K-REP DEVELOPMENT AGENCY
(KDA)

STRATEGIC PLAN
2017-2022
FOREWARD (BY CHAIRMAN)

This document highlights the strategic direction of K-Rep Development Agency (KDA) over the next five years in its effort to implement integrated programmes to create economic opportunities for low-income people through, agribusiness, entrepreneurship and MSME development and innovations. The implementation of the plan anticipates new levels of creative and entrepreneurial thinking, collaboration, partnerships, resource mobilization and a change in the organizational culture.

Our aspiration during the planning period, through commitment of the Board members, employees and collaboration with development partners is to expand our Microfinance Research and Innovation work and to establish a consultancy division within KDA.

During the implementation of this strategic plan, situations and trends may change, making it necessary to review and provide guidance as necessary while ensuring that it remains focused not only on the set strategic objectives but also true to the vision and mission of KDA.

I wish to express my deep gratitude and appreciation to our development partners for their financial support, the Board, staff and all those who participated in the preparation of this strategic plan.

Kimanthi Mutua
Chairman
EXECUTIVE SUMMARY

This 5-year Strategic Plan (SP) is a developed blue print that outlines the overall thematic areas of focus with their specific strategic interventions that K-Rep Development Agency (KDA) will pursue with the aim of contributing to reduction of poverty through innovative financial models, creation of employment opportunities for the marginalized segments of the population in Kenya. The strategic plan is to facilitate the management in decision making by providing a criterion for understanding of the interrelatedness of different operational variables.

The strategic plan defines the vision and a mission statement as:

Vision- A Kenya where people have economic means to sustain their livelihoods”

Mission- “To contribute to reduction of poverty in Kenya by creating economic opportunities for low-income people through, agribusiness, entrepreneurship and SME development and innovations”

As part of the process of developing this strategic plan, a thorough situational analysis of both the current and future external and internal environments was carried out. The economic, social, technological, demographic, cultural, competitive as well as legal and regulatory environment were studied to ensure KDA takes advantage of the existing or projected opportunities and minimize the impact of major threats. A reality check on KDA’s internal strengths and weaknesses was done to build on its strengths and take advantage of the external opportunities and work on overcoming its weaknesses and avoiding the threats.

KDA has in the past developed, commercialized and institutionalized various financial products. Some of these products are institutions now. Our new proposed approach is not to spin off the products and weaken the institution but rather retain such products/institutions as separate entities but supporting the mother organization (KDA). As such, KDA has identified strategic pillars that are anchored under the country’s Vision 2030 strategy as well as geared towards achieving Sustainable Development Goals (SDGs)

Four strategic pillars have been identified as follows;

1. Innovative agribusiness development financing models
2. Entrepreneurship and skills development for the MSME sector
3. Resilience to climate change /environment
4. Microfinance Research and Innovation

To achieve, the above pillars, the following institutional corporate strategies have been developed to support the realization of the key thematic goals;

i. To build support systems and structures that are efficient, cost effective and responsive to KDA’s development needs

ii. To be an equal employer in attracting and retaining high calibre staff who are professional, self-motivated and performance oriented

iii. To increase the value of fundraised resources through efficient utilization and expand our database of donors
iv. To develop an effective communication strategy and information for action

v. To develop strategic Partnership and networks for effective and efficient delivery of Services

The strategic plan identifies operational targets as per each thematic area and is presented as appendix 1 of this document. The logical framework sets out specific objectives, identifies activities to those objectives and has performance indicator to measure their achievements. KDA aims to use partnership approach in execution of its strategies. In this regard, KDA will cultivate mutually beneficial partnerships for each thematic area for ease of implementation and execution.

To ensure that project impacts are well documented and shared widely to relevant stakeholders and the public, the Monitoring and Evaluation function will be strengthened in collaborations with strategic media houses for dissemination.

