby and advocacy capacity of businesses
- Many initiatives and plans discussed at the IIA organised and supported events are yet to be formally discussed at county government level.
- More sustained advocacy is needed from national and international stakeholders to understand and address the issue of non-payment by the county for services rendered by local SMEs, and to continue to lobby for reform.

OUR CONCLUSION

The future of MSMEs in Turkana County remains bright with a host of Mega Projects and Investment coming in, in the wake of the Kenya Vision 2030 roadmap. Other factors as detailed below also abound:

- I. LAPSSET Corridor Mega Infrastructure Project**
- II. Operationalization of fibre connectivity and entry of other telcos**
- III. Security Reforms - Translating to increased business**

The above are all enablers of more business and even emergence of more MSMEs. In light of these, IIA has positioned itself on the front-line as a convener of all parties on matters SME growth and development, and we aspire to achieve even more successes in this fast growing economic bloc.

JOIN OUR CAUSE

Partner with IIA-Kenya in:



Building Capacity and Capability

In order to deliver and remain competitive, MSMEs in Turkana County require skills and knowledge relevant to their respective sectors.



Creating More Markets

With more Buyers from diverse sectors on our APP Platform, we are certain of creating more opportunities, and meeting the business needs of the MSMEs.



Widening Credit Access Pool

A call to action for more financial institutions to tailor-make products and services that are context-friendly.



Supporting Continuous Dialogue

Join us in creating more safe spaces and forums for dialogue and joint deliberations among stakeholders on emerging concerns.



Unity in Advocacy

We appeal for more resources and funding in order to empower local enterprises to be more involved in charting their courses for a better business future.

We cannot do this alone, let us join hands together and collectively do our honest part in prospering Turkana County, and other African Economies.



WHO WE ARE

Invest in Africa (IIA) is a private sector initiative that brings together leading companies across sectors to develop local enterprise and support investment into Africa.

OUR PURPOSE

To enable trade between larger companies and SMEs by providing better access to markets, enhancing SME skills and improving access to finance.



JOIN OUR GROWING ONLINE COMMUNITY



Strathmore Business School





Bush House, Hibiscus Suite
Kabarnet Road off Ngong Road
Nairobi, Kenya.

+254 795 058 590