



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*

**PERFORMANCE AUDIT REPORT ON**

**PROVISION OF FINANCIAL AND BUSINESS**

**SUPPORT SERVICES TO WOMEN BY WOMEN**

**ENTERPRISE FUND**



### **Vision**

Effective accountability in the management of public resources and service delivery

### **Mission**

Audit and report to stakeholders on the fairness, effectiveness and lawfulness in the management of public resources for the benefit of the Kenyan People.

### **Core Values**

Independence, Integrity, Professionalism, Innovation and Team Spirit.

### **Motto**

Enhancing Accountability

## **Foreword by the Auditor – General**

I have the honour to present this performance audit report which assessed the Provision of Financial and Business Support Services to Women by Women Enterprise Fund in Kenya. The audit is also in line with Goal 5 of the Sustainable Development Goals (SDGs); Achievement of gender equality and empower all Women and Girls. My Office carried out the audit under the mandate conferred to me by the Public Audit Act, 2015 Section 36. The Act mandates the Office of the Auditor – General to examine the Economy, Efficiency and Effectiveness with which public money has been expended pursuant to Article 229 of the Constitution.

Performance, financial and continuous audits form the three pillar audit assurance framework that I have established to give focus to the varied and wide scope of the audit work done by my Office. The framework is intended to provide a high level of assurance to stakeholders that public resources are not only correctly disbursed, recorded and accounted for, but that the use of resources results in positive impacts on the lives of all Kenyans. The main goal of our performance audits is to ensure effective use of public resources and promote services delivery to Kenyans. Our performance audits examine not just compliance with policies, obligations, laws, regulations and standards, but also whether the resources are managed in a sustainable manner.

The report shall be tabled in Parliament in accordance with Article 229 (7) of the Constitution. I have as required in Section 39 (1) of the Public Audit Act, submitted the original copy of the report to Parliament. In addition, I have remitted copies of the report to the Cabinet Secretary Ministry of Public Service, Youth and Gender Affairs, Principal Secretary the National Treasury, Chief Executive Officer Women Enterprise Fund and the Secretary Presidential Delivery Unit.



**FCPA Edward R.O. Ouko, CBS**

**AUDITOR – GENERAL**

**6 March 2018**

## LIST OF ABBREVIATIONS

AFROSAI-E	-	African Organisation of English-speaking Supreme Audit Institutions
CWES	-	Constituency Women Enterprise Scheme
FI	-	Financial Intermediaries
LRR	-	Loan Repayment Rate
LPO	-	Local Purchase Order
MoU	-	Memorandum of Understanding
OAG	-	Office of the Auditor- General
PAR	-	Portfolio at Risk
PS	-	Principal Secretary
SACCO	-	Saving and Credit Cooperative
WEF	-	Women Enterprise Fund
WEFO	-	Women Enterprise Fund Officer

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# Executive Summary

## BACKGROUND TO THE AUDIT

1. On the global front, the 5th Sustainable Development Goal (SDG) on achieving gender equality and empowering all women and girls, undertakes reforms to give women equal rights to economic resources, access to ownership and control over land and other forms of property, financial services, inheritance and natural resources in accordance with national laws.
2. The Office of the Auditor-General's assurance framework's third strategic pillar identifies performance audit in response to service delivery to Kenyans. Specifically, the third pillar seeks to ensure that the undertaking of government agencies respond to the SDG's including women empowerment. It is with this background that Office of the Auditor General Kenya undertook a performance audit to assess if the government's priorities in regard to women empowerment have been realized
3. To address the challenges of women economic empowerment, Women Enterprise Fund (WEF) was established as one of the flagship projects under the social pillar in the Kenya Vision 2030. WEF is a Semi-Autonomous agency under the Ministry of Public Service, Youth & Gender Affairs. The entity was established under Legal Notice No. 147 of the Government Financial Management (Women Enterprise Fund) Regulations 2007 and the Government Financial Management Act 2009.
4. The core mandate of the Women Enterprise Fund is to offer financial and business support to women entrepreneurs. Financial support services are provided through interest-free Constituency Women Enterprise Scheme (CWES) loans and through subsidized loans from financial intermediaries. Business support involves building women's entrepreneurial capacities and facilitating their access to markets.
5. The objective of the audit was to assess the effectiveness of WEF in regard to provision of financial and business support services to women entrepreneurs. Specifically, to determine the extent to which WEF has provided and recovered loans to women entrepreneurs, offered capacity building to the beneficiaries and engaged partners to offer business support services. The audit covered the period 2010/2011 to November 2016 at the WEF headquarters, eight Regional offices and 39 constituencies.

## Summary of Our Findings

### WEF has Disbursed Over Kshs 7 Billion Subsidized Loans to Women Entrepreneurs

6. One of WEF's mandates is to provide subsidized credit to women entrepreneurs for enterprise development. The audit found that WEF has managed to disburse Kshs 7,498,680,530 reaching 710,820<sup>1</sup> women directly through Constituency Women Enterprise Scheme (CWES) channel and Kshs 1,841,830,000 to 162,661 women through the Financial Institution Channel. Finally, WEF has disbursed Kshs. 20,951,180 to 56, women owned enterprises through the Local Purchase Order (LPO) Product. The LPO product is a loan facility to assist Kenyan women entrepreneurs with the start-up capital to meet tender conditions to supply goods and services. However, despite the achievements attributed to WEF, the Fund has experienced some short comings in its endeavour to provide Kenyan women entrepreneurs with financial and business support services as highlighted in the issues below;

### WEF Loans Have not Reached the Targeted Number of Women Beneficiaries

7. According to WEF Strategic Plan 2013-2017, WEF targeted to increase the number of women beneficiaries from 536,649 in June 2012 to 1,391,150 by June 2017. Review of the detailed CWES loan status report as at 30 November 2016 showed that WEF had reached and benefited 710,820 women which is just about half of the targeted number.
8. The CWES Loan Status Report as at November 2016 also shows disparities in the cumulative uptake of loans by constituencies since the fund started operations in 2007/2008. For example, some constituencies like Lafey, Kacheliba, and Garsen reported an uptake of CWES loans of Kshs 0.25 million, 1.35 million and 1.35 million respectively which was significantly low. In comparison, constituencies like Lurambi, Nyeri Town and Mathira which reported an uptake of Kshs 79 Million, 137 Million and Kshs 146 million respectively was significantly high. The disparities indicate that the WEF has not succeeded in prioritizing the even distribution of loan funds to bridge the gap in underfunded areas. The low uptake of loans by women in some constituencies is attributed to limited use of structured awareness programs and social cultural factors.
9. The audit also revealed that the WEF did not reach its targeted number of beneficiaries as evidenced

<sup>1</sup> The number of beneficiaries used is as a result of OAG analysis of actual beneficiaries. WEF has used a figure of 1,126,787 which relates to loan accounts rather than number of women beneficiaries.

by women's inaccessibility to individual loans due to suspension of the Financial Intermediaries channel. In addition, the audit revealed that the WEF focused its lending efforts to repeat borrowers as opposed to first time borrowers over the duration of the period under review.

### **Delays in Processing of CWES loans**

10. The WEF's Service Charter provides that cheques should be processed within one month after applicants submit an application form. The audit revealed that out of 299 groups surveyed, 217 (73%) groups experienced delays of between 2- 6 months. Some of the reasons given for the delays in processing of the CWES loans were that; the parent ministry would occasionally issue a directive to the WEF not to release some of the cheques to certain constituencies without its authority. Other reasons causing delays were; inefficiencies in the printing of cheques due to a faulty cheque printing machine, staff shortages in the accounting department and delays in the process of correcting rejected CWES loan applications. The effects of delays in receipt of cheques by women is that the women shall miss out on investment opportunities

### **The CWES Loan Repayments in Some Constituencies is Low**

11. The WEF sets the loan repayment rate threshold to 50% subject to a portfolio at risk of 100%. The audit revealed that some constituencies had loan repayment level of below 50% and a PAR as high as 100%, which are indicators of low loan repayment. The following reasons affected the repayment of loans; unfavourable terms and conditions of CWES loans, high default rate for first cycle loans, lack of proper frame work to guide on loan recoveries by constituency volunteers, several challenges in debt collection by the WEF staff and lack of monitoring and evaluation in loan utilization and repayment.
12. The effect of a low loan repayments is that some constituencies have been suspended from receiving the CWES loans deterring women with the ability to pay from accessing the loans. Also, the sustainability of the revolving fund may be at risk if loans are not repaid.

### **CWES Loan Beneficiaries Have not Received Additional Capacity Building**

13. According to the WEF Strategic Plan 2013 -2017 and 2009-2012, WEF was to build the capacity of women entrepreneurs and their organizations to improve their business skills. The audit revealed that most women groups attended a three (3) day capacity building training provided in their own basic saving

and credit skills prior to receiving first cycle loans. The audit also revealed that 90% of the women surveyed had not received extra capacity building that would help them improve their business skills or grow their businesses. Notably, WEF has not expanded its basic three (3) day capacity building training curriculum to include advanced business modules for periodic training through the course of loan repayment and subsequent loan cycles. In addition, WEF has not undertaken training needs assessment to determine the training needs of the beneficiaries.

### **WEF has not Adequately Offered Business Support Services to CWES Loan Beneficiaries**

14. In addition to financial support, WEF is mandated to offer business support to women groups. Business support services involve linking women to local and international markets, linking women to large enterprises and offering business incubation and infrastructure support to women entrepreneurs. The audit findings relating to the provision of business support services are further explained below;

#### **Local Markets**

15. WEF had set to liaise with organisers of local trade fairs, exhibitions and domestic investment forums to facilitate the participation of women entrepreneurs to show case their products by negotiating affordable charges for exhibition stands, and other logistical support. However, the audit revealed that 93 % of the women entrepreneurs surveyed had not been facilitated to participate in local trade fairs, exhibitions and domestic investment forums. Limited exposure of women to these local business forums affected their ability to network within their respective business field.

#### **International Markets**

16. WEF had set to form, engage and leverage on partnerships with institutions involved with promotion of export trade to expand international market opportunities for WEF beneficiaries' products. WEF had engaged the Export Promotion Council (EPC) to achieve the purpose of building the capacity of women in export preparedness and linking them to international markets. The audit however revealed that the partnership was not effective because some key components of the projects were not effectively implemented. Further, 99% of the women surveyed had neither benefited nor were they aware of the program. Ineffective program implementation coupled with limited participation implies that women beneficiaries

will not be able to expand their product to new international markets.

## Large Enterprises

17. According to WEF Strategic Plan 2013-2017, WEF was to support women oriented enterprises to develop linkages with large enterprises. WEF only formed two partnerships with such institutions.
18. In one such partnership, WEF had entered into a 5-year partnership through a Memorandum of Understanding with Coca-Cola '5 by 20' programs in 2014, to empower 5 million women by the year 2020 by building their capacity to start their own businesses. The objective of the partnership was to provide beneficiaries with access to; business skills training, financial services, assets and peer to peer networks. However, the objectives of the partnership have not been achieved because WEF did not formulate a program that would suit the economic activities given that majority of the women groups were in agricultural related businesses and not in retail trade business.
19. The other partnership was with Kenya Bureau of Standards, which was meant to facilitate certification of products produced by women groups to enable them access markets. However, reports indicate that only nine (9) products have so far been certified.

## Incubation Services and Infrastructure Support

20. According to the WEF Strategic Plan 2013-2017, WEF was to facilitate the development of incubation services and supportive infrastructure for women for example, providing decent market space for women. WEF had only formed one partnership to offer incubation support with a local university for the purpose of incubating women enterprises. Only 143 women underwent incubation training which is low considering the number of beneficiaries. WEF had not formed any partnership to offer infrastructure support.

## Conclusions

21. WEF has provided a significant amount of loans to women enterprises across the country. However, these loans have not been absorbed equally across all 290 constituencies in Kenya. We noted that there is low uptake in some constituencies' majority being arid and semi-arid constituencies. The low uptake of loans is attributed to a general lack of awareness of WEF products and socio-cultural factors. Further there is a high demand for individual loans which WEF has not yet satisfied following the suspension of the Financial Intermediaries Channel in 2014.

and the slow pace of reintroducing the channel through women-owned SACCOs. Finally, a higher percentage of WEF loans were given to repeat borrowers making it difficult to reach the targeted number of first time potential beneficiaries.

22. The audit revealed that women entrepreneurs do not receive their cheques within the stipulated one month duration to enable them invest in timely business opportunities. The delays in receipt of cheques is attributed to inefficiencies in WEF's loan processing management systems. WEF has not streamlined its loan approval and disbursement systems causing bottle necks in cheque issuance and grace period.
23. Women entrepreneurs experience difficulties in loan repayment. The challenges in repayment arises due to the fact that the CWES loan product has some unfavourable features that make it difficult for women to successfully undertake profitable projects and repay the loans on time. WEF has also experienced challenges in debt recovery evidenced by the lack of a debt recovery frame work to aid Constituency Volunteers at the grass root to follow up loan arrears. WEF has also not adequately facilitated Constituency Volunteers with the logistical support and resources to enable them effectively follow up on loan defaulters. Finally, WEF has not strengthened its monitoring and evaluation function to vet groups and projects prior to funding to ensure recoverability of loans
24. To empower women entrepreneurs WEF should not be limited to providing financial services, but should also increase its efforts in offering business support services to women for more holistic growth as entrepreneurs. WEF has not adequately offered business support services to CWES loan beneficiaries. WEF did not provide additional business skills training beyond the mandatory 3 day basic training during cycle one funding. The fund has also been ineffective in linking CWES beneficiaries to local and International markets, large enterprises, and has been unable to adequately offer incubation and infrastructural support as envisaged in its 2013-2017 Strategic Plan. The shortcoming in provision of business support is because WEF does not use its knowledge of women's line of business in selecting appropriate partnerships that would offer market linkages effectively. Further, WEF did not forge enough partnerships to offer business support services. Finally, WEF did not monitor the few partnerships in place to offer business support to ensure that the partnership objectives were met.

## Recommendations

25. In view of the findings and conclusions of the audit, the Auditor – General proposes the following recommendation for implementation by Women Enterprise Fund (WEF):
26. To reach the targeted number of women beneficiaries, WEF should;
  - i) Create and implement the use of scheduled and structured awareness creation and sensitization programs.
  - ii) Engage more women owned SACCOs and build their capacity to offer on lending to individual women.
  - iii) Formulate and implement a loan repayment risk policy to improve vetting procedures of new groups and monitor women's business to mitigate the risk associated with high default rate typical of first time borrowers. WEF should also strike a balance in loans issued between first time and repeat borrowers.
27. To address delays in loan processing, WEF should;
  - i) Hold consultations with the Parent Ministry on the best way to address the issue of the directive to hold cheques of women groups to avert delays in cheque issuance
  - ii) Bench mark (with other micro finance lending enterprise) and procure an efficient cheque printing machine.
  - iii) Formulate and implement clear procedures with timelines for tracking rejected loan application forms re-sent to the Regional Office on account of errors.
28. To increase the CWES loan repayment;
  - i) WEF should develop customer specific CWES loan products factoring in the unique challenges of women groups in arid and semi-arid areas and for women groups at higher loan cycles.
  - ii) WEF in collaboration with the Parent Ministry should develop and implement a Memorandum of Understanding between local stake holders such as provincial administration and Credit Reference Bureaus (CRBs) to assist the constituency volunteers effectively collect loan arrears from women groups.
  - iii) WEF in collaboration with the Ministry should revise the terms of service for Constituency Volunteers to build their skills and ensure the consistency.
29. To offer additional capacity building and mentorship to women beneficiaries, WEF should revise the training curriculum to incorporate customized and advanced business modules through the course of loan repayments and subsequent loans, while factoring in the diverse business activities of the women groups.
30. To offer adequate business support services to CWES loan beneficiaries, WEF should formulate a partnership engagement strategy to forge relevant, adequate and impactful partnerships with organisers of local and international trade fairs, linkages with large enterprises and institutions offering incubation support while considering the needs of the women beneficiaries.

# CHAPTER 1

## 1.0 BACKGROUND TO THE AUDIT

### Introduction

- 1.1 Women Enterprise Fund (WEF) is a Semi-Autonomous agency under the Ministry of Public Service, Youth & Gender Affairs. WEF was established under Legal Notice No. 147 of the Government Financial Management (Women Enterprise Fund) Regulations 2007, and Financial Management Act 2009. WEF is governed by an Advisory Board which sets the strategic direction of the Fund. The Fund is headed by a Chief Executive Officer (CEO) and has 8 regional offices and constituency offices in all 290 constituencies in Kenya. The fund has seven operational departments each headed by a manager. These departments are; Credit, Marketing Research and Communication, Finance and Administration, Audit & Risk, Human Resource and Training, and Supply Chain Management.
- 1.2 The core business of the fund is to offer financial and business support to women entrepreneurs.
- a) Financial support involves provision of subsidized credit through two main channels;
- Constituency Women Enterprise Scheme (CWES) loan channel: WEF offers subsidized (interest free) loans to different CWES beneficiary groups located in all the 290 constituencies in Kenya. Each constituency is overseen by a Constituency Volunteer who coordinates 100-500 (CWES) beneficiary women groups.
  - Financial Intermediaries Channel: WEF had entered into strategic partnerships with established financial intermediaries, that is, banks, micro-finance institutions, non-governmental organisations, faith based organisations and savings and credit co-operative organisations (SACCOs) to offer business loans (at 8% interest rate) to women actively involved in viable businesses or want to start businesses. This channel was however suspended in 2014 following incidences of non-compliance with the terms of engagement where some financial institutions were introducing unfavourable terms of on-lending to women groups, such as on-lending funds allocated to them at higher interest rate.
  - Business support services involves building the business capacity of women entrepreneurs to develop their business skills, helping women access markets for their goods and services

by linking them to local and international markets, large enterprises, incubation services and providing for them infrastructural support services.

### Motivation for the Audit

- 1.3 The Auditor-General authorized the audit after reviewing the following factors:
- According to the 5th Sustainable Development Goal (SDG) on achieving gender equality and empowering all women and girls, one of the targets relates to undertaking reforms to give women equal rights to economic resources, access to ownership and control over land and other forms of property, financial services, inheritance and natural resources in accordance with national laws. Moreover, OAG Kenya's assurance framework's third strategic pillar identifies performance audit in response to service delivery to Kenyans. Specifically, the third pillar seeks to ensure that the undertaking of government agencies respond to the SDG's including women empowerment. It is with this background that OAG Kenya undertook a performance audit to assess if the government's priorities in regard to women empowerment have been realized
  - WEF was established as one of the flagship projects under the social pillar in the Kenya Vision 2030 to address the issue of women entrepreneurs being marginalised from accessing economic resources and opportunities. Women are unable to access economic resources due to reasons such as; high interests on loans from banks and other lenders, lack of collateral such as title deeds and log books, low financial literacy levels, cultural factors for example fear of loans, and need for men approval amongst others<sup>2</sup>.
  - Academic research has been done on the effectiveness of WEF. For example, a study titled "Challenges facing women in accessing the CWES fund in Manyatta Constituency, Embu County" (Peter Mary Weveti 2014) revealed that only about 26% of the registered women groups with then Ministry of Gender and Social Services applied and benefited from CWES loans. In addition, these women experienced several challenges including; delays in loans disbursement, inadequate constituency volunteer officers, preference to individual loans to members rather than group loans, CWES offices being inaccessible to rural women, and lack of adequate information about WEF. The study

<sup>2</sup> <https://www.audit.go.ke/Portals/0/Reports/2016/2016-17%20Annual%20Report%20-%20English%20-%20Final.pdf>

concluded that CWES is underperforming in the constituency mainly on account of these challenges and made recommendations for the Government to address them. It would be important to perform an audit to establish if the same challenges are rampant in the 290 constituencies in Kenya.