The resource requirements for the delivery of the strategic plan have considered the successful implementation of each specific strategic option and their targets. Adequate funding is key to successful implementation of the strategy. The total resource requirements for implementing the strategy in 5 years is KSh 260 million 2017-2022

If the strategic plan is implemented as envisaged and that resources are adequately available, then the organization will make surpluses from year two of the strategy mainly emanating from consultancy assignments hence safe-guarding the organization against risks of unpredictable donor funding.
BOARD PROFILES

Mr. Kimanthi Mutua - Board Chairman

Mr. Kimanthi Mutua is currently the Board Chairman of K-Rep Development Agency as well as Executive Director of K-Rep Group Limited. He is the Co-founder of K-Rep Bank limited (now Sidian Bank Limited) the first NGO microfinance institution in Africa to transform into a regulated commercial bank specializing in micro-finance and served as its founding Managing Director from 1999 to March 2010. Currently, Mr. Mutua serves as a board member and Chair of Commercial Banks and Organizations that focus on Financial Inclusion and micro-finance. These include Centenary Bank (Uganda), the K-Rep Group Ltd (Kenya), PAMIGA Association (France), ECLOF International (Geneva) and Makao Mashinani. Mr. Mutua has devoted over three decades to diverse issues and initiatives on Micro-finance and Financial Inclusion and currently involved in advising Regulatory & Supervision bodies, as well as Micro-Finance Institutions. He has hands on and extensive experience in leadership, governance, institutional transformations, policy formulation, and funding strategies that have made him a widely sought after public speaker, resource person, adviser of several national and international organizations. Mr. Kimanthi Mutua holds Bachelor of Commerce.

His contributions in the institutional thematic areas will be strategic leadership and guidance and innovative agribusiness financing models pillar.

Dr. Francis Kihiko - Director

Dr. Kihiko is a micro-finance practitioner and has worked in the micro finance industry for over 20 years. He is one of the founders and board member of K-Rep Development Agency. He also sits at the Board of K-Rep Group as well as in K-Rep Fedha Services. He is also the Founder, Director and the CEO OF JITEGEMEA Credit Scheme (JCS) since inception in 1998. Previously, He had worked at Presbyterian Church of East Africa’s Project Department where he participated in Mission Programs of the Presbyterian Church, USA.

His main contributions will be in the pillar of microfinance research and innovation.
Mr. Aleke Dondo - Director

Mr. Aleke Dondo served as Managing Director of K-Rep Development Agency through 2012. Mr. Dondo has over 21 years of experience in microfinance with K-Rep Development Agency, a non-profit microfinance institution that services the needs of rural small-scale farmers and micro-entrepreneurs through innovative microfinance projects. Mr. Dondo has in-depth experience with the start-up and management of rural microfinance organizations and a background in small (informal) enterprise development. He is Founder of Juhudi Kilimo Company Limited. He has carried out more than 30 major studies in the fields of small enterprise and microfinance development. Mr. Dondo has published ten research papers on these subjects. He has previously served on the boards of other organizations involved in development work, including Kenya Gatsby Trust, Kenya Community Development Foundation. He holds a Master’s degree in economics from York University in Toronto.

His contribution will be on microfinance research and innovations pillar as well as on MSME pillar

Terry Muringo - Board Secretary

Terry Muringo is currently the General Manager of K-Rep Group Ltd. She is also a member of Advisory Board Nairobi Peace Initiative-Africa and a member of the Board of Directors-K-Rep Development Agency since Jan 2016 to Present. Having been an accountant for seven years, she has in-depth experience in Finance. She holds a degree in Bachelor of Commerce.

Mr. Jackson Obare - Managing Director

Obare is the Managing Director of K-Rep Development Agency. His role in the organization is to strategically steer it to prosperity through developing and implementing innovative approaches to development as well as developing and nurturing long-term strategic partnerships. He is a trained economist and has worked in the field of development finance for 12 years. Mr. Obare has extensive experience in project management, organizational management, fundraising and networking, institutional development, financial product development and in consulting. He brings a wealth of experience in the pillars of innovative agribusiness models, climate change aspects, MSME development and microfinance research and innovations.

He will contribute to all strategic pillars and oversee full implementation of the strategic plan.
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1. INTRODUCTION

1.1 BACKGROUND OF K-REP GROUP

K-Rep Group is a private development organization that specializes in microfinance. It was established in 1984 by a USA based Private Voluntary Organization (PVO)-World Education Incorporated with funding from the United States Agency for international Development (USAID). It was established to address financial, management and technical capacity needs of Non-Governmental Organizations (NGOs) involved in micro and small enterprises (MSEs) development.

