

Selection of Consultants

Technical Assistance Mission

Portfolio Audit

Kenya

August 2014

With the Support of



No. JUHUD/04/2014/KEN/AF

Section 1. Letter of Invitation

Kigali, August 28, 2014

Dear Sir or Madam:

1. The Grameen Credit Agricole Foundation (hereinafter called ‘the client’) has received funding (hereinafter called “the funds”) from the French Development Agency (hereinafter called “the Agency”) toward the financing partly the cost of Technical Assistance mission in the framework of the African Facility and intends to apply a portion of the funds to eligible payments under the contract for which this Request for Proposals is issued.
2. The Foundation now invites proposals to provide the following consulting services: Portfolio Audit for Juhudi Kilimo, Kenya. More details on the services are provided in the Terms of Reference.
3. This Request for Proposal (RFP) has been addressed to the following short-listed Consultants: CONFIDENTIAL
4. A firm will be selected under selection based on consideration of quality and cost (SBQC) and procedures described in this RFP.
5. The RFP includes the following documents:
 - Section 1 - Letter of Invitation
 - Section 2 - Instructions to Consultants (including Data Sheet)
 - Section 3 - Technical Proposal - Model Forms
 - Section 4 - Financial Proposal - Model Forms
 - Section 5 - Terms of Reference
6. Please inform us upon receipt:
 - (a) that you received the Letter of Invitation; and
 - (b) whether you will submit a proposal alone or in association.

Yours sincerely,

Kathrin Gerner, Senior Expert for Eastern and Southern Africa

Instructions to Consultants

DATA SHEET

Paragraph Reference	
1.1	Name of the Client: <u>Grameen Credit Agricole Microfinance Foundation represented by Kathrin Gerner, Senior Expert for Eastern and Southern Africa</u> Method of selection: <u>selection based on consideration of quality and cost (SBQC)</u>
1.2	Designation, objectives and brief description of the assignment are as follows: <u>Portfolio Audit for Juhudi Kilimo</u>
1.3	The Client will provide the following inputs and facilities: <u>all primary documents for loan repayment, interest rates and fines, loan ledgers, loan files, portfolio data, internal policies and procedures</u>
2.1	Clarifications may be requested not later than <u>2</u> days before the submission date. The address for requesting clarifications is: <u>Kathrin Gerner, P.O. Box 3512, Kigali, Rwanda</u> <u>Tel: +250 784 11 74 14</u> <u>E-mail: kathrin.gerner@gmail.com</u>
3.1	Proposals shall be submitted in the following language: <u>English</u>
3.3 (iii)	Reports that are part of the assignment must be written in the following language(s): <u>English</u>
4.3	Consultant must submit an electronic version of the Proposal.
4.5	The Proposal submission address is: <u>kathrin.gerner@gmail.com and ami.faciliteafricaine@credit-agricole-sa.fr</u> Proposals must be submitted no later than the following date and time: <u>September 11, 2014, 5:00pm EAT</u>

5.1	<p>The address for contacting the Client is: <u>Kathrin Gerner, P.O. Box 3512, Kigali, Rwanda</u> <u>Tel: +250 784 11 74 14</u> <u>E-mail: kathrin.gerner@gmail.com</u></p>
6.1	<p>Address for contract negotiations: <u>Kathrin Gerner, P.O. Box 3512, Kigali, Rwanda</u> <u>Tel: +250 784 11 74 14</u> <u>E-mail: kathrin.gerner@gmail.com</u></p>
7.2	<p>Expected date and location for commencement of consulting services: <u>September 22, 2014, at Juhudi Kilimo in Nairobi, Kenya</u></p>

Terms of Reference

A. BACKGROUND AND RATIONALE

Agriculture and agro-related activities employ about 75% of Kenya's workforce many of whom are smallholder farmers. Yet these rural poor smallholder farmers are in dire need of financial services. Many of these farmers lack the collateral or business assets required for financing by the country's many Microfinance Institutions (MFIs), because they have limited rural reach and serve only 17.9% of the target Kenyan population.

Juhudi Kilimo Company Limited is a newly established for-profit enterprise that addresses this market gap by providing an innovative, agriculture-based, micro-asset financing loan product to assist the smallholder farmers in acquiring productive assets such as dairy cows, chickens and irrigation equipment. While similar in structure to the traditional microfinance and microcredit services, there are key differences. For example, micro-asset financing produces a greater positive social impact. This is because assets financed through Juhudi produce a cash flow (such as selling milk or eggs) and there is a reduced risk since the asset financed can also act as collateral in the event of default. Juhudi has a unique focus on the entire agribusiness value chain, from production of raw products to processing and delivery of finished goods.

Spun off in April 2009, Juhudi first established a five-year track record of success as an asset-financing program within K-Rep Development Agency (KDA), an antipoverty NGO that performs research and product development for the microfinance sector. Today Juhudi supports over 15,000 smallholder farmers across eight field offices countrywide. The company's mission is to provide market-driven, wealth-creating financial services throughout agribusiness value chains that produce a positive impact on the rural smallholder farmers.

B. OVERALL OBJECTIVE

After the implementation of a new MIS, MFI Flex, in early 2014, Juhudi Kilimo discovered elevated levels of portfolio at risk (PAR) that had been missed under the previous system. Juhudi Kilimo managed to reduce the PAR in the following months and now seeks to conduct a full portfolio audit to reassure its Board of Directors and its investors that the portfolio is appropriately managed and that the PAR reports generated by MFI Flex accurately reflect the position of the loan portfolio.

The main objective of the portfolio audit is to verify compliance of operational activities and systems with approved policies and procedures and other relevant standards, such as IFRS (International Financial Reporting Standards) and industry best practices, and to assess Juhudi Kilimo's exposure to risks related to non-compliance.

The next objective is to evaluate the integrity of the portfolio data and reports of the new MFI Flex system.

The audit company will have full access to all primary documents for loan repayment, interest rates and fines, loan ledgers, loan files, portfolio data, internal policies and procedures during the assessment.

C. SPECIFIC OBJECTIVES

1. Evaluate the following processes against policy and industry best practices:
 - a. Loan decision-making
 - b. Loan disbursement
 - c. Loan repayment
 - d. Interest accrual
 - e. Creation of loan loss reserve for uncollectible debt
 - f. Writing off loans
 - g. Monitoring of loans disbursed
 - h. Loan recovery procedures
 - i. Interaction between Risk Department and the company
2. Provide an MIS quality assessment
 - a. Integrity of portfolio data
 - b. Integrity of portfolio reports

D. DELIVERABLES

1. A final written report including the following items:
 - a. Evaluation of the management of the credit portfolio
 - i. Compliance with approved policies and procedures
 - ii. Exposure to risks related to non-compliance
 - iii. Potential improvements for internal policies and procedures
 - b. Professional opinion on the integrity of portfolio data and reports generated by MFI Flex

E. LOCATION

The Consultant shall initially be based in Nairobi for the duration of the contract with potential travel to the field offices.

F. TIMEFRAME

This is a short-term assignment for a period of approximately 20 working days, starting in September and ending in October 2014.