- iv. To finance the activities of WEF the GOK through the Ministry of Public Service, Youth and Gender Affairs invested a total of Kshs. 3.2 billion (Kshs. 2.2 billion exchequer issues from 2010/2011-2015/2017 and Kshs. 1 billion seed capital in 2007). The parent ministry and parliament would be interested in knowing if funds allocated to WEF over the years has been utilised for the intended purpose, and if WEF is fulfilling its mandate of economically empowering women.

# CHAPTER 2

## 2.0 DESIGN OF THE AUDIT

### Audit Objective

- 2.1 The objective of the audit was to assess whether WEF has been effective in providing financial and business support services to women entrepreneurs, specifically;
- i. To determine the extent to which WEF has provided loans to women beneficiaries, and if these loans have been efficiently processed and disbursed.
  - ii. To establish whether loans due have been recovered by WEF and repaid by the beneficiaries.
  - iii. To establish if WEF has offered additional capacity building to improve the business skills of the beneficiaries
  - iv. To assess the effectiveness of the programs and partnerships in place to link CWES beneficiaries to local and international markets, large enterprises and to offer incubation programs and infrastructure support.

The audit questions are shown in **Appendix 3**.

### Scope of the Audit

- 2.2 The audit team examined the operations of WEF with regard to provision of financial and business support to women entrepreneurs for the period 2010/2011 to November 2016, at the head quarters, eight (8) regional offices and 39 constituencies.

### Methods Used in Gathering Audit Evidence

- 2.3 The team conducted the audit in accordance with performance auditing guidelines issued by International Organization of Supreme Audit Institutions (INTOSAI) and audit policies and procedures established by the Office of the Auditor General (OAG). The guidelines and policies conform to International Standards for Auditing (ISA) and provide a guide on execution and reporting of audit findings.
- 2.4 The team visited WEF headquarters and reviewed records maintained by WEF relating to provision of financial and business support services. The team also conducted interviews with key WEF departmental management staff in Head Office, seven (7) Regional Credit Coordinators, 39 Constituency Volunteers and finally administered questionnaires to 200 CWES beneficiary women

groups. The list of officers interviewed is shown in **Appendix 1**.

- 2.5 To ensure equal representation of the regions and obtain reliable audit evidence, the team visited 39 out of 290 constituencies spread across WEF's eight (8) regional offices namely Nairobi, Central, Eastern, Western, Nyanza, Rift Valley, Coast and North Eastern Region. An average of five (5) constituencies were selected per region, on the basis of materiality in amount of loans disbursed and loan repayment rates. Specifically, each selected constituency either had ; the highest , medium or lowest loan disbursement level or had the highest, medium or lowest loan repayment level in it's respective regions as shown in **Appendix 2**. The team further selected and surveyed a total of 299 women groups, in the 39 constituencies visited. In order to ensure that an appropriate sample of women groups was included in the survey, the team selected 10 women groups from all the five (5) loan cycles in each constituency.
- 2.6 The evidence collected was analyzed using tables, pie charts and graphs as appropriate. The methods that the team used to gather evidence are summarized in **Appendix 3**.

### Assessment Criteria

- 2.7 The assessment criteria for the audit was derived from regulations governing the activities of WEF and WEF's Strategic Plan. According to Legal Notice 147, and the Strategic Plan 2013-2017 WEF is mandated to;
- i. Provide subsidized credit to women entrepreneurs for enterprise development
  - ii. Increase credit access to women entrepreneurs
  - iii. Increase loan repayment and improve on loan recovery process
  - iv. Enhance the sensitization of potential borrowers to increase uptake of loan products among Kenyan women through creating awareness of WEF's products through its structured awareness program
  - v. Build the capacity of women entrepreneurs and their organizations to improve their business skills
  - vi. Increase the number of women entrepreneurs selling locally and internationally
  - vii. Support women oriented micro, small and medium enterprises to develop linkages with large enterprises

viii. Facilitate the development of incubation services and supportive infrastructure for women entrepreneurs

2.8 The documents reviewed some of which are sources of these assessment criteria are listed in **Appendix 4**. The actual criteria used to assess the issues examined in the audit area are outlined in the respective findings in Chapter 4 of this report.

# CHAPTER 3

## 3.0 DESCRIPTION OF THE AUDIT AREA

### Statutory Mandate for WEF

3.1 The mandate of the fund is stipulated in Legal Notice No. 147 of the Government Financial Management (Women Enterprise Fund) Regulations 2007 to undertake the following:

- i. Provide loans to credible micro-finance institutions (MFIs), registered non-governmental organizations (NGOs) involved in micro financing, and savings and credit co-operative organizations (SACCOS) for on-lending to women enterprises;
- ii. Attract and facilitate investment in micro, small and medium enterprises oriented infrastructure such as business markets or business incubators that will be beneficial to women enterprises'
- iii. Support women oriented micro, small and medium enterprises to develop linkages with large enterprises;
- iv. Facilitating the marketing of products and services of women enterprises in both domestic and international markets; and
- v. Capacity building of the beneficiary's women entrepreneurs and their organizations.

### Strategic Objectives of WEF

3.2 The strategic objectives of the women enterprise fund as outlined in its Strategic Plans of 2009-2012 and 2013-2017 include;

- i. To increase disbursement of loans to women entrepreneurs
- ii. To increase the loan repayment rate
- iii. To build the capacity of women entrepreneurs and their organizations
- iv. To increase the number of women linked with large enterprises
- v. To facilitate the marketing of products and services of women enterprises in local and international markets
- vi. To facilitate development of supportive infrastructure
- vii. Leverage on technology to enhance

efficient and innovate service delivery, and

- viii. Enhance risk management and ensure strong operational processes, policies and procedures are adopted

### The Organization Structure of WEF

3.3 Women Enterprise Fund (WEF) is a Semi-Autonomous agency under the Ministry of Public Service, Youth & Gender Affairs, established under Legal Notice No. 147 of the Government Financial Management (Women Fund) Regulations 2007. WEF is governed by an Advisory Board whose core responsibility is to set the strategic direction of the Fund, and to oversee the implementation of those strategic initiatives in accordance with relevant statutory and regulatory regimes.

3.4 The WEF is headed by a CEO who reports to the Advisory Board. The CEO is charged with the responsibility of operationalizing the policies and strategies formulated by the Advisory Board. The Manager Audit and Risk, reports to the CEO and the Board and is in charge of risk management and ensuring that strong operational processes and procedures are adopted. The other operational departments namely, Credit, Marketing Research and Communication, Finance and Administration are in charge of executing the core mandates of WEF and are each headed by a manager who reports to the CEO. The detailed organogram is illustrated in **Appendix 5**

3.5 WEF has eight (8) regional offices, each headed by a Regional Credit Coordinator who is assisted by Regional Credit Officers and Constituency Volunteers. Constituency Volunteers are the first point of contact with women groups. They are responsible for training of women groups, initial vetting of loan applications, and making follow ups on loan repayment.

### WEF Core Processes

#### The CWES Tuinuke Loan

3.6 The CWES loan targets women entrepreneurs in groups within the constituency through the facilitation of the WEF constituency volunteers. Women beneficiary groups comprise of at least 10 women which must have a composition of at least 70% female. WEF lends to target women groups through a product branded "TUINUKE" loan which ensures that all women especially those living in the remote areas are not disadvantaged in accessing the Fund. Initially interested and eligible women groups could borrow from WEF loan in three cycles as shown in Table 1.

**Table 1:** Graduating Loan Cycles Available to CWES Women Groups prior to 2012

Cycle	Amount	Interest Rate	Administration Fee
1	50,000	0%	5%
2	100,000	0%	5%
3	200,000	0%	5%

Source: WEF Credit Policy and Procedures Manual

3.7 However, following a customer satisfaction survey that was carried out by WEF, and which revealed aspects of CWES loan product that required to be addressed, the lending policy was reviewed by the WEF Advisory Board from 14th March 2012. In August 2016, cycle 5 loan of Kshs. 750,000 was rolled out. The changes in amount of loans is shown in Table 2.

**Table 2:** Current Graduating Loan Cycles Available to CWES Women Groups

Cycle	Amount	Interest Rate	Administration Fee
1	100,000	0%	5%
2	200,000	0%	5%
3	350,000	0%	5%
4	500,000	0%	5%
5	750,000	0%	5%

Source: WEF Credit Policy and Procedures Manual

To graduate from one cycle to subsequent cycle, a group has to complete repayment of previous loan.

## Process Description for CWES Loan Application, approval and disbursement

**Table 3:** Timelines for Loan Application, Approval and Disbursement

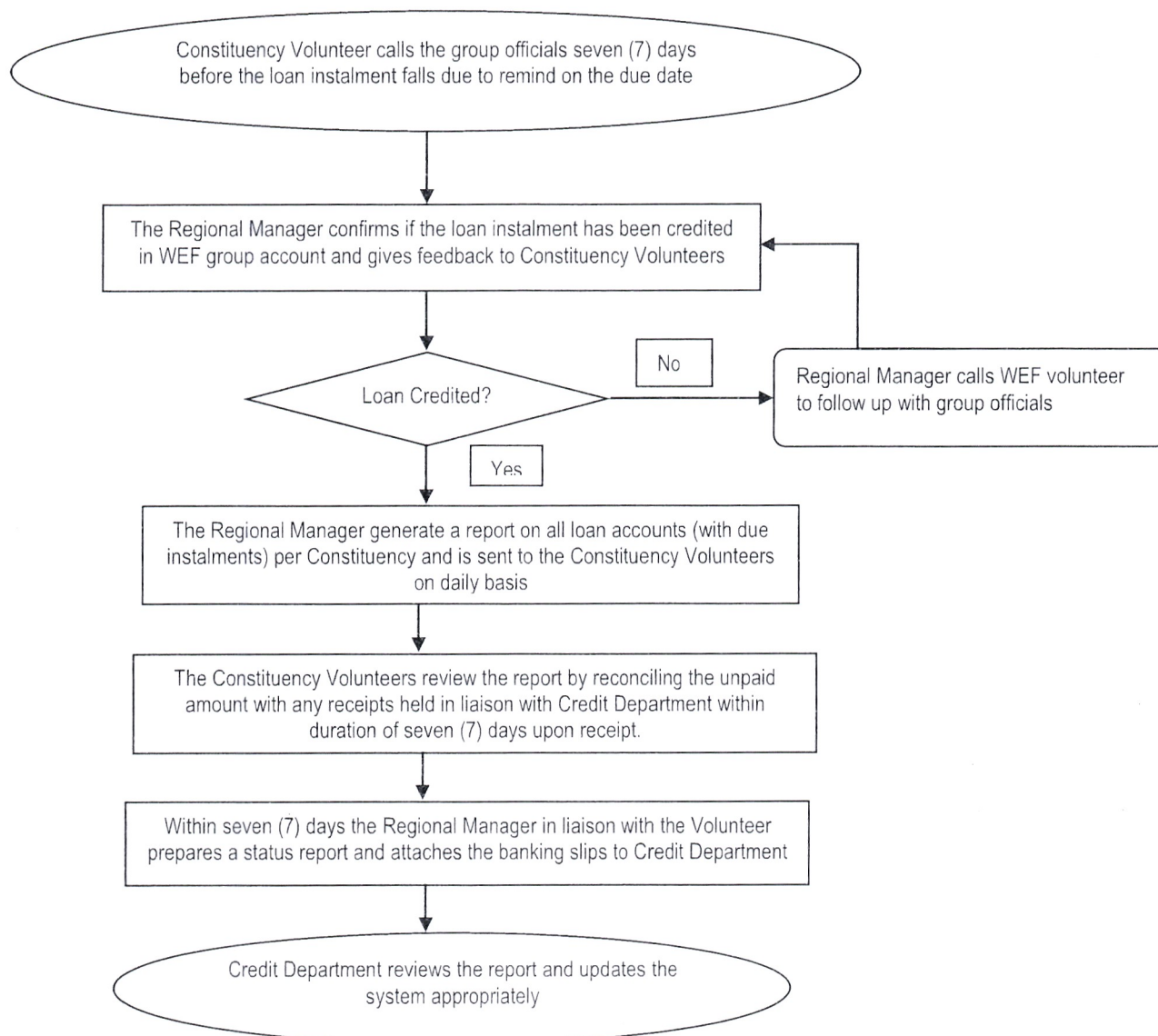
Total loan processing time : One Month	
Activity	Time lines
CWES women group obtains loan application and fills out the form attaching required documents	Ongoing process
Constituency Volunteer first appraises and verifies that forms are filled and properly supported as required under Know Your Customer checklist and forwarded to the Regional Office	Ongoing process
At the Regional Office, The Regional Credit Coordinators appraise the forms again and compliant forms are keyed into the loan management system and consequently forwarded to the Head office while those with errors returned back to the Women's Groups for correction.	Form submitted to Head office by 5 <sup>th</sup> of the Month
Forms received by desk officers at head office who appraise forms to check if well supported, non-compliant forms are rejected and returned back to the respective Regional Office for correction. Compliant forms are recommended for funding and forwarded to Head Office Loan Committee for further vetting	From 6 <sup>th</sup> – 18 <sup>th</sup> of the Month
Head Office loans Committee further vets the forms and forwards the list of groups loan application for funding to the Credit Manager who prepares a Board Paper for discussion and approval by the Loans Board Committee	From 6 <sup>th</sup> - 18 <sup>th</sup> of the Month
Loans Board Committee deliberates and the approved loan applications are then sent to the Credit Manager and the Finance Manager for further action.	Board sits on the 19 <sup>th</sup> of the Month
Loans are then disbursed in the system after which the Finance Department prints the cheques.	No clear timelines
Cheques are then dispatched to the regional office where the cheques are confirmed and dispatched to volunteers for on-ward release to beneficiaries by the Regional credit coordinator	By end of the month

Source: DAG summary of WEF's loan processing

### Process Description for CWES Loan Recovery

3.8 The loan recovery process is facilitated by the Constituency Volunteer, the Regional Credit Coordinator, and the Credit Department and the process is illustrated in **Figure 1**.

**Figure 1** : Process for CWES Loan Recoveries



Source: OAG summary of WEF'S loan recovery process.

### Process Description for Business Support Services

3.9 In addition to financial support, WEF is mandated to offer business support to women groups. Business support services by WEF include offering additional capacity building, linking women to local and international markets, linking women to large enterprises and offering business incubation and infrastructure support to women entrepreneurs. Business support services are further explained below;

#### Capacity Building:

3.10 Capacity Building refers to the equipping of women entrepreneurs and their groups with necessary skills and knowledge to help them effectively use borrowed funds to enhance their ability to repay. The capacity building process is as shown in Table 4.

**Table 4: Capacity Building Process**

Activity	Time lines
Interested CWES applicants are trained by the Constituency Volunteer on the Accumulating Saving and Credit Associations (ASCA) tool prior to applying the loan. ASCA tool covers; Forming a strong group, repayment of loans, recording group financial activity, writing a group constitution, leadership responsibilities, generating business ideas, and how to run a business.	3 days
WEF carries out needs assessment to determine the training needs of the beneficiaries.	Ongoing process
WEF revises the ASCA tool training curricula to incorporate advanced business training module to cater the needs of graduating loan beneficiaries to enhance their business skills	Ongoing process
WEF trains graduating beneficiaries on the advanced training module.	Ongoing process

Source: OAG understanding of WEF'S capacity building process

### Market Linkages

3.11 WEF through its Marketing, Research and Communication Department is responsible for facilitating market linkages through forging and leveraging on partnerships. Each partnership is guided by Memorandum of Understanding (MOU) that stipulates clear objectives, responsibilities and deliverables of the partnerships. The partnerships are formed to fulfill the following objectives:

#### i. Linking women to local and international markets

3.12 Linking women to local markets involves promoting local marketing of goods and services produced by the women groups who have benefitted from the Fund. WEF supports the women groups by paying for the space and entry fees during the local Agricultural Society of Kenya Shows (ASK) and by supporting women groups in participating in business summit exhibitions organized by County Governments. WEF also helps women groups market their wares through online marketing and trains women on the formation of business networking clubs in constituencies.

3.13 Linking women groups to international markets refers to the facilitation and participation of women groups in international marketing exhibitions where women can promote and market their wares. This is achieved through Identifying and forging a partnership with institutions involved in promotion of export trade, selecting women entrepreneurs to participate, linking the selected women entrepreneurs with the identified institutions, and monitoring the progress of the partnership.

#### ii. Linking women to large enterprises

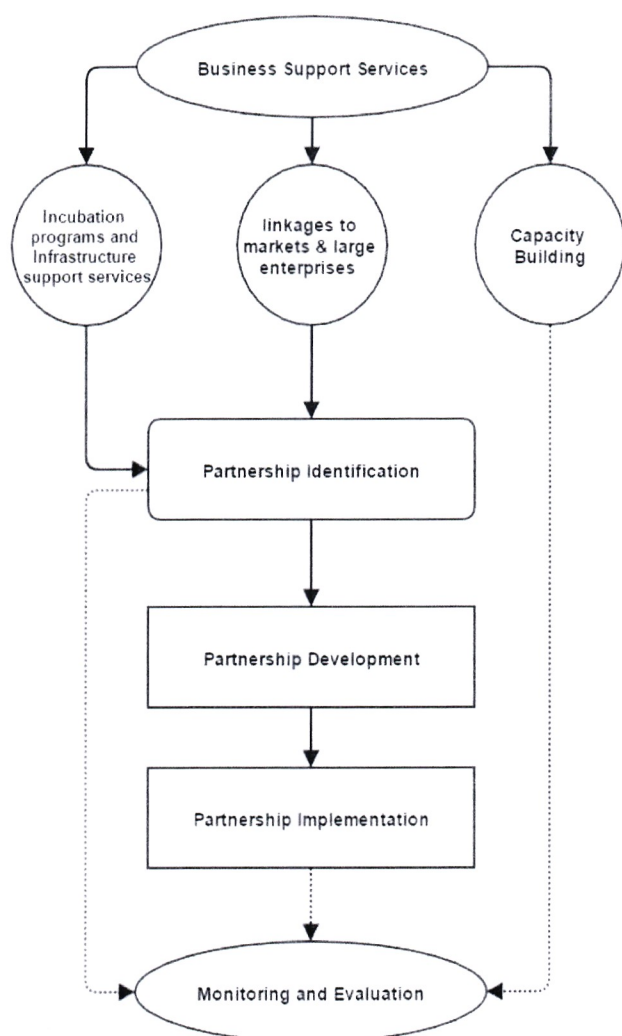
3.14 Linking women to large enterprises is aimed at helping women entrepreneurs' access technology, information, business sub-contracts, products and quality improvement through bench marking. These linkages are achieved through Identifying and forging partnerships with large enterprises with the ability to; provide financial services, offer products at subsidized prices and business skills training. These partnerships are then monitored to ensure that objectives are met.