In 1998, K-Rep underwent organizational transformation, which involved creating K-Rep Group, a conglomerate of for-profit and not-for-profit organizations. The Group included a holding company K-Rep Group Limited, an NGO K-Rep Development Agency, a bank K-Rep Bank (recently named Sidian Bank). Further organizational transformation occurred in 2006 with the establishment of K-Rep Fedha Service-a company that provides management and technical services to Financial Services Associations. In 2009 with the establishment of Juhudi Kilimo Company Limited-a company that provides asset financing to smallholder farmers and in 2010 with the establishment of Makao Mashinani Limited-a company that provides financing to low-income people to construct their houses.

K-Rep Group’s mission is “To empower low-income people, serve as a catalyst for them to increase their participation in the development process, and to enhance their quality of life”. K-Rep Group’s broad objective is to find strategies and systems to overcome poor peoples’ burden of poverty.

1.2 K-REP DEVELOPMENT AGENCY (KDA)

K-Rep Development Agency (KDA) is part of the broader K-Rep Group, a group of institutions that primarily promote access to financial services by low-income people. The companies founded by K-Rep Group conduct their businesses and programmes independently. While each institution pursues its own mandate independently, their common goal is to help the poor organize their financial lives.

K-Rep Development Agency (KDA) is the research and development arm of K-Rep Group. It was registered as a Non-Governmental Organization (NGO) in Kenya in 1997 with the mandate to research and develop new microfinance products and services for low-income people in Kenya and then to institutionalize those that prove to be commercially viable. The process KDA employs include; research, design, pilot testing, evaluation and redesign (where necessary). Once a product or service proves effective and can be implemented sustainably it is spun-off in an existing organization or a new organization is created to take over the microfinance product and service.

VISION

“A Kenya where people have economic means to sustain their livelihoods”

MISSION STATEMENT

“To contribute to reduction of poverty in Kenya by creating economic opportunities for low-income people through, microfinance research and innovations, inclusive agribusiness, entrepreneurship and MSME development and innovations”

This mission is to be achieved by developing, testing and promoting the adoption of appropriate microfinance products and service delivery mechanisms for improving accessibility of financial services to low income people, capacity building of entrepreneurs, market linkages and access to finance and technical support as well as environmental protection and conservation-pursuing the green agenda.
1.3 Achievements of K-Rep Development Agency

KDA’s ultimate success is achieved when it can spin-off or transition a successfully tested product line or service delivery mechanism for accessing financial services to low-income people. Since 1997, when it started pursuing the above objectives, KDA has developed and institutionalized the following products:

In 2006, **K-Rep Fedha Services (KFS)** was spun-off from KDA and incorporated as a limited liability company to offer management and technical services to community owned financial entities known as Financial Services Associations (FSAs).

In 2009, KDA institutionalized the asset financing/micro leasing product for smallholder farmers into a newly created company - **Juhudi Kilimo Company Limited**.

KDA in conjunction with K-Rep Bank and a Health Management Organization (HMO) - AAR Health Services, successfully developed a health insurance scheme for low income people. This project was institutionalized in AAR Health Services in June 2005. The project successfully developed two key products;

**Afya card**: an easy access, comprehensive and affordable health care package. Afya card offers both out-patient and in-patient cover. It is a family based health plan designed to cater to the basic healthcare needs for the whole family.

**Afya loan**: a loan product that is accessible and flexible to allow clients to finance the annual membership fees for the afya card and repay the loan in instalments. AAR established a new company - AAR Credit to implement this product.

KDA successfully pilot-tested and refined a seasonal loan product for smallholder farmers. The product was institutionalized in K-Rep Bank (now Sidian Bank) in 2004.

From 2006 to 2009 KDA implemented a project that sought to develop a savings culture among adolescent girls in Kibera slums of Nairobi as well as to provide financial education. The project was institutionalized in Sidian Bank (formerly K-Rep Bank) in 2009.

The low-cost housing: This project was successfully pilot tested and institutionalized in a newly created company known as **Makao Mashinani Company Limited** in November 2010.

Since 2014, KDA has been testing a micro leasing product for solar lanterns and energy saving charcoal stoves (jikos).

