

Report on the Disabled Persons Loan Scheme of Project Ken/86/037

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Executive Summary

The Disabled Persons Loan Scheme (DPLS) was initiated as one of five components of a United Nations Development Programme (UNDP), International Labour Organization (ILO), and Government of Kenya (GOK) project to assist Kenya's disabled persons (KEN/86/037/01).

As originally envisaged in the KEN 86/037 Project Document, in its initial phase the DPLS was to provide 300 clients from 20 districts in Kenya with basic business training and loans. Subsequently, the target figure for the initial phase was modified, and, as a result, the DPLS is not to provide 810 clients with basic business training, and 300 of these clients with access to commercial credit. The provision of these services is the joint responsibility of the ILO Project Office, the GOK, BBK, and the three sub-contracted Kenyan NGOs.

The objectives of the DPLS are; 1) to facilitate self-employment in Kenya's informal sector for 300 disabled micro-entrepreneurs, 2) to generate further informal sector employment opportunities within the businesses either created or expanded as a result of the DPLS, 3) to help foster an atmosphere of acceptance of disabled people as clients and potential clients by BBK and other banks in Kenya, and 4) to raise the self-reliance of Kenya's disabled people, and thus raise their self-esteem, and their statuses within their families and communities. The client population is also to be gender balanced.

The consultant was retained by the ILO; 1) to assess the impact of the DPLS on its clients, 2) to evaluate the contract with the three sub-contracted Kenyan non-governmental organizations (NGOs) and to assess the efficiency, effectiveness, and sustainability of the services which they provide, 3) to evaluate the contract with Barclays Bank of Kenya (BBK) and suggest ways in which it may be improved in the future, 4) to analyze the possible impact that future macro-economic events and policies in Kenya will have on the DPLS, and 5) to develop a structural framework within which the activities initiated under the DPLS can be sustained after the ILO project comes to an end.

The DPLS system is comprised of six components: 1) identification, 2) selection, 3) training, 4) loan approval, 5) follow-up assistance, and 6) repayment and debt collection. According to Summary Table 1 (Table 3-1 in the Report), which is current as of July, 1993, 2693 clients have been identified, of which 826 have been trained, 569 have presented business plans to BBK, and 238 have received

loans totaling Kshs. 4,328,300. Of those who have received loans, 16 have fully repaid, 111 are repaying on schedule, 20 have been in arrears for between 1 and 4 months, and 107 have been in arrears for over 4 months. Recent evidence suggests that the arrears rate has been improving since July, however.

Summary Table 1

	IYB	PFP	VMS	ILOPO	TOTAL
Clients Identified	1,078	1,063	506	46	2,693
Selected and Trained	298	256	236	36	826
Prepared Plans	178	194	193	4	238
Received Loans	80	74	80	4	238
Disbursed (Kshs.)	1,311,800	1,255,000	1,731,500	50,000	4,348,300
In Arrears (1-4 mo.)	10	12	6	2	20
In Default (over 4 mo.)	39	37	31	0	107
Average Loan	16,398	16,959	21,644	12,500	18,270

The number of persons trained (826) exceeds the 810 that the NGOs have contracted to train during the project cycle. The number of clients receiving loans (238) is close to the project target of 300. Therefore, it appears that the DPLS is in a position to meet its quantitative loan objective by the end of the extended project cycle in February 1994. These results indicate that the DPLS has been successful in terms of output, but that it is experiencing two serious problems; 1) a low percentage of trained clients who are receiving loans (28.8%), and 2) a high percentage of loan recipients who are in arrears or default (53.4%).

To determine the impact of the DPLS on those of its clients who have received loans, the consultant collected data for all of the loan recipients and surveyed a representative sample. The results reveal that the DPLS has also been successful in fulfilling its broader social objectives. The DPLS has significantly raised the financial statuses within their families and within their communities. It has generated positive working relationships between BBK and the disabled loan recipients, and, though the loans have not been evenly distributed across genders, a reasonable gender balance has been achieved. Also, by extrapolating the sample trend with respect to indirect employment creation to the total number of loans given, it may be estimated that the project has generated 85 new jobs within the businesses that were established or expanded as a result of the loans.

The consultant's analysis of the impact of the DPLS on its target population, and his analysis of the objectives of the DPLS, indicate that the DPLS has had a significant positive impact on its clients, and that its strategy and its institutional structure are generally robust. Therefore, the consultant recommends continuation of the activity within the districts already served, and the expansion of the remaining districts in Kenya which exhibit characteristics associated with cost-effective implementation.