#### iii. Business incubation and infrastructure support

3.15 Business incubation programs' goals are to help create and grow young businesses with the necessary support through financial and technical services. This is achieved through; identifying and entering into agreement with institutions that are willing to incubate women enterprises, identifying the enterprises that qualify for incubation training and link them with the various partners, and monitoring the progress of the partnership. A summary of business support process is as shown in **Figure 2**

3.16 Infrastructure support involves creating a conducive work environment for women entrepreneurs to run their business efficiently. This is achieved through; entering into partnerships with organizations such as County Governments, universities, public-private partnerships etc. for refurbishment and development of sheds for women entrepreneurs, selecting women entrepreneurs to participate, linking the selected women entrepreneurs with the identified institutions, and monitoring the progress of the partnership.

**Figure 2 :** Summary of Business Support Services process



Source: OAG representation of WEF's business support services

## Sources of Funds

3.17 WEF has two sources of funding. The first is through the exchequer allocations for development and recurrent funding, through the parent ministry, while the second is through internally generated funds.

3.18 At inception, WEF in 2007/2008 was given a seed capital of Kshs. 1 billion to be used as a revolving fund for issuance of loans. In addition, WEF has received a total of Kshs 2,225,746,250 from the exchequer from 2010 to 2017. Out of the Kshs. 2,225,746,250 WEF received only Kshs 87,946,250 (4%) as recurrent expenditure. Notably, WEF did not receive recurrent expenditure between 2010/2011 and 2013/2014. Management indicated that the exchequer had not approved the recurrent expenditure budget from 2010/2011 to 2013/2014 thereby causing a constraint in the Fund's operations.

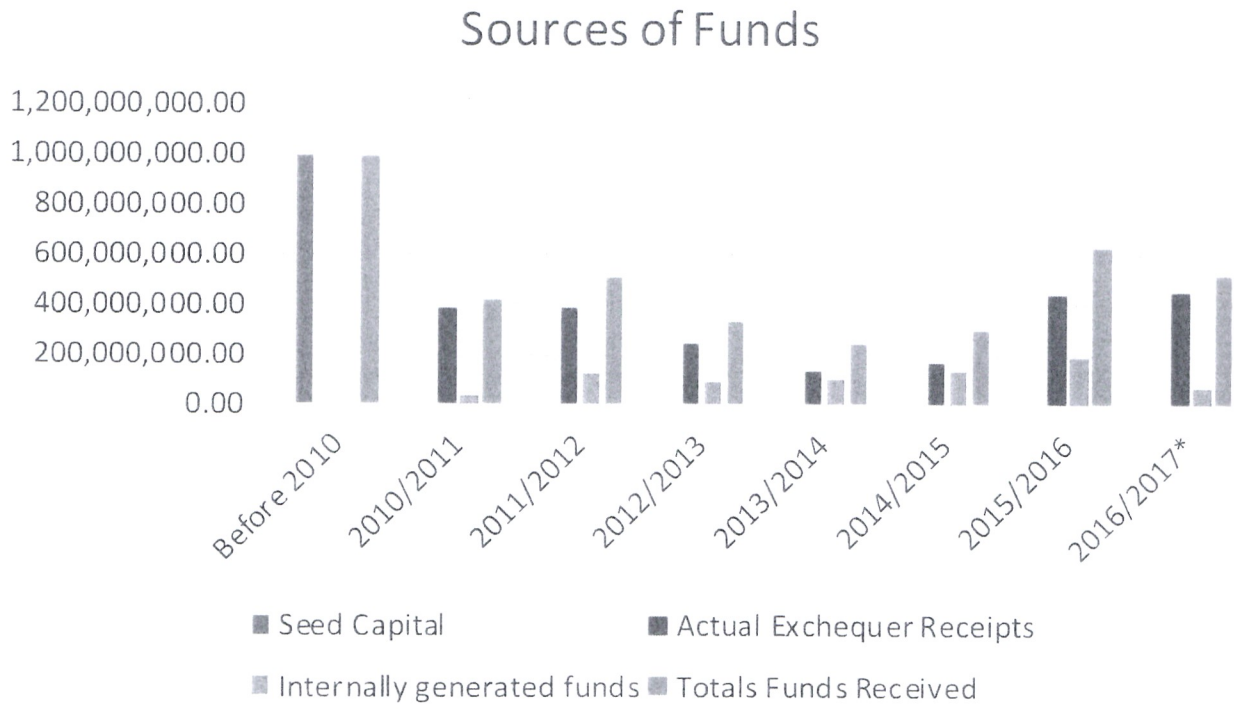
3.19 WEF has been generating funds internally through a 5% administration fee levied on all loans disbursed, interest on loans to financial intermediaries, training fees charged on women groups and interest on short term deposits amounting to Kshs. 730,740,054 during the same period (2010 – 2017). The summary of funding levels for development for the exchequer receipts and internally generated funds is depicted in **Table 5** and **Figure 3** below:

**Table 5:** Sources of Funds

Financial Year	Seed Capital	Actual Receipts	Exchequer	Internally generated funds	Totals Funds Received
Before 2010	1,000,000,000.00				1,000,000,000.00
2010/2011			390,000,000	31,545,068.00	421,545,068.00
2011/2012			390,000,000	118,566,395.00	508,566,395.00
2012/2013			246,400,000	89,450,481.00	335,850,481.00
2013/2014			133,800,000	106,001,763.00	239,801,763.00
2014/2015			168,912,500	134,705,640.00	303,618,140.00
2015/2016			439,022,500	187,476,042.00	626,498,542.00
2016/2017*			457,611,250	62,994,665.00	520,605,915.00
Totals	1,000,000,000.00	2,225,746,250.00		730,740,054.00	3,956,486,304.00

Source: OAG analysis of WEF's Financial Data

Figure 3 : Sources of Funds for WEF from 2010/2011 to 2016/2017



Source: OAG analysis of WEF's financial data

# CHAPTER 4

## 4.0 FINDINGS OF THE AUDIT

### WEF has disbursed over Kshs 7 billion subsidized loans to women entrepreneurs

4.1 According to the Legal Notice No.147 of the Government Financial Management (WEF) Regulations 2007, one of the mandates of WEF is to provide subsidized credit to women entrepreneurs for enterprise development. Review of Loan Cumulative Disbursement Reports as at 30<sup>th</sup> November 2016 revealed that WEF had disbursed Kshs 7,498,680,530 to 710,820<sup>3</sup> women directly through Constituency Women Enterprise Scheme (CWES) channel, Kshs. 1,841,830,000 to 162,661 women through the Financial Institution (FI) Channel and Kshs. 20,951,180 to 56 women owned enterprises through the Local Purchase Order (LPO) Product. The LPO product is a loan facility to assist Kenyan women entrepreneurs with the start-up capital to meet tenders to supply goods and services. **Table 6** shows the breakdown of amounts disbursed through the various lending channels and number of beneficiaries in each of the years under review.

**Table 6:** Total Loan Amounts Disbursed to WEF Beneficiaries from the Various Lending Channels for the Years 2007/2008- 2016/2017

Lending Channel	CWE		FIs		LPOs		TOTAL	
	No of beneficiaries	Loan amount Kshs	No of beneficiaries	Loan amount Kshs	No of beneficiaries	Loan amount Kshs	No of beneficiaries	Loan amount Kshs
2007/2008	1,740	2,870,000	6,074	317,000,000	-	-	7,814	319,870,000
2008/2009	104,280	163,964,180	22,280	186,750,000	-	-	126,560	350,714,180
2009/2010	73,740	124,767,150	40,160	286,000,000	-	-	113,900	410,767,150
2010/2011	100,620	184,179,200	17,448	346,000,000	-	-	118,068	530,179,200
2011/2012	132,405	507,700,000	37,902	507,580,000	-	-	170,307	1,015,280,000
2012/2013	159,660	660,950,000	17,200	198,500,000	-	-	176,860	859,450,000
2013/2014	149,190	1,055,550,000	10,058	-	-	-	159,248	1,055,550,000
2014/2015	165,064	1,600,000,000	11,539	-	12	4,838,197	176,615	1,604,838,197
2015/2016	178,334	2,271,050,000	-	-	41	14,499,323	178,375	2,285,549,323
2016/2017	61,754	927,650,000	-	-	3	1,613,660	61,757	929,263,660
<b>Total</b>	<b>1,126,787</b>	<b>7,498,680,530</b>	<b>162,661</b>	<b>1,841,830,000</b>	<b>56</b>	<b>20,951,180</b>	<b>1,289,504</b>	<b>9,361,461,710</b>

Source: OAG analysis of WEF cumulative loan disbursement data

4.2 Survey results towards loan impact on business revealed that out of the 299 groups interviewed, 123 (41%) groups reported that their businesses had experienced marginal improvement due to receiving the loans and 59% reported significant improvement in their businesses since receiving the loans. The improvement in the women's businesses was as result of increased access to capital that was previously out of their reach to either start up or expand their businesses. Therefore, WEF has been able to disburse a significant amount of loans to women beneficiaries thereby assisting them to access affordable credit to start or expand their businesses hence positively impacting on the businesses of women entrepreneurs.

4.3 However, despite the achievements attributed to WEF, the Fund has experienced some short comings in its endeavour to provide Kenyan women entrepreneurs with financial and business (technical) support services as envisaged in its legal mandate and subsequent strategic plans as indicated in the following paragraphs.

<sup>3</sup> The number of beneficiaries used is as a result of OAG analysis of actual beneficiaries. WEF has used a figure of 710,737 which relates to the number of beneficiaries in the cumulative disbursement reports.

A. (i) **WEF loans have not reached the targeted number of women beneficiaries**

4.4 This finding addresses one of the sub objectives of the audit, which was to determine the extent to which WEF has provided loans to women beneficiaries. The specific issues addressed include; low uptake of loans by women in some constituencies, women entrepreneurs not benefitting from individual loans, first time borrowers forming least percentage of loan beneficiaries and few young women entrepreneurs taking up CWES loans.

1. **Low uptake of loans by women entrepreneurs**

4.5 According to WEF Strategic Plan 2013-2017, WEF targeted to increase the number of women beneficiaries from 536,649 in June 2012 to 1,391,150 by June 2017. Consequently, WEF in 2014 reviewed the CWES loan product to ensure even distribution of loan funds in all locations prioritizing underfunded areas.

4.6 The review of the detailed CWES loan status report as at 30 November 2016 showed that WEF had reached and benefited 710,820 women which is just about half of the targeted number. A significant number of women beneficiaries have therefore not been able to benefit from WEF products.

4.7 Further, review of the CWES Loan Status Report as at November 2016, revealed disparities in the cumulative uptake of loans by constituencies since the fund started operations in 2007/2008. For example, some constituencies like Lafey, Kacheliba, and Garsen reported an uptake of CWES loans of Kshs 0.25 million, Kshs 1.35 million and Kshs 1.35 million respectively which was significantly low. In comparison, constituencies like Lurambi, Nyeri Town and Mathira reported an uptake of Kshs 79 Million, Kshs 137 Million and Kshs 146 million respectively which was significantly high. The disparities indicate that WEF has not succeeded in prioritizing the even distribution of loan funds to bridge the gap in underfunded areas. **Table 7** shows the uneven distribution of loans amounts in the three lowest and highest funded constituencies and the corresponding number of women groups who took up those loans.

**Table 7 :** The three lowest and highest funded constituencies as at November 2016. and the Corresponding Number of Women Groups

Constituency	Amount Disbursed Since 2007/2008 Kshs (Millions)	No. of groups
Lafey	0.25	5
Garsen	1.35	24
Kacheliba	1.35	27
Lurambi	79	541
Nyeri Town	137	919
Mathira	146	1094

Source: OAG analysis of WEF cumulative loan uptake as at Nov 2016

4.8 The audit revealed that the low uptake of loans by women in some constituencies is attributed to the following;

a) **WEF limited use of structured awareness creation programs**

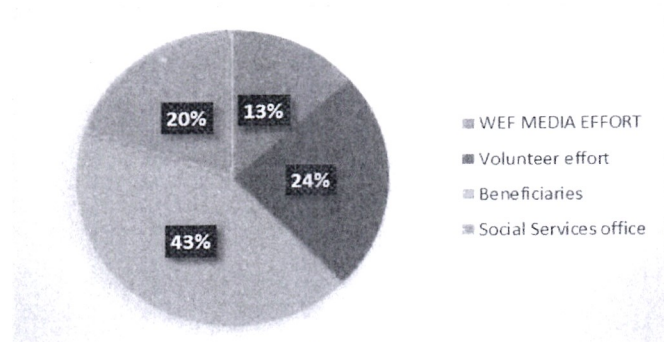
According to WEF's Strategic Plan 2013-2017, WEF was to use structured awareness creation programs like barazas (local provincial administration community gatherings), road shows, radio and TV talk shows, and advertisements (among others) to increase the visibility of WEF to reach more women in the constituencies to take up loans.

4.9 Review of reports for awareness creation programs revealed that the reports were not comprehensive and did not show any systematic approach to awareness creation. Further, interviews with 39 Constituency Volunteers and seven (7) Regional Credit Coordinators confirmed that there was no schedule or structure to awareness creation and sensitization programs for WEF's activities. The awareness creation activities that were undertaken were mainly ad-hoc, and depended on the Constituency Volunteer's initiative and opportunities that arose in the constituency and their rapport with local stakeholders, for example, local chief's barazas and the social services office.

4.10 Surveys conducted to establish how the women groups in the 39 constituencies visited learnt of WEF's existence and activities revealed the following; Out of 299 groups, only 72 (24%) groups learnt of WEF's activities through efforts attributable to the Constituency Volunteer (mobilization through the churches, chief barazas and as individual), and 40 (13%) groups learnt through the media (radio, television and newspaper). The survey results further revealed that 123 (43%) groups learnt about the existence of WEF's activities from other beneficiaries, while 30 (10%) of the groups learned of WEF's

activities from the Gender and Social Services Office as illustrated in **Figure 4**.

**Figure 4:** Beneficiaries Source of Information on WEF's Activities



4.11 It is evident from the analysis of the survey results that most potential beneficiaries obtain information on WEF's activities through other beneficiaries. However, according to some constituency volunteers this method of awareness creation was not effective in constituencies that had fewer women benefiting from WEF loans. Therefore, WEF's direct intervention through structured awareness creation would be necessary.

**b) Loan administration Fee hindering loan uptake**

4.12 Interviews with Regional Credit Coordinators and some women groups in low uptake regions such as North Eastern revealed that some women are reluctant to take up the CWES loans. This reluctance is attributed to the 5% administration fee which the women construe to be interest thereby in conflict with their Islamic religious beliefs that loans should be interest free. Further, analysis of Loan Status Reports of North Eastern Region as at the time of the audit revealed that 139 women groups had arrears of Kshs 7,000 and below, which is attributable to the 5% administration fee charged. According to WEF North Eastern regional Coordinator, WEF intends to partner with the religious leaders and carry out more sensitization campaigns in the region to reassure the women that the administration fee of 5% is not interest.

4.13 The charging of this fee affects loan uptake, thus marginalizing these women economically. Further, out of the 299 groups surveyed, 256 (86%) were comfortable with the 5% administration fee charged while 14 (5%) wanted the fees scraped. It is worthy to note that, eight (8) of the 14 groups who wanted the administration fee scraped off came from Ijara Constituency - an Islamic dominated community from the North Eastern Region who all wanted

the administration fee scraped due to their religious belief that loans should be interest free.

**2. Women entrepreneurs are not benefiting from individual loans**

4.14 According to the WEF Credit Policy and Procedures manual, the Fund intended to provide affordable and accessible credit to women of 18 years and above through two main channels; the Constituency Women Enterprise Scheme (CWES) channel, and Financial Intermediaries (FI) channel. Further, WEF's Strategic Plan 2013-2017 strategized to review the loan disbursement channels by engaging women owned SACCOs with the capacity to disburse loans, sensitize and train CWES women groups on how to form a SACCO. Once established, these SACCOs would take up the role of on-lending to individual women entrepreneurs.

4.15 Interviews with credit department revealed that the FI channel was suspended in 2014 and was to be reintroduced through engaging women owned SACCOs with the capacity to offer on-lending to individual women who preferred individual loans as opposed to group loans. Documentary review of SACCO formation reports also revealed that only 89 SACCOs have been formed and registered as at February 2016, but no individual loans had been disbursed to date. Majority of the SACCO's that had been formed lacked the necessary platform to ensure their sustainability. For instance, in Nyanza some of the SACCO's had no staff members and lacked institutional capacity i.e. offices were not automated. Other SACCOs lacked offices, had governance issues in that they did not have committees in place and had no audited accounts etc.

4.16 Further, survey results of WEF's efforts towards SACCO formation revealed that out of the 299 women groups surveyed, none of the groups had joined any SACCOs while 213 (71%) groups were not aware of the existence of WEF women-owned SACCOs or how to join the SACCOs

4.17 A report prepared by WEF in 2016 on women owned SACCOs formation stated that the demand for SACCO lending had been on the increase and women were demanding individual loan products.

4.18 Surveys revealed that, 86 (29%) out of 299 groups expressed their preference for both group and individual loans, while 68 (23%) groups exclusively preferred individual loans.

The results of the survey imply that there is a demand for individual loans. In addition, demographic results of the survey indicated that only 112 (15%) out of 747 women of the CWES loan beneficiaries had attained college and university level of education (tertiary education). The survey results on education level imply that highly educated women may not prefer the CWES loan product.