Since 2013 KDA has been pilot testing a credit product for installation of biogas systems for smallholder farmers in rural areas

1.4 Business Operating Model

The proposed models put stakeholders at the centre of operations, where the focus for interventions will take place. The proposed models will focus on entrepreneurship and skills development for the SME sector, climate change and resilience interventions for the poor and marginalized, agribusiness and value chain development as well as linkages to financial access and markets. A fundamental cross-cutting issue is the inclusion of youth and women in the development spectrum of all the proposed thematic pillars. These will form the pillars of the proposed business model for K-Rep Development Agency.
1.5 The proposed Theory of Change

The theory of change is based on the premise that, for any sustainable development to occur in the country, key stakeholders must be engaged first, mapping out their interests, needs and gaps, resources available and networks that exist as to determine proper entry into the communities, and can address societal needs effectively. This first step forms the basis of our interventions. The outcome of this process will be to have community platforms as an avenue of delivering the interventions.

The second step will be to establish and undertake the actual interventions primarily focusing on agribusiness and Value Chain development, climate change resilient interventions, entrepreneurship and skills development for the MSME sector and forming a strategic partnership for sustainability of the interventions.

The third step will be to enable the platforms established linked to access credit and markets through strategic linkages.

The efficient and proper implementation of the strategic steps will lead to sustainable inclusive enterprises, employment and incomes of the low-income people, hence improved livelihoods.
2. INSTITUTIONAL CORPORATE STRATEGIES

To ensure that, the strategy is executed efficiently and effectively, the following corporate strategies will be pursued. These include; support systems and structures, human resources, resource mobilizing and finances, communication and information for action and strategic partnership development

2.1 Corporate Strategy One: Support systems and structures

“To build support systems and structures that are efficient, cost effective and responsive to KDA’s development needs”

The aim is to build and or have efficient, cost effective, and responsive systems and structures in meeting the needs of KDA. We will ensure that, our systems provide appropriate and timely information to our donors and sponsors as well as track quantitative data for impact measurement. Finally, we will ensure that, our systems easily integrate with changing global technologies

2.2 Corporate Strategy Two: Human Resources Management

“To be an equal employer in attracting and retaining high calibre staff who are professional, self-motivated and performance oriented”

KDA’s focus will be to attract and retain a pool of professional and self-motivated workforce and offer them continuous training to sharpen/hone their skills to achieve results of implementing this plan.

We endeavour to provide staff with competitive remuneration commensurate with their skills and experience in addition to other monetary and non-monetary benefits

2.3 Corporate Strategy Three: Resource Mobilization and Financing

“To increase the value of fundraised resources through efficient utilization and expand our database of donors”

The overarching goal of fundraising is to develop a stable and growing base of donors to achieve the institutional mission and vision

2.4 Corporate Strategy Four: Communication and information for action

“To develop an effective communication strategy and information for action”

The intent of this strategy is to ensure that, there is efficient and seamless communication and information sharing to all key stakeholders

2.5 Corporate Strategy Five: Strategic Partnership/Networks Development

“To develop strategic Partnership and Networks for effective and efficient delivery of Services”

The development of Public Private Partnerships (PPP) to enhance and strengthen synergies with the aim of pooling resources together and eliminating wastage and duplication is the intent of this strategy.

KDA will develop and nurture partnerships with like-minded organizations to achieve the set goals of each organization while building strong, solid and sustainable partnerships.
3.0 CONTEXT ANALYSIS AND THE STRATEGIC THEMATIC PILLARS

The identified strategic pillars are anchored under the country’s Vision 2030 strategy as well as geared towards achieving Sustainable Development Goals (SDGs).

Four strategic pillars have been identified as follows;

i. Innovative agribusiness development financing models

ii. Entrepreneurship and skills development for the SME sector

iii. Resilience to climate change/environment

iv. Microfinance Research and Innovation

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

These 17 Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected - often the key to success on one will involve tackling issues more commonly associated with another.

The SDGs work in the spirit of partnership and pragmatism to make the right choices now to improve life, in a sustainable way, for future generations. The SDGs are an inclusive agenda, tackling the root causes of poverty and uniting countries to make a positive change for both people and the planet. In Kenya, this requires that, there is coordinated mechanisms between the national and county governments to universally achieve the goals of SDGs.

Our strategic plan focuses on key areas including poverty alleviation, elimination of hunger, and access to affordable clean energy, climate change, and economic inequality. KDA will continue working closely with development partners and create other strategic partnerships to achieve the stated objectives.