The consultant also recommends that the strategy be modified in order that the project may become sustainable and overcome the two most serious problems that it currently faces; 1) the low percentage of trained clients who are receiving loans (28.8%), and 2) the high percentage of loan recipients who are in arrears or default (53.4%).

With respect to the sources of funding and the objectives of the Project, the consultant recommends the GOK apply to UNDP for funding for a four year transitional phase of the Project in which its general objectives are; 1) to transfer the execution of the Project from the ILO to a national entity, 2) to modify the Project's service delivery system to improve the quality of its services, 3) to continue to operate in the districts currently service, 4) to expand the Project's services to all of the remaining viable districts in Kenya, and 5) to establish sources of future funding for the Project other than UNDP.

The consultant recommends seeking UNDP funding for the next phase of the Project for the following reasons:

- a) The Project has been generally successful in fulfilling its objectives in the first phase (Chapts. I, II, and III).
- b) The activities associated with the Project are closely aligned with the objectives of the UNDP Fifth Country Program, and with the objectives of Kenya's Seventh National Development Plan (sec. 6.2.1).
- c) Understaffing of the DPLS at the administrative level (secs. 3.1.1 and 3.1.2), has led to an insufficient amount of DPLS resources being devoted to fundraising in the first phase.
- d) The recent international withdrawal of aid to Kenya (sec. 3.2.3) has significantly limited the funding options for the Project at the present time, thus rendering it unlikely that other funding sources will be secured by the end of the first phase of the activity in February 1994.

The consultant recommends that the ILO continue to execute the project during the four year transitional period. The consultant does not recommend that the ILO assign a Chief Technical Advisor to the project, but that it provide the Project Staff with assistance in implementing the recommended modifications in the

service delivery system, in developing the fundraising strategy, and in developing the Board of Directors.

The consultant recommends that a Project Office be established to administer the Project, consisting of a National Project Co-ordinator, a Trainings and Operations Manager, an Administrative Assistant, a Data Specialist, a Secretary/Receptionist, and two Drivers.

The consultant recommends that the service delivery system be modified in the next phase. He specially recommends, 1) that a second training be added, and 2) that an appeals process be added for those clients whose loan applications are not approved by BBK. He also recommends a number of changes within the existing components of the service delivery system which he believes will increase the proportion of trained clients who receive credit, and decrease the percentage of clients in arrears and default.

The consultant recommends that the Project concentrate its services in geographical areas with the most potential for success in the next phase. He specifically recommends that resources be focused in areas; 1) with macro-economic environments that are conducive to the profitable operation of small-scale enterprises, and 2) where the Project's services can be provided in the most cost effective manner.

With respect to the NGOs, the consultant recommends; 1) that the success criteria for the NGOs be performance based, 2) that, in order to increase the number of visually impaired and hearing impaired clients served by the Project, the NGOs receive a greater payment per client for visually impaired and hearing impaired clients, 3) that gender balance become part of the contracts with the NGOs, and 4) that the NGOs be paid in dollars to control for inflation. He also recommends that there be minimum requirements for Business Advisors (Bas) in terms of education and experience, and that the NGOs be required to adhere to a consistent salary schedule for BAs that includes a minimum salary commensurate with the minimum requirements established for the job. To reward successful Bas, and to have a system to handle ineffective Bas, the consultant recommends that a mechanism for evaluating the effectiveness of Bas be established.

To mitigate the negative consequences of inflation on the Project, the consultant recommends that the Guarantee Fund be held in a US Dollar account in the future, and that withdrawal and conversions into Kenya Shillings be made only as needed. To facilitate the conversion of the fund into dollars, the consultant recommends that the Kenya Shillings remaining in the Fund be spent immediately to cover operating expenses, and then replaced by US Dollars to be held in a separate account.

With respect to BBK, the consultant recommends that the ceiling on the amount that the Project is willing to risk on any individual loan be raised to Kshs. 150,000, and that BBK share the risk with the Project according to the following schedule: Loans of Kshs. 150,000 and below will be guaranteed by the Project as they are presently. For loans of Kshs. 150,000 to Kshs. 500,000, clients will be required to provide security for 30% of the loan, while BBK and the Project will share the remaining 70% of the risk 50/50. For loans between Kshs. 500,000 and Kshs. 1,000,000 the clients will be required to provide security for 50% of the loan, and the Bank will assume the risk for the remaining 50%.

Finally, the consultant suggest that debt collection must be carried out by BBK if the Project is to be taken seriously as a facilitator of mainstream commercial credit. Therefore, the consultant recommends that BBK be persuaded to take on this responsibility, even if the Project has to share the costs associated with BBK's debt collection.