- 4.19 Interviews with the WEF Credit Manager and review of board minutes indicated that following incidences of non-compliance with the terms of engagement by some of the FIs (for example, lending at interest rates higher than the agreed rate of 8%), the FI channel of lending was suspended in 2014, and that individual lending would be channelled through women-owned Savings and Credit Cooperatives (SACCOs).
- 4.20 The implication of WEF not providing individual loans lending channel is that a certain target group of women entrepreneurs who prefer individual will cannot access them

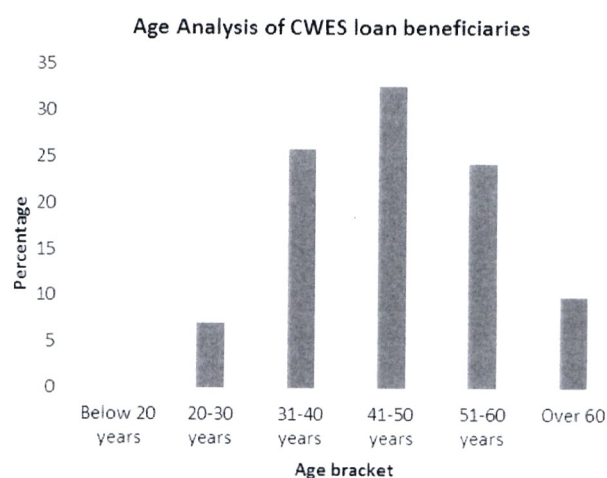
### 3. First Time borrowers form the Least Percentage of Loan Beneficiaries

- 4.21 According to WEF's Strategic Plan 2013-2017, WEF targeted to increase the number of women beneficiaries from 536,649 in June 2012 to 1,391,150 by June 2017. Review of global CWES list status report as at 30 November revealed that WEF had reached 710,820 women directly through Constituency Women Enterprise Scheme (CWES) channel.
- 4.22 However, surveys revealed that out of 299 groups, 96 (32 %) comprised of first time borrowers (loan cycle one) while 203 (68%) comprised of repeat borrowers (loan cycle two to five). The distribution of 32% of the loans going to first time borrowers arose due to the fact that WEF uses loan demand as criteria for funding. However, the Parent Ministry Principal Secretary (P.S) vide ref: MPSYGA/SDGA/CORP/5/3 dated 7 November 2016 now necessitates that 70% of the 2016/2017 loan issuance to be new groups. Though this is a good initiative to increase the percentage of first time borrowers it is prudent for WEF to balance the percentage of money loaned to first time borrowers with repeat borrowers to manage the risk of recovering the loans from first time borrowers.

### 4. Few young women entrepreneurs taking up CWES loans

- 4.23 According to the WEF Credit Policy and Procedures the Fund intended to provide affordable and accessible credit to women of 18 years and above. Out of 747 women surveyed, 51 (7%) comprised of women of age 20-30, while none of the women surveyed were below age 20. Further, 436(58%) out of 747 women surveyed were within the age bracket of 31-50 years. The results of the survey on age of beneficiaries is as shown in **Figure 5**:

**Figure 5: Age Analysis of CWES Loan Beneficiaries**



Source: OAG analysis of surveys with women groups

- 4.24 The graph above indicates that a proportion of the younger generation, (age 18-30 years) are not accessing WEF loans. Extrapolation of these survey results to the 710,820 CWES loan beneficiaries that WEF reached as at 30th November 2016 implies that only 49,757 (7%) women are age 30 and below.

### A. (ii) Delays in processing of CWES loans

- 4.25 According to WEF's Service Charter, loans should be processed within one month after applicants have submitted an application form complying with all the requirements. The audit revealed that out of 299 groups surveyed, 82 (27%) of the groups received their cheques within one month as stipulated in the WEF Service Charter. However, 178 (60%) groups experienced delays of between 2- 6 months while 39 (13%) groups experienced delays of more than six (6) months as shown in Table 8.

**Table 8: Loan Processing Period**

Loan Processing Period	No. of Groups	Percentage	Totals
1 Month	82	27	27%
2 Months	65	22	60%
3 Months	61	20	
4 Months	21	7	
5 Months	14	5	
6 Months	17	6	13%
Over 6 Months	39	13	
	<b>299</b>	<b>100</b>	

Source: OAG compilation of survey responses on loan processing time

- 4.26 Analysis of cheques sampled from disbursement and issuance attendance registers in Manyatta, Kisumu Central and Lurambi Constituencies to determine the time taken to process and disburse them to beneficiaries revealed that some cheques took up to seven (7) months to process as shown in **Table 9**.

**Table 9: Cheques Processing Period in Months**

Constituency	Period Cheques were Issued	Cheques Sample size	Most Frequent Processing Time	Average Processing Time	Highest Processing Time	Lowest Processing Time
Manyatta	Jan & June 2016	40	3	3	4	2
Kisumu Central	Jan & June 2016	34	4	3	5	2
Lurambi	Oct 2015 & July 2016	39	4	3	7	1

Source: OAG compilation and analysis of cheque processing time from disbursement and issuance register

- 4.27 Documentary review and interviews with the Credit Manager revealed the following reasons for the delays in cheque issuance:

**1. Release of cheques to the CWES Women groups is subject to the authority of the Parent Ministry**

- 4.28 Interviews with Credit Management staff and document review of correspondence with WEF and the parent ministry indicated that some cases of delays were occasioned by a directive to WEF not to release some cheques without the authority of the Ministry. A directive issued by the Principal Secretary (P.S) vide letter ref: MPSYG/GA/4/37 dated 2 February 2016 Ministry of Public Service, Youth and Gender Affairs, required the fund to obtain prior approval from the P.S prior to releasing cheques and undertaking field activities. The Board, wrote to the Ministry on 2 June 2016 vide letter ref: WEF/1/ (20) requesting the Ministry to review its position on the directive citing challenges of delays in issuance of cheques to beneficiaries and limitation of the Board and management in undertaking field activities freely. The letter further elaborated that the turnaround time of loan applications had increased culminating to complaints from the clients affecting the grace period and subsequently the quality of the loan book and performance of the institution. The Ministry's response vide letter ref: MPSYG/GA/4/37 was that the directive would not be revoked but cheques amounting to Kshs 1.9 million in a given county could be issued at any particular time but cheques amounting to Kshs. 2 million and above per County required approval from the Ministry.

**2. Delays in printing of cheques**

- 4.29 Interviews with the Assistant Credit Manager revealed that some delays were occasioned by challenges with WEF's in-house printing of the cheques. An efficient cheque printer should take one week to print 1000 cheques, but WEF's printer takes 2-3 weeks. Further, the only cheque printer is a less efficient, of an older model and often overheats since it has to print more than 1000 cheques per month. In addition,

the cheque printer is operated by the only one accountant in the Finance Department who is often overwhelmed. The assistant Credit Manager indicated that they are in the process of procuring an efficient cheque printer (as at time of the meeting on December 7 2016).

### 3. Delays in the process of rectifying rejected CWES loan applications

- 4.30 The WEF Board sits once every month to approve monthly disbursements. Interviews with the Assistant Credit Manager indicated that application forms that are found to have errors during vetting at Head Office are returned back to the Regional Credit Coordinators who forwards the forms back to the women groups through the Constituency Volunteers. The interview revealed that most rejected application forms do not make it back to the Head Office on time for consideration and funding. Consequently, the applications are only considered for funding during the next month. Loan applications that have been rejected therefore experience delays of at least two months. It was observed that there is no clear turnaround time stating how long it should take for application forms to be returned to the women groups and reconsidered for funding in the next cycle
- 4.31 The effects of delays in receipt of cheques is that the women may miss out on investment opportunities. For example, in pastoralist communities where market days occur only twice a year, or agricultural communities who time the start of the planting season.

### B. The CWES loan repayments in some constituencies is low

- 4.32 Review of documents on Loan Cumulative Disbursement revealed that WEF had disbursed approximately Kshs 7.4 billion as at 30 November 2016, out of which the women beneficiaries have been able to repay approximately Kshs 5.3 billion, while approximately Kshs 832 million is in arrears.
- 4.33 WEF uses the parameters: portfolio at risk (PAR) and loan repayment rate (LRR) as a gauge to monitor loan repayment levels. The PAR is mainly used in the banking industry, and refers to the loans in arrears as a proportion of total loan balance, while LRR refers to total loans paid as a proportion of total loans due. According to the WEF Strategic Plan 2013-2017, WEF targeted to increase loan repayment and improve on loan recovery processes. In 2014,

WEF reviewed the CWES loan product and established the repayment rate threshold of 50% subject to a PAR of 100%.

### Portfolio at Risk (PAR)

- 4.34 Review of the Loan Status Report as at 30 November 2016 revealed that a total of Kshs 7,498,680,530 had been disbursed to CWES beneficiaries in the 290 constituencies. Further, the report shows a total loan balance of Kshs 2,103,800,285, out of which only a total amount of Kshs 831,706,354 is in arrears, resulting to an average PAR of 40%. Out of the 290 constituencies 21 constituencies had a PAR of 81% and above. Nine (9) of the 21 constituencies had a PAR rate of 100%. These constituencies are: Kacheliba, Garsen, Fafi, Banisa, Lafey, Mandera East, Mandera West, Eldas and Wajir North which are in arid and semi-arid areas. Further, 145 of the 290 constituencies had PAR of 41% and above while only 56 constituencies had a PAR of below 20% **Table 10** shows the overall position.

**Table 10:** Portfolio at Risk for the 290 Constituencies

PAR Analysis	
PAR	No of Constituencies
81%-100%	21
61%-80%	48
41%-60%	76
21%-40%	89
Below 20%	56
Total Constituencies	290

OAG analysis of PAR data provided by WEF

### Loan Repayment Rate (LRR)

- 4.35 The loan Repayment Status as at November 2016, revealed a favourable loan repayment level compared to the PAR. The loan status report showed a total loans paid amount of Kshs. 5,289,543,932 and an amount of total loans due of Kshs. 5,726,887,863 resulting to an average Loan Repayment Rate (LRR) of 92%. From the data provided, the least LRR for a given constituency stands at 33% while the highest LRR stands at 118%. The overall repayment rates position is as shown in **Table 11**. The three constituencies with LRRs of below 50% are Lafey, Kuria East, and Kwana.

**Table 11: Loan Repayment Rates Distribution in Different Constituencies**

Loan Repayment Rate	No. of Constituencies
Below 50%	3
51%-80%	63
81%-90%	81
91%-100%	91
100%	52
<b>Total</b>	<b>290</b>

Source: OAG Analysis of WEF CWES Loan status report as at 30th November 2016

4.36 The high rates of PAR imply that there is a high risk that loans that have fallen due may not be recovered. The effect of a high PAR is that some of these constituencies have been suspended from receiving the CWES loans. Interviews with Credit Constituency Volunteers for Kuria East, Kuria West and Ijara revealed that beneficiaries from the constituencies had at one point been suspended from applying for CWES loans due to PAR of the constituencies being high. Consequently, when the PAR is high, the sustainability of the fund may be at risk. Factors that contribute to the low repayment levels in some constituencies have been attributed to the following:

**1. Unfavorable terms and conditions of CWES loans**

4.37 The survey carried out revealed that women groups were not satisfied with certain aspects of the CWES loan product. The survey sought to establish if the women groups were satisfied with the terms and conditions of borrowing the CWES loans, specifically, if the women were given a grace period of one month before repaying the loan, and if they were satisfied with the loan repayment period of 12 months provided in the WEF Credit Policy and procedures.

**a. Some CWES loan beneficiaries did not have one month's grace period**

4.38 Out of 299 groups surveyed, 102 (34%) groups indicated that they were not given a given a grace period of one (1) month as provided for in the loan policy and procedures manual, and were required to pay the first loan installment in less than one month. Analysis of the grace period given to the 299 women groups is as shown in Table 12.

**Table 12: Grace Period Response Analysis**

Grace period	Number of Groups	Response Percentage
1 month	179	60
2 Months	8	3
3 Months	10	3
No Grace Period	102	34
<b>Totals</b>	<b>299</b>	<b>100</b>

Source: OAG analysis of surveys administered to CWES loan beneficiaries

4.39 Further, documents reviewed in Lurambi, and Kwanza constituencies' revealed cases where 25 women groups were required to pay the first installment at the point of collecting the CWES loan cheques. Interviews with the Regional Credit Coordinator Western Region explained that this measure was taken to address the problem of zero loan repayment accounts i.e. loan accounts that fell in arrears by 100% which adversely affects the LRR and the PAR for constituencies with such accounts.

4.40 Women groups not having a grace period implies that they have not utilized the funds for business as intended thereby not making business profits that would enable them comfortably repay the loan.

**b. Most CWES loan beneficiaries not satisfied with one month's grace period**

4.41 Out of 299 groups surveyed, 147 (49%) groups indicated that they were not satisfied with a grace period of one month, and recommended an extension of grace period to 2-3 month as indicated in Table 13.

**Table 13: Level of Satisfaction of Grace Period**

Grace Period Comment	No. of groups	%response
Period okay	152	51
Increase Period to 2-3 months	147	49
<b>Total</b>	<b>299</b>	<b>100</b>

Source: OAG analysis of surveys administered to CWES loan beneficiaries

4.42 According to the results of the survey, a substantial proportion (49%) of the women groups would prefer an increase in the grace period. The reason the women groups gave for an extended grace period is that their business ventures had not yet yielded a profit within one month's duration. Further interviews

with Constituency Volunteers in Samburu East, Ganze, Garissa, Ijara, Isiolo North and South which are located in arid and semiarid areas confirmed that many groups in these regions main business activity is camel and goat keeping which take a long time to mature or fatten (3-4 years for a camel to mature) or (at least four months for a goat to fatten).

- 4.43 In addition, the market days in some constituencies such as Isiolo North and Isiolo South occur 2-3 times a year implying that the women will not have made a profit until they have been able to sell their livestock. Finally, interviews held with the Regional Credit Coordinator North Eastern Region (an arid and semi-arid region) indicated that hardships such as persistent drought and the nomadic nature of pastoralist communities all pose a challenge in the ability to start repaying the loan within a month.
- 4.44 Unsatisfactory grace period implies that WEF has not factored the unique challenges of the communities living in these areas despite the fact that WEF possesses this information as part of their loan portfolio data.

**c. CWES loans beneficiaries are not satisfied with 12 months' repayment period**

- 4.45 Out of 299 groups surveyed, 199 (67%) groups were not satisfied with the current repayment period of 12 months and recommended a repayment period of 18 months. Out of the 199 groups that were not satisfied with the current 12-month repayment period, 173 (87%) groups indicated that the repayment period should only be extended for loan amounts in excess of Kshs. 350,000. The data on repayment period is shown in **Table 14**.

**Table 14 : Satisfaction Level with Repayment Period**

Repayment Comment	Period	No. of groups	% response
Period okay		100	33
Increase period for loans in excess of Kshs. 350,000 to at least 18 months		173	58
Increase period for all loans to at least 18 months		26	9
Totals		299	100

Source: DAD analysis of surveys administered to CWES loan beneficiaries.

- 4.46 Some of the reasons cited for preference of a longer repayment period are similar to those of a longer grace period for groups in constituencies in arid and semi-arid areas as explained above.

**2. High default rate for first cycle loans of Kshs 50,000**

- 4.47 Analysis of CWES Loan Status Reports as at 31<sup>st</sup> March 2016 revealed that out of total loan arrears of Kshs 662, 432, 675, Kshs. 223,629,339 (33.8 %) comprise of first cycle loans of Kshs 50,000 (issued between 2008 and 2014).
- 4.48 According to interviews with Constituency Volunteers, recovery of these loans is in doubt due to several challenges; the hurried recruitment of women groups at the time who were not trained on the importance of loan repayment and improper documentation of these groups. For example, information such as identity cards and physical address of beneficiaries were missing making it difficult to trace beneficiaries, interference from politicians who assured the beneficiaries that these loans were grants and hence not repayable. These challenges were also reported in a 2014 report prepared by WEF Marketing Department titled; "Loan Uptake versus Loan Repayment". The effect of the loan arrears is that some constituencies have a high PAR, which in turn affects further loan disbursements.

**3. Lack of proper frame work to guide on loan recoveries by Constituency Volunteers**

- 4.49 According to the Strategic Plan 2013-2017 WEF was to partner with Credit Reference Bureau, and other administrative organs like County Governments and National Government administrative units at local levels to enhance loan recovery by conducting regular follow ups to womengroups that have defaulted. According to WEF Credit Policy and Procedures document 2012 "the fund will engage the provincial administration and other stakeholders (such as lawyers, debt collectors, auctioneers etc. as case may necessitate) in recovery process with emphasis being recovery on human face."
- 4.50 Interviews with Constituency Volunteers revealed that there was no formal arrangement/framework between WEF and the stakeholder institutions specifying what kind of assistance would be required with regard to debt collection. Further, WEF does not have the legal mandate to prosecute loan defaulters due the fact that WEF is a semi-autonomous government agency without a legal status. The lack of framework for debt recovery makes it difficult for the

constituency volunteers to effectively follow up on loan defaulters.

#### 4. Challenges in debt collection by WEF staff

4.51 Interviews with Constituency Volunteers in the 39 constituencies revealed that certain challenges hindered them from effectively following up on loan defaulters. These challenges include.

a) High work load and vast geographical coverage: Surveys with 299 women groups revealed that 111 (37 %) indicated that an additional officer was necessary to serve them more efficiently. The reasons cited for the need of additional officers was that there is a high number of women groups in the constituency (100-500) who are scattered across vast geographical areas.

b) Lack of adequate facilitation to follow up loans

i. Low monthly stipend, that is Kshs. 20,700 per month to cover postage, transportation, and personal allowance

ii. No facilitation for transportation costs to cover long distances. Further, transport is limited to public means and is a challenge to constituencies in remote areas that do not have a reliable public transportation system and cases of insecurity. For example, Samburu East, Marakwet East, Bariongo South, Ijara, Isiolo North and South, Kuria East and West constituencies

iii. Lack of office working space. It was observed that Constituency Volunteers had to “borrow” office space from the Constituency Social Services Office and other government offices.

c) Low morale of constituency volunteers due to unsatisfactory terms of service. The current terms as a volunteer do not match the requirements of their duties. The Constituency Volunteers have targets for training and debt collection as a full time employee would be expected to have.

d) Instances of fraud given that one volunteer may have a portfolio of loan collection running into millions. For example, reports from the Human Resource Department revealed that 14 Constituency Volunteers and two (2) Clerical officers were dismissed on account of fraud. The nature of fraud was mostly attributed to non-remittance of loan repayments, collection of instalments by volunteers, diversion of funds from beneficiaries’ groups and presentation of applications from non-existent groups etc.

#### 5. Lack of monitoring and evaluation in loan repayment

4.52 WEF Strategic Plan 2013/2017 strategized to strengthen monitoring and evaluation function to readily make available information on loan portfolio performance for timely corrective measures. Out of 299 groups surveyed, 296 (99%) indicated that WEF had not monitored the performance of their business. WEF had not performed monitoring and evaluation because it did not have a Monitoring and Evaluation Unit until 2016. The implication of lack of monitoring and evaluation is that no follow up had been made to determine the impact of the loan, training and business support needs, and any challenges that the women might experience in loan repayment.

#### C. CWES Loan beneficiaries have not received additional capacity building and mentorship

##### Business Skills Training

4.53 According to WEF’s Strategic Plan 2013 -2017 and 2009-2012, WEF was to build the capacity of women entrepreneurs and their organizations to improve their business skills.

4.54 Interviews with Constituency Volunteers in the 39 constituencies visited indicated that most groups attended a 3-day capacity building training on “Accumulating Savings and Credit Associations” (ASCA) on application of their cycle one loans as a prerequisite for funding. The topics covered during this training included: Introduction to WEF products and services, forming a strong group, giving and collecting unpaid loans, recording group financial activities, writing a group constitution, and responsibilities and qualities of leaders and members of a group. Survey results of 299 women groups indicated that 293 (98%) of the groups had received the basic 3 day ASCA training. Though the women groups admitted that the 3-day training was beneficial and assisted them to have better group dynamics, most women (90%) indicated that they had not received any additional capacity building that would help them improve their business skills or grow their businesses.