KENYA VISION 2030

The Kenya vision 2030 is the country’s long-term development blueprint which aims to create a globally competitive and prosperous country providing a high quality of life for all its citizens. It aspires to transform Kenya into a newly industrializing, middle income country by 2030. Vision 2030 is being implemented through successive 5-year mid-term plans (MTPs). Considerable progress has been made in meeting the MTP goals, despite the challenging macroeconomic environment. However, the challenge of reducing poverty remains.

In this regard KDA will continue to play a role in supporting the Government to achieve Vision 2030 goals by developing innovative financial products that will expand the access to financial services by the poor. KDA will also develop financial products that will assist the poor acquire green energy technologies and thereby mitigate the negative consequences of climate change.
KENYA’S FINANCIAL SECTOR MEDIUM TERM PLAN (2012—2017)

Kenya’s financial sector Medium Term Plan (MTP) 2012-2017 was developed in pursuit of objectives of Kenya’s strategic development blueprint, Vision 2030. It sets out the sector priority goals including the need to enhance financial inclusion. Realization of this goal hinges upon widening access and use of affordable financial services and products by a majority of the Kenyan population. This is especially the case with the poor, low-income households and operators of Micro and Small Enterprises (MSEs), which largely comprise those segments which are un-served and under-served by the formal financial sector.

The FinAccess 2015 survey results reveal that Kenya’s financial inclusion landscape has undergone considerable change with the overall conclusion that, it has expanded (75.3%). The proportion of the adult population using different forms of formal financial services stood at 82.6% in 2015 compared to 74.7% in 2013 and 41.3% in 2009. This is quite an achievement. Similarly, the proportion of the adult population totally excluded from financial services has declined to 17.4% in 2015 from 25.3% in 2013 and 32.7% in 2009. This is a vindication of policy strategies and reforms by Government as well as financial sector players’ initiatives and innovations. More people especially the underserved and unserved segments are now accessing and using financial services and products of different providers.

UNEMPLOYMENT IN KENYA

Eighty percent of Kenyans are less than 35 years old. The highest unemployment rates are for people around 20 years old, at 35%. Young people joining the labour market early (aged 15-16) face unemployment rates of above 20%, but rates are even higher for older age groups and are highest for 18-20-year-olds.

Per the 2009 population census, 50.3% of the population were women and that of youth below 35 years were 35.4% of the total population. Combined, the population of women and youth constitutes over 80% of the Kenyan population. Even though, women and youth constitute over 80% of the Kenyan population, they are basically marginalized socio-economically. Further in workforce development, only 61.5% of women compared to 71.8% of men are participating in the labour market. In overall, the level of unemployment for Kenyan youth is 65%.

Due to the high levels of unemployment for most youth, the rate of criminal, drug and substance use has gone up in the recent past. Most youths are now joining terror groups due to the feeling of hopelessness and others are engaging in prostitution to earn a living hence exacerbating the spread of HIV/AIDS and other sexually transmitted diseases.

Therefore, women and youth empowerment is a cross-cutting issue in all thematic areas of this strategy.

CONSTITUTION OF KENYA

In 2010, Kenya promulgated a new constitution which ushered in a new political dispensation in the form of devolution. A devolved system has resulted in a national Government and 47 counties that are now epicentres of economic growth and social transformation in Kenya.
STRATEGIC PILLAR 1: INNOVATIVE AGRIBUSINESS FINANCIAL MODELS
3.1 Strategic Pillar 1: Development of Innovative Agribusiness Financial Models Context Analysis

Agriculture is the mainstay of Kenya’s economy. Overall, 80% of Kenya’s population derives their livelihoods from production, processing and marketing of crops, livestock, fisheries and other sector related products. The agricultural sector generates 18% of formal and 60% of informal employment, and contributes 24% of Kenyan GDP directly, and 27% if agro-processing is included, with a value of about Ksh 342 billion (US$ 4.6 billion). The sector also accounts for about 65% of total exports. In this regard, Kenya Vision 2030 identified agriculture as the key sector through which to deliver the 10% annual economic growth rate envisaged under the economic pillar. To achieve this target, the agricultural sector developed the Agricultural Sector Development Strategy, which aims at transforming the country’s smallholder agriculture sector from subsistence farming characterized by low productivity and value addition to an innovative, commercially-oriented, internationally competitive and modern agriculture/agribusiness sector. Given its importance, the performance of the sector is therefore reflected in the performance of the whole economy.