4.55 WEF beneficiaries have not received additional capacity building because WEF has not revised its ASCA training curriculum to include advanced business modules for periodic training through the course of loan repayment and subsequent loans. In addition, WEF has not undertaken training needs assessment to determine the training needs of the beneficiaries.

## Mentorship Programs

- 4.56 WEF was to develop mentorship programs that would provide guidance to mentees in developing their capacities to manage and grow their businesses and certify five (5) mentors per province in each of the eight (8) provinces.
- 4.57 Documentary review of the International Labour Organisation (ILO) Partnership Progress Report on mentorship programme (2013) revealed that ILO was the only partnership that WEF had engaged for the purpose of mentorship. The mentorship was aimed at equipping women with necessary skills and knowledge to enable them successfully manage their businesses and create jobs. The skills trainings was to be conducted in Western, Nyanza and Eastern Region. However, the program was only conducted in Embu and Kitui counties where 52 women were trained as mentors and only 46 mentors brought on board to perform mentorship roles. Surveys conducted confirmed the position that the mentorship program had little impact. Out of 299 women groups surveyed, 290 groups (97%), had neither benefited nor aware of the mentorship program.
- 4.58 The effect of CWES loan beneficiaries not receiving additional capacity building and mentorship was that beneficiaries may not learn how to grow, diversify their businesses and embrace the best business practice through coaching to improve their livelihoods in the long term.

### D. WEF has not Adequately Offered Business Support Services to CWES Loan Beneficiaries

- 4.59 This finding addresses the fourth sub objective which was to assess the effectiveness of the programs and partnerships in place to link CWES beneficiaries to local and international markets, large enterprises and offer them incubation programs and infrastructure support.

#### 1. WEF has not adequately facilitated CWES loan beneficiaries to access local and international markets.

- 4.60 Review of documents provided by the Marketing Department in support of activities undertaken and interviews with marketing personnel revealed the following;

#### Local Markets

- a) Limited participation of women groups in local trade fairs and exhibitions

4.61 WEF Strategic Implementation Plan 2013-2017 had set to liaise with organizers of local trade fairs, exhibitions and domestic investment forums to facilitate the participation of WEF women entrepreneurs to show case the products for example, by negotiating affordable charges for exhibition stands, and other logistical support.

4.62 Interviews with WEF's Marketing, Research and Communication officers, revealed that WEF does not have any partnerships with organizations to link women to local markets. The Department usually obtains a calendar of events from organizers of ASK shows, trade fairs, summits and exhibitions to assist women market their products in these events. Review of reports on women groups' participation in ASK shows and exhibitions indicated that WEF was to facilitate only two groups per region (8 regions), for the annual ASK shows over the past five years. There were no reports showing the participation of women groups' trade fairs, summits and exhibitions.

4.63 Further, surveys on 299 women groups revealed that only seven (7) groups (2%) had benefited by being linked to local exhibitions and trade fairs while 279 groups (93%) were not aware of the linkages. The groups that had benefitted were from Karachuonyo, Lurambi, Likuyani, Nakuru West and North Imenti constituencies.

4.64 According to the 39 Constituency Volunteers interviewed, women groups did not benefit from the initiative due to lack of awareness, as they had not been sensitized about the opportunities. Also, only groups in close proximity to the venue of the ASK shows were usually involved which rendered those groups in rural or remote areas to be disadvantaged. The limited participation of women entrepreneurs in ASK shows, exhibitions and summits affects their ability to network within their respective business fields and consequently not access market opportunities.

#### b) Limited exposure of women groups merchandise in WEF SOKO

4.65 According to the Strategic and Implementation plan 2013-2017, WEF was to train and educate women entrepreneurs on the benefits of online marketing and also facilitate the development of websites and online shops for women enterprises.

4.66 Review of reports prepared by Marketing Department on initiatives made by WEF in the

area of online marketing revealed that a total of 195 women drawn from Laikipia, Nakuru, Nyeri, Kisumu Central and Kisumu East constituencies had attended an on line marketing training. However, observation of the WEF website indicated that only nine (9) products were on display for sale. Thus WEF cannot be considered to have done much given that current women groups and number of beneficiaries stand at 47,388 groups and 710,820 respectively.

- 4.67 Further surveys revealed that only 2 out of 299 groups surveyed had been trained on WEF's online marketing while 295 groups were not aware of the online marketing services. Limited training and sensitization on online marketing implies that women groups have received minimal exposure for their goods to potential markets through the WEF Soko platform.

### **WEF has not been able to adequately roll out Business Clubs**

- 4.68 The WEF Strategic Plan 2013-2017 had strategized to mobilize and assist women entrepreneurs to develop and operationalize business clubs to aid the beneficiaries in creating a platform to expose and link them to markets for their products and businesses.
- 4.69 Reports on business club formation revealed that so far only 13 business clubs have been formed and registered with the Ministry of Labour, Social Security and Services. Further, interviews held with Nakuru Town West Constituency Volunteer revealed that 10 groups from Nakuru Town East and West had teamed up to form one business club. In addition, surveys revealed that out of 299 women groups, 14 were sensitized, nine (9) trained and one (1) group (from Nakuru town West Constituency) benefitted from business club formation initiatives. The remaining 275 (92%) were not aware of WEF's initiative with regard to business club formation. Limited formation of business clubs implies that women groups are not able to network with one another and find immediate market for their businesses and products.

### **International Markets**

- a) **Inadequate and ineffective export marketing capacity building and linkages**

- 4.70 WEF Strategic Implementation Plan 2013-2017 had set to form, engage and leverage on partnerships with institutions involved with promotion of export trade to expand

international market opportunities for WEF beneficiaries' products.

- 4.71 Documentary review of partnership reports indicated that for the past five years, WEF had engaged the Export Promotion Council (EPC) to achieve the purpose of training women in export preparedness and linking them to international markets. The partnership was set to accomplish the following successive program activities:

- i. Profile the selected groups for export readiness assessment
- ii. Conduct a training of trainers
- iii. Carry out export trade training for the group participants
- iv. Provide business counselling and mentorship for the group participants
- v. Establish export production villages
- vi. Product development training for the group participants
- vii. Provide onsite company coaching and market linkages for the group participants
- viii. Test marketing through Dare-salaam exhibition.

- 4.72 The partnership project on "Enhancing Women Access to International Markets Report on year II activities (July 2011-June 2012)" revealed that activities (b) and (e) were never carried out. From the activities carried out, the following was observed:

- i. The reports were not structured hence not clear
- ii. WEF had not thoroughly vetted the groups selected for participation in the program for export readiness before nominating them to join the program. Out of 109 groups that were profiled by WEF for export readiness assessment, only less than 10% were found to be export ready to participate in the program, implying that 90% of groups did not have products that could be further developed for export.
- iii. The other program activities, that is; export training, business counselling and mentorship, instructive product development training, onsite company coaching and market linkages, were all designed for the groups to produce products that would be ready for test marketing for an international exhibition in Dares-Salaam. It was also noted that the women groups that participated in the successive program activities listed above

were not the same at each successive stage of the program. Further, most of the products exhibited in the Dare-salaam international trade fair were Kenya artifacts such as carvings, bead work, curios, and from review of photos did not appear to be innovative nor differentiated implying that there might have been no value addition from the export training.

4.73 Further, only 2 out of 299 women groups had been sensitized on the partnership project while 297 groups (99%) were not aware of the existence of the project.

4.74 The partnership report indicated that the partnership did not fully realize its goals because the businesses owned by majority of women groups were at infancy stage. Further, the participants of the program lacked business management skills and understanding of the market segment consistent with the products they produce. Most groups also lacked basic business plans which are meant to help them present their business ideas for optimal financial management for export. It was also observed that WEF did not perform any monitoring and evaluation of the partnerships in place to ensure that the objectives of the Memorandum of Understanding were adhered to and realized.

4.75 The effect of WEF women not being able to successively market their products abroad is that women are not able to expand their products to new markets.

## 2. CWES beneficiaries have not successfully been linked with large enterprises

4.76 The review of documents provided by the Marketing Department and results of the survey revealed the following issues;

### a) WEF's partnership to facilitate linkages with large enterprises did not succeed in empowering the women entrepreneurs

4.77 According to WEF's Strategic Plan 2013-2017, WEF was to support women oriented enterprises to develop linkages with large enterprises. Document review of partnership reports indicate that, WEF had entered into a 5 year partnership through a Memorandum of Understanding with Coca Cola in 2014, to fulfil the following objectives through their "5 by 20" initiative (meaning -empowering 5 million women by the year 2020). The partnership was meant to fulfil the following objectives:

i. To provide beneficiaries with access to

business skills training

ii. To provide beneficiaries access to financial services and assets from the partner

iii. To provide beneficiaries with access to peer networks

iv. To conduct capacity building for the beneficiaries.

4.78 Under the partnership program women were to be provided with business skills training, and also assets like fridges and crates of soda (as initial stock) to be able to start off businesses.

4.79 Documentary review revealed that by the end of 2016, 183,075 women had participated in the Shopkeeper Training and Resources (STAR) program throughout Kenya following an initial pilot program undertaken with just 140 women. Following participation in the program, only approximately 260 women (26 women groups) are now employed within the Coca-Cola value-chain, 15 in regular employment and five (5) established their own business. It can be therefore observed, that the program's true impact was only realized by a total of 280 out of 183,075 (0.5%) of the women trained. The beneficiaries were also not provided with peer networks.

4.80 Surveys with sampled women groups revealed that only one (1) out of the 299 groups benefitted from the partnership while 283 groups (95%) indicated that they were not aware of the partnership.

4.81 The partnership did not achieve its objectives because WEF did not formulate a program that would suit the economic activities that majority of the women groups were engaged in. Most women groups were engaged in agricultural related businesses, and not retail trade business. Therefore, the partnership was not suitable.

4.82 Further, interviews with Marketing, Research and Communication department officers revealed that the assets to be provided (objective two above) came with pre-conditions that were too expensive for the women to afford. For example; the women had to purchase 10 cases of soda at a price of Kshs. 20,000 as capital, deposit Kshs. 1000 and be able to pay their own city council trade license and have access to electricity which the women said was unaffordable. In addition, the partnership in place was not monitored to ensure that the program objectives were met. As a result, women did not fully benefit from this program which was meant to empower them.

b) **WEF's initiative to facilitate certification of products by Kenya Bureau of Standards (KEBs) did not achieve intended objectives**

4.83 According to WEF Strategic Plan 2009-2012, WEF was to liaise and link women entrepreneurs with the standards certification agency for assessment and certification of their products and services. Interviews with officials at WEF revealed that the Fund had partnered with Kenya Bureau of Standards (KEBs) to train women on product certification and certify their products. This was to make it easier for the women to access markets for their products. The agency also trained trainers who were to train women on product certification.

4.84 Documents reviewed revealed that only 9 products from WEF women entrepreneurs are in the process of certification. Further, our survey showed that only 2 groups from Nakuru Town West had their products certified, while 272 (91%) groups were not aware of the partnership.

4.85 In addition, interviews with the Marketing Department officers and WEF Constituency Volunteers revealed that many groups could not benefit from the product certification program because they had not been sensitized and hence lacked information on existence of the initiative.

4.86 The lack of women's participation in the product certification initiative implies that they will not gain a competitive edge over products that have gone through certification which results in low sales volumes and lack of growth on the women's businesses.

3. **WEF has not adequately facilitated incubation services and infrastructure support to CWES beneficiaries**

4.87 According to WEF's Strategic Plan 2013-2017, WEF was to facilitate the development of incubation services and supportive infrastructure for women e.g. providing decent market space for women enterprises.

a) **Incubation Programs**

4.88 Documentary review revealed that WEF had only entered into one partnership for the purpose of incubating women enterprises. WEF signed Two MOUs with Jomo Kenyatta University of Agriculture and Technology (JKUAT), the first one in 2012-2015 funded by Japan International Cooperation Agency (JICA) which has since expired, and the second one signed in 2016-

2017 funded by WEF. The following were the objectives of the MOU.

- i. To support the women enterprises and start-ups with the guidance needed to develop and grow their businesses
- ii. To provide the women incubates with an opportunity to forge linkages with other enterprises, industries, public organizations and other related actors
- iii. To provide micro, small and medium enterprises owned by women with visibility and credibility in the market place and
- iv. To give women entrepreneurs an opportunity to benefit from research and expertise from the university.

4.89 Reports also showed that trainings were held at JKUAT and at the 6 regional training centres with the broad objective of imparting skills and knowledge to grass root women groups and leaders so as to strengthen their capacity to transform their livelihoods. Through the first MOU, only 37 women underwent incubation training in Embu, 50 in Eldoret and 56 in JKUAT. The course content was on gender issues, analysis of problems in rural villages, tools for problem solving in rural villages, agriculture and livestock, conservation measures, promotion of community participation and understanding and project formulation.

4.90 Another report stated that the training provided by JKUAT had been in a class room set up, therefore making it difficult for the women to conceptualize the materials and apply it optimally in their enterprises. Surveys conducted on 299 women groups revealed that only 5 groups from Bumula, Lurambi, Mumias West and Subukia Constituencies were offered incubation training. However, 291 women groups (97%) were not aware of the incubation program offered by WEF.

4.91 WEF has not succeeded in forging new partnerships for incubation trained despite the fact that majority of WEF women are involving in the agribusiness sector. This is because WEF has no strategy in place for partnership development.

**b) Infrastructure Support**

- 4.92 WEF had strategized to enter into partnerships with organizations such as County Governments, universities, etc. for refurbishment and development of sheds for women entrepreneurs, venture into public private partnerships aimed at developing sheds/ working areas for women entrepreneurs.
- 4.93 Interviews with the WEF Marketing Manager indicated that WEF had partnered with local authorities like the city/municipal council in Kossel, Embu, Busier and Austin Gish (prior to devolution) to assist women to move from selling their products from the road side to sheds. This infrastructure support was to be done through refurbishing the containers and co-branding. However, these partnerships were put on hold due to the confusion that arose citing duplication of this role of infrastructure support with the County Governments.
- 4.94 WEF has not offered adequate incubation services and infrastructural support because they did not develop adequate partnerships that would facilitate this process. Further, WEF did not perform any monitoring and evaluation of the partnerships in place to ensure that the objectives of the Memorandum of Understanding were adhered to and realised. The effect of non-provision of business incubation services and infrastructure support is that WEF beneficiaries may not have been able to build sustainable women enterprises and have no access to a conducive work environment to operate their businesses

# CHAPTER 5

## 5.0 AUDIT CONCLUSIONS

- 5.1 Based on the facts presented in the findings chapter, the auditors concluded that WEF has been partially effective in the provision of financial services but ineffective in the provision of business support to women entrepreneurs.
- 5.2 WEF has provided a significant amount of loans to women enterprises across the country. However, these loans have not been absorbed equally across all 290 constituencies in Kenya. The auditors observe that there is low uptake in some constituencies' majority being arid and semi-arid constituencies. The low uptake of loans is attributed to a general lack of awareness of WEF products and socio-cultural factors, further there is a high demand for individual loans which WEF has not yet satisfied following the suspension of the Financial Intermediaries Channel in 2014, and the slow pace of reintroducing the channel through women-owned SACCOs. Finally, a higher percentage of WEF loans were given to repeat borrowers making it difficult to reach the targeted number of first time potential beneficiaries.
- 5.3 The audit revealed that women entrepreneurs do not receive their cheques within the stipulated one month duration to enable them invest in timely business opportunities. The delays in receipt of cheques is attributed to inefficiencies in WEF's loan processing management systems. WEF has not streamlined its loan approval and disbursement systems causing bottle necks in cheque issuance and grace period.
- 5.4 Women entrepreneurs experience difficulties in loan repayment. The challenges in repayment arises due to the fact that the CWES loan product has some unfavourable features that make it difficult for women to successfully undertake profitable projects and repay the loans on time. WEF has also experienced challenges in debt recovery as evidenced by the lack of a debt recovery framework to aid Constituency Volunteers at the grass root to follow up loan arrears. WEF has also not adequately facilitated Constituency Volunteers with the logistical support and resources to enable them effectively follow up on loan defaulters. Finally, WEF has not strengthened its monitoring and evaluation function to vet groups and projects prior to funding to ensure recovery of loans
- 5.5 To empower women entrepreneurs WEF should not be limited to providing financial services, but should also increase its efforts in offering business support services to women for more holistic growth as entrepreneurs. WEF has not adequately offered business support services to CWES loan beneficiaries. WEF did not provide additional business skills training beyond the mandatory 3 day basic training during cycle one funding. The fund has also been ineffective in linking CWES beneficiaries to local and International markets, large enterprises, and has been unable to adequately offer incubation and infrastructural support as envisaged in its 2013-2017 Strategic Plan. The shortcoming in provision of business support is because WEF does not use its knowledge of women's line of business in selecting appropriate partnerships that would offer market linkages effectively. Further, WEF did not forge enough partnerships to offer business support services. Finally, WEF did not monitor the few partnerships in place to offer business support to ensure that the partnership objectives were met.

# CHAPTER 6

## 6.0 AUDIT RECOMMENDATIONS

- 6.1 To reach the targeted number of women beneficiaries, WEF should;
- i. Create and implement the use of scheduled and structured awareness creation and sensitization programs.
  - ii. Engage more women owned SACCOs and build their capacity to offer on lending to individual women.
  - iii. Formulate and implement a loan repayment risk policy to improve vetting procedures of new groups and monitor women's business to mitigate the risk associated with high default rate typical of first time borrowers. WEF should also strike a balance in loans issued between first time and repeat borrowers.
- 6.2 To address delays in loan processing, WEF should;
- i. Hold consultations with the Parent Ministry on the best way to address the issue of the directive to hold cheques of women groups to avert delays in cheque issuance.
  - ii. Bench mark (with other micro finance lending enterprise) and procure an efficient cheque printing machine .
  - iii. Formulate and implement clear procedures with timelines for tracking rejected loan application forms re-sent to the Regional Office on account of errors.
- 6.3 To increase the CWES loan repayment;
- i. WEF should develop customer specific CWES loan products factoring in the unique challenges of women groups in arid and semi-arid areas and for women groups at higher loan cycles.
  - ii. WEF in collaboration with the Parent Ministry should develop and implement a Memorandum of Understanding between local stake holders such as provincial administration and Credit Reference Bureaus (CRBs) to assist the constituency volunteers effectively collect loan arrears from women groups.
  - iii. WEF in collaboration with the Ministry should revise the terms of service for Constituency Volunteers and address staff levels in the constituency.
- iv. WEF should set up a Monitoring and Evaluation Unit to monitor performance of the products.
- 6.4 To offer additional capacity building and mentorship to women beneficiaries, WEF should revise the training curriculum to incorporate customized and advanced business modules through the course of loan repayments and subsequent loans, while factoring in the diverse business activities of the women groups.
- 6.5 To offer adequate business support services to CWES loan beneficiaries, WEF should formulate a partnership engagement strategy to forge relevant, adequate and impactful partnerships with organisers of local and international trade fairs, linkages with large enterprises and institutions offering incubation support while considering the needs of the women beneficiaries. In addition, more should be done to ensure that partnership with KEBs is successful to enable the women access markets for their products.
- 6.6 To ensure that the partnership programs are a success, WEF should select groups that meet the requirements of the partnership and monitor the progress of the partnerships.

# APPENDICES

## Appendix 1: List of Officers Interviewed

Staff interviewed	Purpose of the interview
Acting Manager Marketing, research & communication	<ul style="list-style-type: none"> <li>To obtain information on awareness programs that have been carried out by WEF.</li> <li>To obtain information on partnerships formed, business support activities conducted, and beneficiaries of the services.</li> </ul>
Manager Finance and Administration	<ul style="list-style-type: none"> <li>To obtain information on the funding of WEF</li> <li>To understand the financial position of the fund,</li> </ul>
Acting Manager Credit	<ul style="list-style-type: none"> <li>To obtain an understanding of the loan processing and disbursement</li> <li>To understand the challenges the Department faces in their day to day operations.</li> </ul>
7 Regional Credit Coordinators	<ul style="list-style-type: none"> <li>To understand the awareness creation methods being implemented.</li> <li>To establish the loan status at the regions.</li> <li>To understand the loan processing, loan disbursements and loan recovery procedures in the regions.</li> <li>To understand the challenges faced in the regions.</li> </ul>
39 Constituency volunteers	<ul style="list-style-type: none"> <li>To understand the awareness creation methods being implemented.</li> <li>To establish the loan status at the constituencies.</li> <li>To understand the loan processing, loan disbursements and loan recovery procedures in the constituencies.</li> <li>To understand the challenges faced in the constituencies.</li> </ul>
299 women groups, 747 women in total	<ul style="list-style-type: none"> <li>To obtain demographic information of the women</li> <li>To obtain business activities of the women groups</li> <li>To gather information about the loan processing experiences of the women</li> <li>To gather the views of the women on the nature of the CWES loan product (credit terms)</li> <li>To understand the challenges the women face in accessing and servicing the loans.</li> <li>To find out if the women have received business support services.</li> <li>To find out if WEF loans have impacted the women's businesses</li> </ul>
Assistant manager credit	<ul style="list-style-type: none"> <li>To understand the functional processes of the WEF's loan application, processing and disbursement</li> <li>To obtain information on credit/loans</li> </ul>
Human Resource Manager	<ul style="list-style-type: none"> <li>To obtain information on the organisational structure of WEF.</li> <li>To get information on terms of service of volunteers</li> <li>Understand gaps in the staff establishment.</li> </ul>

## Appendix 2: Sampling of Regions

Region	County	Constituency	Criteria
Central region	Nyeri	Nyeri Town	Highest disbursement
	Samburu	Samburu East	Lowest Repayment
	Kirinyaga	Kirinyaga Central	Median Repayment
	Nyeri	Mukurweini	Highest Repayment
Coast region	Kilifi	Ganze	Lowest disbursement
	Kwale	Msambweni	Median disbursement
	Mombasa	Kisauni	Highest disbursement
	Kilifi	Malindi	Lowest repayment
	Mombasa	Mvita	Highest repayment
Eastern Region	Embu	Manyatta	Median disbursement
	Meru	Tigania East	Highest disbursement
	Isiolo	Isiolo South	Lowest repayment
	Tharaka Nithi	Tharaka	Median repayment
	Meru	North Imenti	Highest repayment
Nairobi Region	Machakos	Kangundo	Median disbursement
	Kajiado	Kajiado North	Highest disbursement
	Kiambu	Kikuyu	Lowest Repayment
	Nairobi	Mathare	Median repayment
	Klambu	Kiambu	Highest repayment
North Eastern Region	Garissa	Garissa Town	Highest disbursement
	Garissa	Ijara	Lowest repayment
	Kitui	Mwingi Central	Median repayment
Nyanza Region	Migori	Kuria East	Lowest disbursement
	Siaya	Bondo	Median disbursement
	Homabay	Karachuonyo	Highest disbursement
	Migori	Kuria West	Lowest repayment
	Siaya	Gem	Median repayment
	Kisumu	Kisumu Central	Highest repayment
Rift Valley Region	Usin Gishu	Marakwet east	Lowest disbursement
	Nakuru	Subukia	Median disbursement
	Nakuru	Nakuru town east	Highest disbursement
	Baringo	Baringo South	Median repayment
	Nakuru	Nakuru town West	Highest repayment
Western Region	Transnzoia	Kapenguria	Lowest disbursement
	Bungoma	Bumula	Median disbursement
	Kakamega	Lurambi	Highest disbursement
	Transnzoia	Kwanza	Lowest repayment
	Kakamega	Mumias West	Median repayment
	Kakamega	Likuyani	Highest repayment

### Appendix 3: Methods of Gathering Audit Evidence

Audit objective	Sub-objective	Audit Questions		Purpose of collecting the information	Method of Collecting Information
		Sub-Questions	Sub-Sub Questions		
ASO1 To determine the extent to which WEF has provided loans to all intended beneficiaries	ASQ1.1 To what extent has WEF provided loans to all qualifying and intended beneficiaries?	ASSQ.1.1	How many women groups are registered and are eligible for CWES loan with the Ministry of Gender and social service in each of the constituency offices	To establish the gaps between the number of women who have benefited and the potential beneficiaries who have not be reached nor benefited and the reasons why	Documentary review of registration records at constituency social services offices and at the Ministry of Gender and Social Services  Documentary review of loan portfolio data  Interviews with constituency social services officers
		ASSQ.1.2	How many benefited from CWES loans for each of the years under review?	To establish the actual number of beneficiaries reached per constituency	Documentary review of the loans status reports  Interviews with credit manager and Regional Credit Coordinators
		ASSQ.1.3	Did WEF have targets for the number of beneficiaries for CWES loans disbursement for each of the five years under review?	To establish if there is a short fall in their targets and if the targets have been met uniformly across all constituencies	Documentary review of work plans  Documentary review of loan portfolio data  Interviews with credit manager and regional manager
		ASSQ.1.4	To what extent has WEF enhanced sensitization of borrowers to ensure more access to credit	To assess WEF's efforts in creating awareness of the fund's activities	Documentary review of awareness creation programs records and reports  -Interviews with, marketing personnel, regional manager and volunteers  -Carrying out Surveys on women groups who have benefited

Audit objective	Audit Questions		Purpose of collecting the information	Method of Collecting Information
	Sub-Questions	Sub-Sub Questions		
		ASSQ.1.5 What were the targets for the amounts of money to be disbursed through CWES loans for each of the five years under review?	Establish the amounts of loans WEF targeted to disburse per constituency for each of the years under review and compare with the actual disbursements to know if WEF had achieved the targets.	Documentary review of data on loan disbursements targets from 2010 to 2016.  Interview credit manager at head office and Regional Credit Coordinators
		ASSQ.1.7 How many women groups applied for the loans in each of the sampled constituencies' sand were unsuccessful?	To establish the number of women groups that applied for loans and were rejected and reasons for rejection	Documentary review of loan application and loans approval and disbursement records
		ASSQ .1.8 To what extent has WEF developed products to meet the needs of women entrepreneurs to enhance uptake of loans?	To find out what new products WEF has developed to meet women entrepreneurs needs	Documentary review of feasibility studies, and market research reports  Interviews with credit and marketing departments Managers and with women entrepreneurs
		ASSQ.1.9 Has WEF reviewed the loan disbursement channels to ensure more uptake of loans by women entrepreneurs?	To determine whether WEF has engaged Financial intermediaries to ensure increased uptake of loans  To determine how much has been disbursed to FI's and any outstanding amounts	Documentary review of minutes of advisory board and reports o on engaged financial intermediaries  Review of correspondence from credit department  Interviews with credit department managers
ASO2  To establish the extent to which loans due have been recovered by WEF and repaid by the beneficiaries	ASQ2.1  To What extent has WEF been able to recover loans from the beneficiaries?	ASSQ2-1.1  What systems has WEF put in place to ensure full recovery of loans from beneficiaries	To determine the systems in place to ensure loans are fully recovered.	Documentary review of WEFs operations manual.  Documentary review of WEFs credit policy.

Audit objective	Sub-Questions	Audit Questions		Purpose of collecting the information	Method of Collecting Information
		Sub-Sub Questions			
		ASSQ2-1.2	To what extent has WEF enhanced information sharing with key stakeholders to increase loan repayment	To establish the partnerships formed and the level to which they have recovered loans from defaulters	Documentary review of the CRB WEF loan defaulters status  Minutes of loan committees  Interviews with credit manager at head office, regional manager, volunteers and local administrative units e.g chiefs
		ASSQ2-1.3	What systems has WEF put in place to vet, process and approve loan applications?	To establish if WEF has sufficient mechanisms for loan vetting and approvals and if it adheres to its 'application procedures and guidelines	Documentary review of loan application forms.  Documentary review of WEFs guidelines for loan vetting and approval.
	ASQ2.2 To What extent has WEF been able to recover loans from the beneficiaries?	ASSQ2-2.1	What constitutes the loan portfolio data of WEF's loan applications	To establish if the beneficiaries are credit worthy, have ability to repay the loans and if WEF knows their customer in order to identify their needs for business support	Interviews with KWFT to establish best practice for loan portfolio data, and business support services
	ASQ2.2	ASSQ2-2.2	Has WEF strengthened compliance to its credit lending policy?	To establish if WEF fully complies with its credit policy and if the groups are thoroughly vetted before loan approval	Documentary review; of credit policy, loanee vetting procedures, and group portfolio data.  Interview credit manager at head office, regional manager, constituency volunteers and women groups
	ASQ2.3 To What extent has WEF been able to recover loans from the beneficiaries?	ASSQ2-3.1	Are there any loan amounts that have not been recovered from beneficiaries?	To establish amount of loans that have not been recovered	Documentary review of outstanding loan recovery data  Minutes of loan committee and correspondence files  Interviews with the credit managers, Regional Credit Coordinators, and constituency volunteers

Audit objective	Sub-	Audit Questions		Purpose of collecting the information	Method of Collecting Information
	Questions	Sub-Sub Questions	Sub-Sub Questions		
	ASQ2.4	What extent has WEF been able to recover loans from the beneficiaries?	ASSQ2-4.1 To what extent has WEF offered training to women entrepreneurs to increase loan repayment	To establish if WEF conducts the sensitization activities as per the work plan, the number sensitization forums conducted and the number of women sensitized to enable them to repay their loans	Documentary review of the reports and work plan. Interviews with Credit and marketing manager at head office Regional manager Constituency volunteers Surveys with the women groups.
			ASSQ2-4.2 What measures has WEF put in place to mitigate risk?	To establish if WEF has adequately mitigated risk to ensure recoverability of loans	Documentary review of WEFs risk management policy. Documentary review of the new criteria for funding projects Interviews with Risk and Internal audit manager.
			ASSQ2-4.3 How has WEF strengthened the monitoring and evaluation on loan portfolio performance?	To determine the existence of the assessment tool and if it's used to gauge groups prior to graduating to higher loan scales.	Documentary review of the loan assessment tool and loan portfolio performance reports
ASO3 To establish if WEF has offered additional capacity building to improve the business skills of beneficiaries	ASQ3.1 Has WEF offered Capacity Building to improve the business skills of the beneficiaries?	ASSQ3-1.1 Does WEF undertake a training needs assessment to reflect needs of the women entrepreneurs?		To establish whether the training curricula in place reflects the needs of the women entrepreneurs	Documentary review of needs assessment reports Documentary review of WEF's old and revised capacity building training curricula Interviews with head of Marketing Department , Regional Credit Coordinators and women entrepreneurs
		ASSQ3-1.2 To what extent has WEF incorporated the KYC practice in determining training needs, market linkages incubation services and infrastructural support		To establish if WEF implements it KYC policy to understand the needs of the clients beyond the credit risk factors ) to offer them relevant capacity building, market linkages, infrastructure and incubation services	Documentary review of KYC policy, training curriculum, Strategy document / rational behind business support services and programs Interviews with credit and marketing manager

Audit objective	Sub-Questions	Audit Questions		Purpose of collecting the information	Method of Collecting Information
		Sub-Sub Questions			
		ASSQ3-1.3 How has WEF built the capacity of trainers to ensure quality training is delivered to the women entrepreneurs?		To establish whether training of trainers was undertaken and if certification and monitoring of trainers was done to ensure quality training	Interviews with Marketing Department and volunteers (trainees)  Documentary review of TOT training curricula  Documentary review of certification
	ASQ3.3 Has WEF offered additional Capacity Building to improve the business skills of the beneficiaries?	ASSQ3-3.1 Which partners has WEF engaged for the purpose of additional capacity building, and what were the objectives of each partnerships		To establish if any firms were engaged to carry out additional capacity building, and if the objectives of the trainings were met	Documentary review of the proposals sent to partners and sponsors, MOUs relating to capacity building, and reports on additional capacity building  Interviews with Marketing Department.
		ASSQ3-3.2 How many women entrepreneurs has WEF assisted in attaining additional capacity building to improve business skills		To establish if women have received additional capacity building such as writing of business plans	Documentary review of Capacity building reports
		ASSQ3-3.3 Has WEF enhanced and strengthened the knowledge, skills and capacity of women entrepreneurs through facilitating mentorship programs		To establish if women have benefited from mentoring for skills and knowledge improvement	Documentary review of mentorship programs, reports on mentorships programs, mentorship certification reports  Interviews with regional volunteers to ascertain if women having been monitored  Interviews with women groups to establish if they have received mentorship

Audit objective	Sub-Questions	Audit Questions		Purpose of collecting the information	Method of Collecting Information
		Sub-Sub Questions			
ASO4 To assess the effectiveness of the programs and partnerships in place to link CWES beneficiaries to local and international markets	ASQ4.1 To what extent have the programs and partnerships in place for linking CWES beneficiaries to local and international markets been effective?	ASSQ4-2.1 What programs and partnership are in place to link women entrepreneurs to local and international markets, and what were their objectives?		To establish if there are programs and partnerships in place to link women to local and international markets and if the objectives have been met	Documentary review; reports on programs and partnerships ,MOUs  Interviews:  Head of marketing department, Regional Credit Coordinators
		ASSQ4-2.2 To what extent has WEF organized for women entrepreneurs to participate in international and domestic investment forums exhibitions, and trade fairs		To establish whether WEF has expanded market opportunities for women entrepreneurs in local and international markets.	Documentary review of reports on the organized trade fairs and exhibitions.  Documentary review of reports of events held to link women to international and domestic investment forums exhibitions and trade fairs.  Interviews with marketing manager, volunteers and women entrepreneurs.
		ASSQ4-2.3 Has WEF provided a link for women to access the 30% preferential government procurements		To establish if women have been linked to access the 30% preferential government procurements to increase involvement of women in business	Documentary review of reports of awareness campaigns conducted.  Documentary review of the reports of women linked to the 30% preferential government procurements  Interview with credit manager.
		ASSQ4-2.4 How has WEF conducted capacity building on women entrepreneurs on online marketing		To establish if women were trained and educated on the benefits of online marketing and if websites and online shops were developed.	Document review of reports on number of women trained and websites developed.  Interview with,  Head of marketing department.

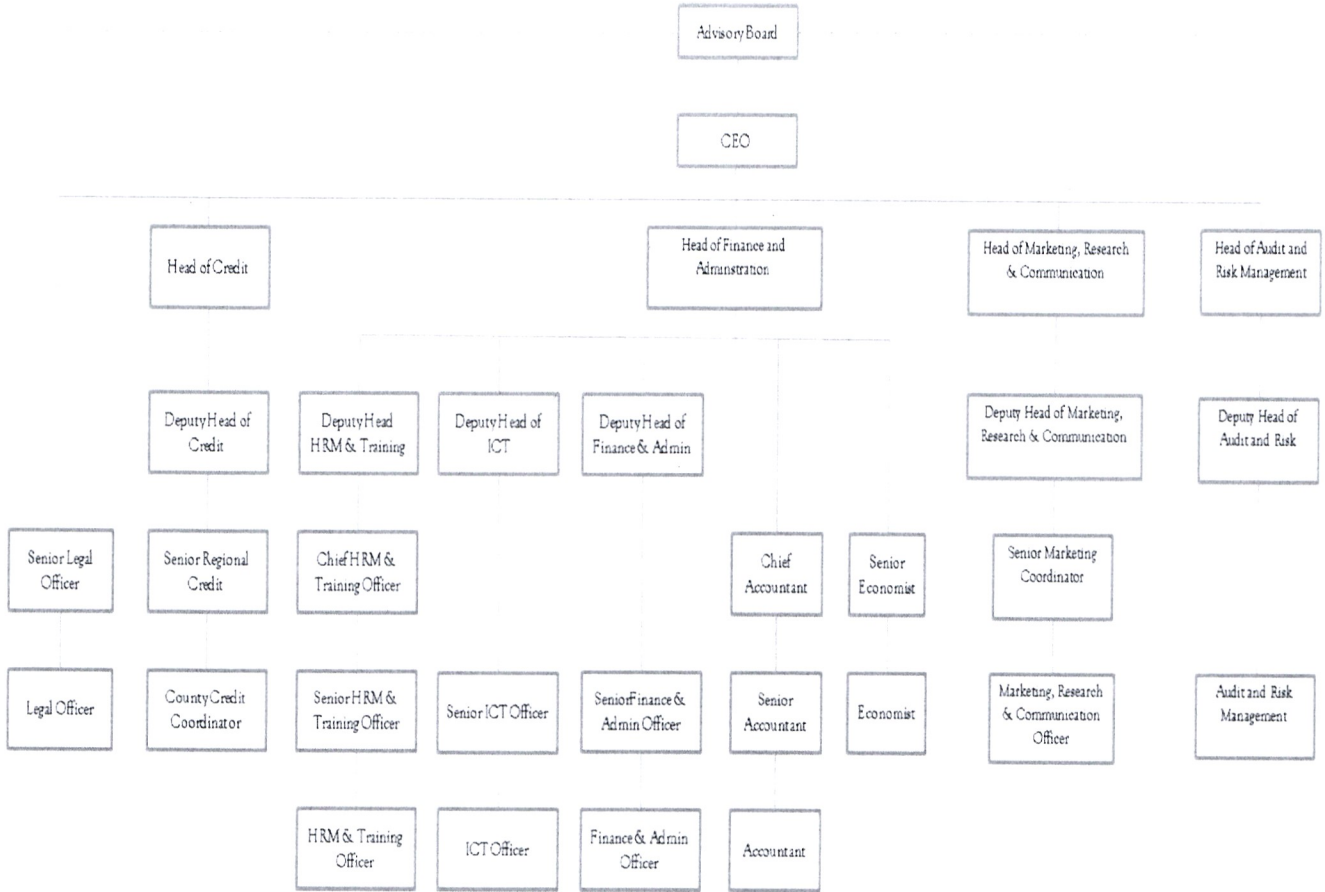
Audit objective	Sub-Questions	Audit Questions		Purpose of collecting the information	Method of Collecting Information
		Sub-Sub Questions			
		ASSQ4-2.5 How many women entrepreneurs has WEF assisted to participate in international and domestic investment forums, exhibitions and trade fairs?		To establish the number of women who participated in international and domestic investment forums, exhibitions and trade fairs.	Documentary review of reports of investment forums, exhibitions and trade fairs carried out
ASO5 To assess the effectiveness of the partnerships in place to ensure CWES beneficiaries are linked to large enterprises	ASQ5.1 To what extent have the partnerships in place for linking CWES beneficiaries to large enterprises been effective?	ASSQ5-1.1 What partnerships and programs are in place to link women to large enterprises, and what were the objectives and achievement of these partnerships?		To assess If the programs and partnership in place have been effective	Document review of Partnership MOUS, Monitoring and evaluation reports Survey of women groups who have been linked to large enterprises
		ASSQ5-1.2 To what extent has WEF built the capacity of institutions such as SACCOs and business clubs in a bid to link women to large enterprises		To establish if women have been linked to large enterprise through the formation of business clubs and women SACCOs	Documentary review of the reports on the performance of women SACCOs and business clubs Survey of number of SACCOs and business clubs formed and number of leaders trained.
		ASSQ5-1.3 Has WEF organized targeted trade fairs to increase the number of women linked to large enterprise		To establish whether trade fairs were organized to link women to large enterprises. To establish if donors and partners were engaged and the objectives for the engagement.	Documentary review of reports on the organized trade fairs. Documentary review of reports of events held to link women to large enterprises through the trade fairs. Documentary of the MOUs with donors and partners. Interviews with marketing manager, volunteers and women entrepreneurs.