In Kenya, the average age of a farmer is 60 years. The 2009 census shows that out of a population of approximately 38 million people, youth (15-35 years) and children (0-14 years) together represent 78% of the Kenyan population. The Kenyan unemployment rate stands at approximately 40%. An estimated 64% of the country’s unemployed are the youth.

A large divide exists in the agricultural sector, despite the sector emerging as the second largest foreign exchange earner in the Kenyan economy. The youth population has opted to abandon agriculture in pursuit of white collar job opportunities in urban centers and cities.

The development of agriculture is also important for poverty reduction since most of the vulnerable groups like pastoralists, the landless, and smallholder farmers, also depend on agriculture as their main source of livelihoods. Growth in the sector is therefore expected to have a greater impact on a larger section of the population than any other sector. Experts identify lack of market access, low productivity on-adoptions of modern farming systems, climate change, low fertilizer usage, inadequate storage and processing facilities as being the most crucial. Additionally, other constraints include; lack of appropriate financing mechanisms, rural-urban migration particularly with the youthful population and agricultural extension and innovation. The overall effect of the challenges is lower levels of farm productivity and income hence leading to poor livelihoods. The sub-sectors to be focused on are: dairy value chains, fish farming, poultry value chain and emerging livestock (bee and rabbit keeping).

Access to inputs and markets: Improved access to input and output markets is a key precondition for the transformation of the agricultural sector from subsistence to commercial production. Smallholder farmers must be able to benefit more from efficient markets and local-level value addition and be more exposed to competition.

Extension and innovation: Weak linkages between research institutions and the development organizations. The strategy aims at strengthening the linkages between agricultural research organizations a universities and KDA, the implementing organization for facilitating diffusion of technologies.

Broad Strategy

“To support the development of value chain and value addition to promoting agribusiness development for the smallholder farmers through innovations, strategic partnerships, linkages to finance and markets”.
Specific strategies

To achieve the above broad strategy, K-Rep Development Agency (KDA), will adopt the following specific actions:

i. Facilitate the smallholder farmers to sustainably increase farm productivity and value addition through technological innovations and extension services.

ii. Develop and or facilitate access to markets through supporting farmers put in place basic infrastructures and access to market information

iii. Development of appropriate financial instruments/channels for farmers and or linking farmers to access financial services through strategic financial partnerships
STRATEGIC PILLAR 2: MSME, ENTREPRENEURSHIP AND SKILLS DEVELOPMENT
3.2 Strategic Pillar 2: Entrepreneurship and Skills Development for the MSME Sector

Context Analysis

Development of the private sector currently should be encouraged, and more so in Africa where a modern wage job is rare opportunity to come by. The inroads made by the private sector so far in insurmountable, it has created jobs to most the youth in the formal and informal sector alike. The informal sector has grown in stature though it’s riddled with poor policies from the government coupled with the lack of necessary skills needed by the entrepreneurs to fully take part in this sector. MSMEs are an integral part of the Kenyan economy. Per the Capital Markets Authority of Kenya (CMA), MSMEs offer employment to an estimated 7.5 million people, account for 80% of employment, and contribute over 92% of the new jobs created annually. Research indicates that MSMEs contribute about 45 per cent to Kenya’s GDP.

Policy makers and generally economists concur that MSMEs are a central link between poverty reduction and the private sector. The sector is labour-intensive and employs mostly youth and women and therefore helps to distribute incomes across participating actors and hence facilitates equitable distribution of resources. The support of MSMEs will lead to sustainable employment opportunities and incomes for most people in the country. They will also have the poten to gain inroads into the East African Community (EAC) market.

Despite the enormous contributions to the Kenyan economy in terms of employment, incomes, and output (GDP), the sector faces a myriad of challenges that needs to be surmounted if the sector is to thrive. These constraints include; limited access to markets to poor integration (informal-formal linkages), access to finance constraints, poor infrastructural facilities, harassment from County authorities, poor security, lack of entrepreneurial and technical skills, lack of appropriate working areas and most of them have no insurance cover for their businesses. These are shared challenges between urban and rural firms that will need to be addressed to unlock the potential of the MSME sector.

Further, it has been observed that most start-up businesses (60%) never live to celebrate their first year of operation. This failure is attributed to lack of managerial skills of the business owners and lack of investment in training to ensure that, the right skill set is available to drive the business.

Broad Strategy

“To spur growth in the MSME sector through BDS support services, enterprise development skills, financial education, market linkages and access to appropriate financial services and market information intelligence”.

Specific strategies

KDA will put emphasis on the following key strategies to support the growth and transformation of the MSME sector in Kenya.

i. Identify high potential micro-entrepreneurs to be supported to scale their enterprises to small and finally medium enterprises

ii. Development of strategic partnerships for offering business development services (BDS) to the MSME players

iii. To offer enterprise development training and managerial skills to the MSME sector

iv. Enabling access to financial services through developed linkages and partnerships
STRATEGIC PILLAR 3: RESILIENCE TO CLIMATE CHANGE /ENVIRONMENT
3.3 Strategic Pillar 3: Resilience to Climate Change /Environment

Context Analysis
Sustainable development, well-being, economic growth and climate responsibility are inextricably interwoven. To date, per capita incomes, as a proxy for well-being, correlate highly with carbon emissions. In most developing economies, the poor and vulnerable are the most affected with the negative. To address climate change issues, there is need to ensure that, the world’s 7.5 billion population have access to clean and safe drinking water, food, energy and income, while reducing carbon emissions to reduce effects of global warming. The focus to a low-carbon economy is the most fundamental challenge of the 21st century.

Kenya comprises 83% of arid and semi-arid land and the economy’s livelihoods are heavily reliable on rain-fed agriculture, which is usually vulnerable to extreme droughts exacerbated by climate change and variability. Development in Kenya is best served by harnessing a comprehensive response to climate change (building resilience through adaptation measures) and this has been integrated in Kenya’s National Climate Change Action Plan (NCCAP) 2013 - 2017.

Kenya’s economy is highly dependent on climate-sensitive sectors including agriculture, tourism, and energy. Climate change poses one of the greatest challenges for Kenya to realise its vision to become a prosperous and earn a middle-income status by the year 2030. The climate-related problems in these sectors, such as droughts and floods, increase Kenya’s vulnerability to climate change, in addition to the expected rise in CO2 emission levels. The continued annual burden of the extreme climatic conditions could cost the economy as much as US$500 million a year, which is equivalent to approximately 2.6% of the country’s GDP and has implications for long-term economic growth.

To respond to the impacts of climate change on the country’s socio-economic growth, proper planning and implementation of actions for appropriate adaptation and resilience activities will be necessary. This is what KDA plans to address in this pillar, along with development interventions that ensures sustainable development while ensuring ease access to clean drinking water, clean energy, improved incomes and minimizing carbon emissions.

Broad Strategy

“To integrate both climate change adaptation and mitigation mechanisms in key economic sectors in managing climate change negative effects while reducing severe threats to environmental sustainability”

Specific strategies
To contribute to adaptation and mitigation strategies of promoting environmental sustainability and enabling resource poor communities have access to livelihoods, water, clean energy and have a clean environment, the following specific interventions will be undertaken by KDA;

Promotion of clean and green energy solutions to high potential and the marginalized and the resource poor

To promote innovative water harvesting technologies through innovative financing mechanisms

To promote adoption of green enterprises as a way of generating employment and income and conserving the environment
STRATEGIC PILLAR 4: MICROFINANCE RESEARCH AND INNOVATION

3.4 Strategic Pillar 4: Microfinance Research and Innovation-Consultancy in Development Finance and Institutional Development

Promotion of Financial Inclusion

Two billion people or 38% of adults in the world do not use formal financial services\(^1\), and 73% poor people are unbanked because of costs, travel distances and the often-burdensome requirements involved in opening a financial account. Their ranks include more than half of adults in the poorest 40% of households in developing countries.

Being financially excluded is linked to income level: The richest 20% of adults in developing countries are more than twice as likely to have a formal account as the poorest 20%. Yet, while the poor don’t have the same access to financial products as wealthier individuals, their need for financial services may be even greater. The key components of financial inclusion include; financial literacy/education, savings, credit schemes, insurance, pension schemes, and remittances and payment systems.

As a catalyst for poverty reduction and for shared prosperity, financial inclusion is a key to achieving Kenya’s Vision 2030 as financing is the key driver to every goal set to be achieved.