Audit objective	Sub-Questions	Audit Questions		Purpose of collecting the information	Method of Collecting Information
		Sub-Sub Questions			
		ASSQ5-1.4	How many women entrepreneurs has WEF linked to large enterprises	To establish if WEF has linked women to large enterprises.	Documentary review of the reports of women linked.
ASO6 To assess the effectiveness of the partnerships in place to offer incubation programs and infrastructure support to beneficiaries	ASQ6.1 To what extent have the partnerships in place for offering incubation programs and infrastructure support been effective?	ASSQ6-1.1	What partnerships did WEF have to ensure that women groups were offered incubation services, and what were the objectives and achievement of these partnerships?	To assess If the programs and partnership in place ensure women entrepreneurs benefit from business incubation and infrastructure support and if they have been effective	Document review of Partnership MOUS Monitoring and evaluation reports Survey of women groups who have benefited from incubation and infrastructure services
		ASSQ6-1.2	What partnerships did WEF have to ensure that women groups were offered infrastructure services, and what were the objectives and achievement of these partnerships?	To assess If the programs and partnership in place ensure women entrepreneurs benefit from infrastructure support and if they have been effective	Document review of Partnership MOUS Monitoring and evaluation reports Survey of women groups who have benefited from infrastructure support services
		ASSQ6-1.3	How many women groups have benefited from incubation and infrastructure services?	To determine number of women who have benefited from the incubation and infrastructure support programs	Document review of the training reports Review of reports on infrastructure established Monitoring and evaluation reports Conduct Survey of women groups who have been linked

#### **Appendix 4: Sources of Assessment Criteria and List of Documents Reviewed**

1. Legal no 147 of the Government Financial Management (Women Enterprise Fund) Regulations 2007.
2. WEF Strategic Plan 2013/14-2017-18
3. WEF Strategic Plan 2009/10-2012-13
4. Loan Status Periodic Reports
5. WEF Service Charter
6. WEF Advisory Board Charter
7. Women Enterprise Fund (WEF) Training Manual: Group tools and methodology for Savings and Credit Groups
8. WEF Credit Policy and Procedures 2011
9. Credit Department Procedures Manual
10. Memorandum of Understanding between WEF and Coca Cola-Partnership for the Eurasia Africa Group's 5 by 20 Program
11. Memorandum of Understanding between WEF and JKUAT June 2012, February 2016
12. WEF/EPC Partnership Project on Enhancing Women Access to International Markets Report on Year II Activities (July 2011 to June 2012)
13. Various Reports from the Marketing and Credit Department

Appendix 5: Proposed Organizational Structure of WEF



## Appendix 6: Response from Women Enterprise Fund Management

Audit Findings	Responses from Management	Auditors Comments.
<p>A. (I) WEF loans have not reached the targeted number of beneficiaries</p>		
<p><b>Para 4.7</b> WEF loans have not reached the targeted number of women beneficiaries as evidenced by low uptake of loans by women in some constituencies, women entrepreneurs not benefitting from individual loans, first time borrowers forming least percentage of loan beneficiaries and few young women entrepreneurs taking up CWES loans.</p>	<p>The failure to reach the targeted number of beneficiaries has been attributed by poor portfolio quality in a number of constituencies, previously, a constituency with either a Portfolio at Risk (PAR) of 100 % or a Loan Repayment Rate (LRR) of less than 50% could not access funding until these two parameters changed/improved. There have been quite a number of constituencies affected by these portfolio quality measuring parameters which hindered uptake growth, especially the 1st time borrowers. The above lending criteria have since been reviewed to allow new applications in Constituencies with low uptake. In an effort to boost uptake of loans, the Fund is carrying out aggressive sensitizations in order to generate as many loans as possible. There are also Joint Affirmative Funds sensitization forums that have been taking place since October 2016.</p>	<p>Despite the efforts undertaken by WEF to increase loan uptake, that is, to review the lending criteria and increase sensitization efforts from October 2016, uptake in some region remains low. Our observations remain as reported. However, during a future follow up audit, loan uptake can be assessed to determine if there has been any improvement</p>
<p><b>Low uptake of loans by women entrepreneurs</b> Review of detailed CWES loan status report as at 30 November 2016 showed that WEF had reached and benefited 710,820 women which is just about half of the targeted number. A significant number of women beneficiaries have therefore not able to benefit from WEF products.</p> <p>The status report as at November 2016 also shows disparities in cumulative uptake of loans by constituencies since the fund started operations in 2007/2008. For example, some constituencies like Lafey, Kacheliba, and Garsen reported an uptake of CWES loans of Kshs. 0.25 million, 1.35 million and 1.35 million respectively which was significantly low compared to constituencies like Lurambi, Nyeri Town and</p>	<p>Some constituencies are located in Arid &amp; Semi-Arid Lands (ASAL) areas especially in North Eastern Region, West Pokot, Turkana Counties, Marsabit, Moyale, Samburu, Laikipia, Lamu and Tana River counties, the people are highly dispersed hence constrained movement by the Field Officers. The level of economic activities is very low in such areas hence few women are engaged in entrepreneurship hence few women would be interested in borrowing. The dominance of the Islamic Faith in some regions like North Eastern Coast Regions and parts of Eastern Region like Isiolo, Moyale &amp;</p>	<p>The management's comments reaffirm our observations. WEF needs to come up with innovative methods of reaching the community such as the use of sharia compliant methods</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>Mathira which reported an uptake of Kshs 79 Million, 137 Million and Kshs 146 Million respectively.</p> <p><b>WEF limited use of structured awareness creation programs</b>  Review of various reports submitted by the Marketing Department on the various awareness interventions such as <i>barazas</i> (local provisional administration community gatherings), TV talk shows, road shows and advertisements were meant to increase the visibility of the fund within the constituencies revealed that the reports were not comprehensive and did not show any systematic approach to awareness creation.</p> <p>Interviews with 39 constituency Volunteers and seven (7) Regional Credit Coordinators confirmed that there was no schedule or</p>	<p>Marsabit. The Islamic Faith discourages borrowing and paying interest and administration fee. Cultural restrictions that affect women negatively in some communities where women are there to be seen and not to be heard. Such cultures hold women back from being publicly vocal &amp; visible especially in entrepreneurship-related activities hence this hinders them from coming forth to apply for loans. Nomadism has also contributed to this phenomenon CWES loans are demand driven. Graduation to the next cycle is subject to proper repayment and completion of the previous loan. Some challenges to the uptake of loans include cultural and religious beliefs and fear of loans which hinder the women from taking up the loans despite being sensitized and trained by WEF officers. Awareness creation/sensitization and strategic partnerships with different stakeholders including religious leaders and opinion leaders are progressively assisting in addressing these strategies.</p> <p>In her operating environment, and the changing dynamics in the regions and target audience, the Fund adopted targeted approach to address the issues affecting each region. Communications are sent to the regional managers to engage the local media stations and organize <i>barazas</i> to be able to address the issues affecting the specific constituencies.</p> <p>Also, through the Joint Affirmative Fund program which is coordinated by our parent Ministry (Ministry of</p>	<p>The efforts to engage a PR firm are appreciated, the impact on this imitative on loan uptake shall be assessed during the follow up audit.</p> <p>WEF has not done enough to enhance structured awareness</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>structure to awareness creation and sensitization programs for WEF's activities. The awareness activities that were under taken were mainly ad-hoc, and depended on the Constituency Volunteer's initiative and opportunities that arose in the constituency and their report with local stakeholders, for example, local chief's barazas and the Parent Ministry's social services office.</p> <p>The results of surveys conducted to establish how women groups in the 39 constituencies visited learnt of WEF's existence and activities revealed that out of 299 groups, only 72 groups or 24% of WEF's activities through efforts attributable to the Constituency Volunteer (mobilization through the churches, chief barazas and as individual), and a further 40 groups or 13% learnt through the media (radio, television and newspaper). The survey results further revealed that 128 groups or 43% learnt about existence of WEF's activities from other beneficiaries, while 59 or 20% of the groups learnt of WEF's activities from the Gender and Social Services Office. It is evident from the analysis of the survey results that most potential beneficiaries obtain information on WEF's activities through other beneficiaries. However, according to some constituency volunteers this kind of awareness creation was not effective in constituencies that had fewer women benefiting from WEF loans hence requiring WEF's direct interventions through structured awareness creation.</p>	<p>Public Service, Youth and Women Affairs) has ensured that all awareness creation is centralized to avoid duplication of efforts by the various Funds and also communicate Ministry's achievement under the program as one under the 'Huduma mashinani' program. Out of this initiative, 129 constituencies have been reached and a total of Kshs. 53,700,000 disbursed to new borrowers.</p> <p>The Fund is also in the process of engaging a Public Relations firm who will coordinate all communication, enhance or build the Funds reputations through the media, position the Fund, find the positive messages and translate those messages into positive media stories which will increase visibility of the Fund's activities. With this approach, the Fund will ensure that the interventions put in place through structured awareness creation will address the gaps identified</p>	<p>programs-we did not see documents to confirm that Affirmative Fund program coordinated by the ministry has had any impacts on sensitization of potential CWES borrowers.</p>
<p><b>Loan administration Fee hindering loan uptake</b></p> <p>Interviews with Constituency Regional Credit Coordinator and some women groups in low uptake regions such as North Eastern revealed that some women are reluctant to take up the CWES loans. This reluctance is attributed to the 5% administration fee which the women</p>	<p>Most of our Muslim clients are yet to come to the understanding that our CWES loans are interest free. The conviction that 5% administration fee is not an interest charge is yet to be conceptualized by most of them.</p>	<p>Observations remains as per the report as management concurs with our findings</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>construe to be interest thereby in conflict with their Islamic religious beliefs that loans should be interest free. Further, analysis of Loan Status Reports of North Eastern Region as at the time of the audit revealed that 139 women groups had arrears Kshs 7,000 and below, which is attributable to the 5% administration fee charged. According to WEF North Eastern regional Coordinator, WEF intends to partner with the religious leaders and carry out more sensitization campaigns in the region to reassure the women that the administration fee of 5% is not interest.</p> <p><b>Women entrepreneurs are not benefiting from individual loans</b></p> <p>Interviews with credit department staff revealed that the FI channel was suspended in 2014 and was to be reintroduced through engaging women owned SACCOs with the capacity to offer on lending to individual women who preferred individual loans as opposed to group loans. Review of documents on Sacco's formation reports also revealed that only 89 SACCOs had formed and registered as at February 2016, but no individual loans had been disbursed as at the time of the audit. Majority of the SACCO's that have been formed lack the necessary platform to ensure their sustainability. For instance, in Nyanza some of the SACCO's had no staff members, lacked institutional capacity i.e. offices were not automated. Other SACCOs lacked offices, had governance issues in that they did not have committees in place and had no audited accounts etc.</p> <p>Further, survey results of WEF's efforts towards SACCO formation revealed that out of the 299 women groups surveyed, none of the groups had joined SACCOs while 213 groups or 71% were not aware of the existence of WEF women-owned SACCO or how to join the SACCOs. A report prepared by WEF in 2016 on women owned SACCOs formation stated that the demand for SACCO lending had been on the</p>	<p>they still argue that any charge on a credit facility is not religiously appropriate.</p> <p>Aggressive sensitization campaigns are being carried out to re-emphasize to the women that the administration fee is not interest rather it is an application fee. This is the same term used in the banks that are Sharia compliant. The administration fee is also critical revenue stream for the Fund in defraying part of her operational costs.</p> <p>There is a product on women to benefit in individual loans under the Financial Intermediaries (FI) channel. In this product 110 FIs were funded loans worth Kshs 1.8 Billion between Year 2007 to Year 2013, all these loans matured, many have been repaid since then apart from 17 FIs that are still in arrears as at 28/08/2017 with a balance of Kshs. 112.6 million. These default cases are being followed up through the office of the Attorney General and our Advocate in liaison with our Legal office.</p> <p>As per the Loan Portfolio reports that the Fund was receiving from these FIs on the loans given on a quarterly basis, the reports confirmed that the product was not serviced to the individual women in-line with the agreed terms and conditions at the point of disbursement. The FI product did not well-reach our target client as anticipated during the product formulation process. As a result, the product was put temporarily on hold.</p> <p>The Advisory Board sitting on 19th January, 2016 approved the re-</p>	<p>The impact of loaning women through women owned SACCOs on loan uptake for individual loans channel shall be assessed at the follow up audit</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>increase and women were demanding individual loan products.</p> <p>Surveys revealed that, 86 out of 299 groups or 29% expressed their preference for both group and individual loans, while 68 groups or 23% exclusively preferred individual loans. The results of the survey imply that there is a demand for individual loans. In addition, demographic results of the survey indicated that only 112 out of 747 women or 15% of the CWES loan beneficiaries had attained college and university level imply that highly educated women may not prefer the CWES loan product</p> <p><b>First Time borrowers from the Least Percentage of Loan beneficiaries</b>  Surveys revealed that out of 299 groups, 96 or 32% comprised of first time borrowers (loan cycle one) while 203 or 68% comprised of repeat borrowers (loan cycle two to five). Interviews with Credit Management officials confirmed that a greater percentage of loans disbursed goes to repeat borrowers in a bid to manage the risk of defaulters. A directive from the Parent Ministry Principal Secretary (P.S) vide ref: MPSYGA/SDGA/CORP/5/3 dated 7 November 2016 now necessitates that 70% of the 2016/2017 loan issuance to be new groups.</p>	<p>introduction of a revised FI lending channel but with key focus on women led SACCOs and SACCOs with a good credit history with the Fund. The Fund advertised the 'Expression of Interest' in the local dailies on 13th June, 2017. Lending through the SACCOs will commence this FY 2017/2018.</p> <p>The Fund's mandate was to train women on SACCO formation in liaison with Ministry of Industrialization and Cooperatives. Once they qualified for formation, the SACCOs would have to fulfil the terms and conditions for qualifying to borrow as per the Cooperatives Act. Then WEF would only lend to those that met the terms and conditions as per WEF lending criteria.</p> <p>The Fund is exploring the introduction of individual loans once there's sufficient staff capacity. Currently the individual loans are offered through LPO financing</p> <p>There is more focus on first time borrowers in order to expand reach to the unbanked population. But we also do refinancing to ensure the businesses we fund as first time borrowers are able to expand.</p>	<p>The success or otherwise can only be assessed after the roll out.</p> <p>Though this is a good initiative to increase the percentage of first time borrowers it is prudent for WEF to balance the percentage of money loaned to first time borrowers with repeated borrowers to manage the risk of recovering the loans from first time borrowers.</p>

Audit Findings	Responses from Management	Auditors Comments.
<p><b>Few young women entrepreneurs taking up CWES loans</b></p> <p>The graph shows that a proportion of the younger generation, (age 18-30 years) is not accessing WEF loans. Extrapolation of these survey results to the 710,820 CWES loan beneficiaries that WEF reached as at 30<sup>th</sup> November 2016 implies that only 7% or 49,757 women are age and below</p>	<p>CWES loans are demand driven. The age group highlighted above is youth who prefer to take higher amount of loans from other institutions individually or as smaller groups of less than 10 members. CWES loans requirement is that a group should be at least 10 members. However, continuous sensitizations are carried out in order to expand reach to the areas with low uptake. Again, more youths tend to prefer borrowing from Youth Enterprise Development Fund (YEDF) whose products have been tailored to be more youth-friendly</p>	<p>There still remains a potential pool of youth who may not be catered for by the YEDF since loan appraisals can be competitive, and resources finite. WEF can fill this gap. Segmentation of this group may lead to increased uptake</p>
<p><b>A. (ii) Delays in processing of CWES loans</b></p>		
<p>The audit revealed that out of 299 groups surveyed, 82 or 27% of the groups received their cheques within one month as stipulated in the WEF Service Charter. However, 178 groups or 60% experienced delays of between 2-6 months. Further, analysis of the survey results revealed that of the 299 groups that experienced delays in receipt of their cheques, 39 groups or 13% experienced delays of more than six (6) month</p> <p>Analysis of cheques sampled from disbursement and issuance attendance registers in Manyatta, Kisumu Central and Lurambi Constituencies to determine the time taken to process and disburse them to beneficiaries revealed that some cheques took up to seven months to be processes. Interviews with the Credit Manager and documentary reviews revealed the following reasons for the delays in cheque issuance</p>	<p>Delays are occasioned by groups submitting loan applications with errors of commission and omission, such errors require the affected application forms be sent back to the Field for corrections as advised. The same then requires follow-ups after which the applications are processed. The time taken to have the rejected application form eventually processed to the end will automatically depend on the length of time taken to have the raised errors addressed.</p> <p>The Fund is conducting capacity building of her Constituency officers in order to improve their loan appraisal skills which will lead to overall improvement in the turn-around time.</p>	<p>Regarding the delay in processing of loans to Women, the management comments reaffirm the audit observations. The efforts to mitigate delays instituted by WEF can be assessed in the follow up audit.</p>

Audit Findings	Responses from Management	Auditors Comments.
<p><b>Release of cheques to the CWES Women groups is subject to the authority of the Parent Ministry</b></p> <p>Interviews with credit management staff and review of correspondence between WEF and the parent ministry indicated that delays were occasioned by a directive to WEF not to release some cheques without the authority of the Ministry. A directive issued by the Principal Secretary (P.S) vide letter ref: MPSYG/GA/4/37 dated 2 February 2016 Ministry of Public of Public Service, Youth and Gender Affairs, required the fund to obtain prior approval from the P.S prior to releasing cheques and undertaking field activities. The board, wrote to the Ministry on 2 June 2016 vide letter ref: WEF/1/ (20) requesting the Ministry to review its position on the directive citing challenges of delays in issuance of cheques to beneficiaries and limitation of the Board and management in undertaking field activities freely. The letter further elaborated that the turnaround time loan applications had increased culminating with complaints from the clients affecting the grace period and subsequently the quality of the loan book and performance of the institution. The Ministry response vide letter ref: MPSYG/GA/4/37 was that the directive would not be revoked but cheques amounting to Kshs. 1.9 million in a given county could be issued at any particular time but cheques amounting to Kshs 2 million and above per county required approval from the Ministry.</p>	<p>The Joint Affirmative Funds Programs requirement is that cheques from the cheques for the four (4) Funds (WEF, YEDF, and NGAAF &amp; Uwezo Fund) are issued at the same venue in a joint public function facilitated by the 4 Funds. After every loans approval, the list is shared with the parent Ministry which then communicates where the Joint Program functions will be held and cheques issued.</p>	<p>The timing of receipt of funds remains a key issue in the delivery of WEFs mandate of providing loans to women. WEF in conjunction with the Ministry need to streamline and reengineer its business processes to ensure that a more efficient and timely release of funds is adapted to avert delays.</p>
<p><b>Delays in printing of cheques</b></p> <p>Interviews with the Assistant Credit Manager revealed that some delays were caused by the challenges with WEF's in house printing of the cheques. An efficient cheque printer should take one week to print 1000 cheques, but WEF's printer takes 2-3 weeks. Further, the only cheque printer, a less efficient older model, often overheats since it has to print over 1000 cheques per month. In addition, the printer is operated by only one accountant in the Finance Department who is often overwhelmed. The assistant Credit Manager indicated that a current cheque printer is currently (as at time of the meeting on December 7 2016) in the process of being procured to resolve the issue.</p>	<p>A new cheque printing machine was procured. It is working well and cheques are now printed and dispatched in time</p>	<p>The effort to procure a new cheque printing machine is appreciated</p>

Audit Findings	Responses from Management	Auditors Comments.
<p><b>Delays in the process of rectifying rejected CWES loan applications</b></p> <p>The interview revealed that most of the rejected application forms do make it back to the Head Office on the time for consideration and funding. Consequently, the applications are only considered for funding during the next month. Loan applications are rejected therefore will experience delays of at least two months. It was observed that there is no clear turnaround time stating how long it should take for application forms to be returned to the women groups and reconsidered for funding. The effect of delays in loan processing is that the one-month grace period is affected, thus women missing out on timely investment opportunities</p>	<p>The Credit Departmental Leadership issued a communication across all the regions to be submitting CWES forms for consideration on a weekly basis in batches to enable Head Office Credit staff conduct a Know Your Customer (KYC) appraisal on a weekly basis with the view that, should there be any rejection cases, they are immediately communicated to the Filed and possibly addressed within the same month. However, there are a few cases where weight of the matter at hand is not addressable within the given month hence the loan application is presented in the following month Other forms are not resubmitted at all for suspicion of fraudulent activities within the group.</p>	<p>Efforts to address the situation are appreciate and may reduce processing time</p>
<p><b>B. The CWES loan repayments in some constituencies is low</b></p>		
<p>Review of loan status report as at 30 November 2016 shows a total loan balance of Kshs 2, 103,800,285, out of which a total amount Kshs 831,706,354 is in arrears, resulting to an average Portfolio at Risk (PAR) OF 40%. Out of the 290 constituencies only 56 constituencies had a PAR OF 20% and below, while nine (9) constituencies have a PAR rate of 100%. These constituencies are Kacheliba, Garsen, Fafi, Banisa, Lafey, Mandera East, Mandera West, Eldas and Wajir North which are constituencies in arid and semi-arid areas.</p> <p>The loan Repayment Status as at November 2016, shows total loans paid amounting to Kshs 5,289,543,932 and total loans due amounting to Kshs. 5,726,887,863 resulting to an average loan Repayment Rate (LRR) of 92 %. From the data provided, the least LRR for a given Constituency stands at 33% while the highest LRR stands at 113%.</p>	<p>The Credit Policy is being reviewed to incorporate a comprehensive framework to guide on loan recoveries.</p>	<p>The responses by WEF on the issues of loan repayment and recoveries touches of the review of the Credit policy and re affirm our observation on the need to review the credit policy</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>Three constituencies, that is Lafey, Kuria East, and Kwanza with LRRs of below 50%, and 61 constituencies with LRRs of between 51-80%. Our interviews with Credit Constituency Volunteers for Kuria East, Kuria West and Ijara revealed that beneficiaries from the constituencies had at one point been suspended from applying for CWES loans due to PAR of the constituencies being high.</p> <p><b>Causes of low loan repayment:</b></p> <p><b>a) Unfavorable terms and conditions of CWES Loans:</b></p> <p><b>i) Some CWES loan beneficiaries did not have one month's grace period</b></p> <p>Out of 299 groups surveyed, 102 groups or 34% indicated that they were not given a grace period of one (1) month as provided for in the loan policy and procedures manual, and were required to pay the first loan installment in less than one month. The results of the grace period analysis area shown in</p> <p>Further, documents reviewed in Lurambi, and Kwanza constituencies' revealed cases where 25 women groups were required to pay first installment at the point of collecting the CWES loan cheques. Interviews with Regional Credit Coordinator Western Region revealed that this measure was taken to address the problem of zero repayment accounts i.e. loan accounts that fell in arrears by 100% which adversely affects the LRR and PAR for constituencies with such accounts.</p>	<p>Most of the funded groups have a specific day in a given month/week which they usually meet and make their weekly/monthly subscriptions/payments. Some groups are highly used to the group-fixed date hence introduction of a new payment date may be a challenge to many groups especially where all the group members are all available, the advance payment of the 1<sup>st</sup> installment enables the groups to continue meeting in their group-fixed date while still ensuring that the loan does not enter into arrears at any given time since there is always an advance payment. Again, this measure is taken to address the problem of zero repayment accounts which adversely affects the LRR and PAR for constituencies with such accounts. It also encourages a saving culture for the groups to ensure that they have sufficient funds every month to repay the loans.</p>	<p>Management response has not address the main concern that a certain percentage of loaned funds (first installment paid in advance) is not benefiting the concerned CWES loans borrowers having to pay before disbursement and which may affect their cash flow</p>

Audit Findings	Responses from Management	Auditors Comments.
<p><b>ii) Most CWES loan beneficiaries not satisfied with one month's grace period</b></p> <p>Out of 299 groups surveyed, 147 groups or 49% indicated that they were not satisfied with a grace period of one month, and recommended an extension of grace period to 2-3 month. The reason the women groups gave for an extended grace period is that their business ventures had not yet yielded a profit within one month's duration. Further, interviews with Constituency Volunteers in Samburu East, Ganze, Garissa, Ijara, Isiolo North and South which are located in arid and semiarid areas confirmed that many groups in these regions main business activity is camel and goat keeping which take a long time to mature or fatten (3-4 years for a camel to mature) or (at least four months for a goat to fatten). In addition, the market days in some constituencies such as Isiolo North and Isiolo South occur 2-3 times a year implying that the women will not have made a profit until they have been able to sell their livestock. Finally interviews held with the Regional Credit Coordinator North Eastern (an arid and semiarid region) indicated that hardships such as persistent drought, the nomadic nature of pastoralist communities all pose a challenge in the ability to start repaying the loan within a month.</p>	<p>Initially the grace period was 3 months but was reviewed to be in synch with the current market trends. But this can be reviewed and incorporated in the Credit policy that is being reviewed.</p> <p>This will be considered for review and incorporated in the credit policy under review.</p>	<p>WEF may need to stratify the market and offer demand driven loans</p>
<p><b>iii) CWES loans beneficiaries are not satisfied with 12 month's repayment period</b></p> <p>Out of 299 groups surveyed, 199 groups or 67% were not satisfied with the current repayment period of 12 months and recommended a repayment period of 18 months. Out of the 199 groups that were not satisfied with the current 12-month repayment period, 173 groups or 87% indicated that the repayment period should only be extended for loan amounts in excess of Kshs, 350,000. The data on repayment period is shown in Table 10. Some of the reasons cited for preference of longer repayment period are similar to those of a longer grace period for groups in constituencies in arid and semi-arid areas.</p>	<p>This will be considered for review and incorporated in the credit policy under review.</p>	<p>There is need to consider the tenure more so after the first one or two cycles</p>

Audit Findings	Responses from Management	Auditors Comments.
<p><b>b) High default rate for first cycle loans of Kshs 50, 0000</b></p> <p>Analysis of the detailed CWES Loan Status Reports of as at 31<sup>st</sup> March 20116 revealed that out of total loan arrears of Kshs 662,432,675, Kshs 223,629,339 or 33.8% comprise of first cycle loans of Kshs 50,000 (issued between 2008 and 2014). Interviews with Constituency Volunteers revealed that recovery of these loans in doubt due to several challenges as follows;</p> <ul style="list-style-type: none"> <li>a) The hurried recruitment of women groups at the time who trained on the importance of loan repayment</li> <li>b) Improper documentation of these groups for example, information such as identity cards and physical address of beneficiaries were missing making it difficult to trace beneficiaries</li> <li>c) Interference from politicians who assured the beneficiaries that these loans were grants and hence not repayable</li> </ul>	<p>Currently the volunteers are mandated to recruit the groups and do proper training before a loan is advanced. Documentation is verified at the region and also at the head office before the loan is recommended for approval.</p>	<p>There is no mention of the steps that WEF intends to take to recover or write off the amount of Kshs 223,629, 339 that related to first cycle loans of Kshs 50,000 issued between 2008 and 2014.</p>
<p><b>c) Lack of proper frame work to guide loan recoveries by constituency volunteers</b></p> <p>Interviews with Constituency Volunteers revealed that there was no formal arrangement/framework between WEF and the Stakeholder institutions specifying what kind of assistance would be required with regard to debt collection. Further, WEF does not have the legal mandate to prosecute loan defaulters due the fact that WEF is a semi-autonomous government agency without a legal status. The lack of frame work for debt recovery makes it difficult for the constituency volunteers to effectively follow up loan defaulters.</p>	<p>Provincial administration and in particular chiefs are always engaged during debt collections exercises. They assist mainly in tracing groups that have defaulted. The Fund has also partnered with Metropolis Credit Reference Bureau for listing of defaulting clients. So far LPO financing defaulters have been listed. There's a contract between the Fund and Issa and Company Advocates to assist in collection of defaulted FI loans. The Credit policy will be reviewed in this FY 2017/2018 to incorporate a comprehensive debt collection strategy</p>	<p>The impact of the revised credit policy for debt collection especially at the constituency level shall be assessed during the follow up audit.</p>

Audit Findings	Responses from Management	Auditors Comments.
<p><b>d) Challenges in debt collection by WEF staff</b></p> <p>Interviews with Constituency Volunteers in the 39 constituencies revealed that certain challenges hindered WEF staff from effectively following up on loan defaulters. These challenges include:</p> <ul style="list-style-type: none"> <li>a) High work load and vast geographical coverage.</li> <li>b) Lack of adequate facilitation to follow up loans.</li> <li>c) Low morale of constituency volunteers due to unsatisfactory terms of service.</li> <li>d) Instances of fraud given that once volunteer may have a portfolio of loan collection into millions.</li> </ul>	<p>The Credit Policy is being reviewed to incorporate a comprehensive framework to guide loan recoveries</p>	<p>A comprehensive credit policy will reduce the exposure. WEF needs to come up with time frames for the implementation of a new credit policy.</p>
<p><b>C. CWES Loan beneficiaries have not received additional capacity building and mentorship</b></p>		
<p>Though the women admitted that the 3-day training was beneficial and assisted them to have better group dynamics, most women (90%) indicated that they had not received additional capacity building that would help them improve their business skills.</p> <p>WEF has not revised its ASCA training curriculum to include advanced business models for periodic training through the course of loans repayment and subsequent loans.</p>	<p>The Fund has provided mechanisms through which additional capacity has been provided to women beneficiaries. This has mainly been achieved through the following avenues</p> <ul style="list-style-type: none"> <li>• Sacco Training in partnership with the Department of Cooperatives: Beneficiaries have been provided with training on SACCO formation, registration and management SACCOs. This training has been provided in partnership with the marketing department as per the reports and attendance registers are available.</li> <li>• Incubation Training in partnership with JKUAT: Beneficiaries have been provided with additional training covering value addition in partnership with JKUAT. The beneficiaries were taken through different topics as per the attached program. The</li> </ul>	<p>The measures listed though appreciated have only reach a small proportion of the beneficiaries. The majority have only had the 3 day ASCA training.</p>

Audit Findings	Responses from Management	Auditors Comments.
	<p>regions covered were Eastern and Central.</p> <ul style="list-style-type: none"> <li>• AGPO training in partnership with PPOA: In 2013 the President of Kenya directed that 30% of all government tenders be awarded to youth, women and persons with disabilities. In carrying out its mandate, and in line with the directive by the President and the subsequent legislation of the same through the amendment in favor of the preferential and reservations notice targeting the aforementioned target groups, the PPOA carried out public sensitization and training to the target groups countrywide.</li> <li>• The Fund in conjunction with the Ministry of Public service Youth and Gender affairs has been conducting countrywide sensitizations and capacity building to beneficiaries. This program has been planned to be done throughout the year.</li> <li>• A TNA analysis is in the process of being done and the beneficiaries will be trained on different sectors predominant in their counties.</li> <li>• The Fund is in the process of reviewing the current training curriculum to encompass different levels of training.</li> </ul> <p>The Fund is in the process of identifying partners who can work to mentor the women to achieve the Funds objectives</p>	
<p>WEF has not adequately offered business support services to CWES loan beneficiaries</p>		
<p>a) WEF has not adequately facilitated CWES loan beneficiaries to access local and international markets</p>	<p>Reports on all the women beneficiaries facilitated to attend the ASK shows and targeted trade fair are available for review.</p>	<p>The matter remains in the report since as at the time of audit and writing of report the team did not find</p>

Audit Findings	Responses from Management	Auditors Comments.
	<p>The Fund has instituted a tracking mechanism to monitor performance of the women that will have been from this initiative, thus it will be easy to come up with need based interventions to assist the women in marketing their products.</p> <p>The Fund strives to ensure that more women get the opportunity to participate in the local and international markets, nonetheless, due to budget constraints, only a small number can be facilitated to participate at any given time and also noting that not most shows are held at the regional /county headquarters. To address this challenge, the Fund supports women to form business clubs to facilitate networking within the women respective business fields and thus access market opportunities amongst themselves.</p>	<p>evidence to support the funds assertions.</p> <p>General comment on business support services</p> <p>The key observation under the provision of business support to women entrepreneurs is that ,the funds initiatives did not reach majority of the women and therefore the impact was minimal</p>
<p>b) Limited exposure of women groups merchandise in WEF SOKO</p>	<p>The Fund has partnered with Africa 118, a leading capacity building and business incubation provider sponsored by Google to deliver training to Small Medium Business's across Africa as part of their Digital Skills for Africa initiative to leverage on the power of the web economically. Through this program, the Fund envisions to breach this gap through information delivery on online marketing opportunities</p>	<p>The impact of all the newly instituted mechanics to offer business support shall be assessed at the follow up audit.</p>
<p>c) Has not been able to adequately roll out Business Clubs</p>	<p>This initiative has now gain popularity amongst the women due to the structured training that are coordinated by the Marketing officer. To date 27 clubs have been formed and registered and exchange programs have commenced for the clubs where the</p>	<p>The progress and impact of business club formation shall be assessed at the follow up audit.</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>d) <b>International markets: Inadequate and ineffective export marketing capacity building and linkages</b></p>	<p>Fund identifies experts in different fields to address the gaps and build capacity of the club members.</p> <p>There was an initial training on training of trainers that was carried out for all the 8 regional managers for the beginner's module. However, noting that the program was funded by JICA, and it's implementation period lapsed by the time the second session of intermediate module was to be carried out, the Fund was not able to facilitate officer to attend the trainings due to inadequate resources. Also, for the establishment of the export villages, the Fund has anticipated that the program would be funded by JICA but this did not take place since the capital investment was unattainable for the Fund. The issues highlighted were taken into consideration during an internal audit exercise of the partnership and based on the recommendations presented to the Advisory Board, the partnership was terminated and management was tasked to focus on local markets since most of the Funds target group were grassroots women. The Fund has established a monitoring and evaluation unit to carry out impact assessment of all partnerships that the Fund engages in to ensure that the partnership objectives as outlined in the MOU are realized, and where there is need a review is recommended.</p>	<p>Managements comment reaffirm our findings. Our observations remain as is.</p>
<p>e) <b>WEF's partnership to facilitate linkages with large enterprises did not succeed</b></p>	<p>The partnership with Coca cola 5 by 20 was mainly for capacity building of women entrepreneurs on business management skills as</p>	<p>The MOU provided to the audit team by WEF for the Coca Cola</p>

Audit Findings	Responses from Management	Auditors Comments.
<p>in empowering the women entrepreneurs</p>	<p>opposed to engaging in the coca cola value chain. The MOU is clear on the objectives and the latter does not feature as one of the objectives.</p> <p>The partnership was aimed to bridge the gap identified in the Fund's ASCAS training module and the volunteers used it to complement the trainings and thus did not mention it as a separate training.</p> <p>Despite the Funds beneficiaries' engagement in agricultural activities, training on business management skill is critical for any entrepreneur in any sector and this was considered before signing the MOU.</p>	<p>partnership states that it was to provide beneficiaries access to financial services and assists, peer networks and conduct capacity building for the beneficiaries. According to interviews most volunteers did not use the Coca-Cola partnership as a training tool. There needs to be a coordinated curriculum for business management skills.</p>
<p>f) WEF's initiative to facilitate certification of products by Kenya Bureau of Standards did not achieve the intended objective</p>	<p>Mechanisms have been put in place to ensure that more women are sensitized on the existing partnerships so that they can make informed decisions and certify their products.</p>	<p>The fund has not stated the said mechanisms</p>
<p>g) WEF has not adequately facilitated incubation services an infrastructure support to CWES beneficiaries</p>	<p>Mechanisms have been put in place to ensure that more women are sensitized on the existing partnerships so that they can make informed decisions and certify their products.</p>	<p>The fund has not stated the said mechanisms</p>

## **CONTACTS**

### **Office of the Auditor-General**


**Address: P.O. Box 30084-00100, NAIROBI.**

**Telephone: +254 796 52 85 60**

**E-mail: [info@oagkenya.go.ke](mailto:info@oagkenya.go.ke)**

**Website: [www.oagkenya.go.ke](http://www.oagkenya.go.ke)**

 **@OAG\_Kenya**

 **Office of the Auditor-General Kenya**