In Kenya, the number of people formally included by the financial system is 75.3% and those excluded are 17.4%. K-Rep Development Agency will play a significant role in promoting financial inclusion through developing appropriate products, establishment of financial institutions, undertaking financial literacy/education activities as well as implementing projects that promote financial inclusion. Digital financial literacy which has been tested will be expanded to cover most unreachable populations in the country as well as in the region.

Financial Product Development and Delivery Channels

KDA will be involved in developing, testing and scaling up of financial products and services for the base of the pyramid populations. Developing technologically enabled products will be preferred in this era of digital financial services.

Institutional Development and Evaluations

While undertaking institutional development activities, KDA will adopt a 360-degree approach in supporting establishment of new institutions or strengthening the existing one, firstly through undertaking institutional diagnostics, context analysis, design/re-design, support implementation of the proposed strategies and keep monitoring and evaluating progress. The diagram below summarizes these key steps.

---

\(^1\) According to Global Findex (2014 data)
In addition to institutional development, KDA will also endeavour to conduct project evaluation; baseline, midterm and end term surveys for various institutions on projects implemented.

**Capacity Development**

Capacity development will be undertaken at two levels of either institutions and or individuals who are in those institutions or supported by the identified/supported institutions. As part of institutional development, capacity development at various levels will be instrumental for effective delivery of services and or products to the end users/consumers.

Capacity development will be informed through institutional diagnostics and appropriate interventions developed to address gaps identified.

The process of capacity development can be undertaken on social, economic, and environmental spheres to promote sustainability. The figure below summarizes the anticipated outcomes on the three spheres of economic, social and environmental.

### Broad Strategy

“To offer a high level technical support and consultancy services for the area of development finance, mobile technology solutions and institutional development and capacity building with the aim of promoting inclusive development”

### Specific strategy

To develop a pool of high level consultants/technical people to support the achievement of the broad goal for the institution.
4. INSTITUTIONAL RESOURCE REQUIREMENTS

For the goals of the strategic plan to be realized, adequate funding resources will be needed. As such, the implementation of the strategies will require matching of both physical, financial and human resources to deliver the strategies. KDA will consider various strategic donors (current and potential development partners) to generate financial resources for implementing the five-year strategic plan.

A break-down of financial projections for the 5-year period is presented in table below. The current funding commitments are inadequate to cover operational and administrative costs and as such we cumulatively need to raise **KSh. 260 million** during the strategic period. As such, most of the financial resources required will be sourced from donors in addition to the ones raised from other sources including consultancy.

<table>
<thead>
<tr>
<th>STRATEGIC PLAN 2017-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDGET OUTLAY FOR STRATEGY IMPLEMENTATION</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>
5. INSTITUTIONAL SUSTAINABILITY

KDA will develop a comprehensive resource mobilization strategy that will enable it to raise sufficient funds to implement this strategic plan. The establishment of a consulting division will be useful in bringing in unrestricted financial resources which will be invested in both short term and long-term assets to earn returns for the organization and ensure continuity of operations.

Additionally, KDA will develop special purpose funds to be lent to institutions for on-lending especially for FSAs to meet the financial needs of their members as well in financing renewable energy products. This will also present an opportunity for generating additional incomes inform of interest on loans advanced.
6. MONITORING, EVALUATION AND THE RESULT FRAMEWORK

The strategic plan will be implemented using the Logical Framework Approach (LFA). The LFA uses intervention logic that outlines the expected results, outputs and related activities for each strategy, as well as performance indicators, roles and responsibilities within KDA. It also provides the time frame for when the activities will be implemented and results achieved.

The implementation plan is presented in a matrix form. It will be useful in performance evaluation as well as in budgeting.

6.1 Monitoring and Evaluation

KDA will develop a comprehensive M&E system that is aligned to the priorities and objectives of the strategic plan. A performance based management approach will be adopted where emphasis will be placed on results and impact and not activities.

The M&E plan will also be developed to enable KDA to monitor the implementation and achievement of results. The monitoring process will involve regular collection and analysis of quality information to track progress at every level. The information collected will be captured through various reports which will provide the management and Board with quality information to enable them to take corrective actions and make modifications where necessary to ensure implementation is on track and results are achieved.

A mid-term and final evaluation of the strategic plan will be conducted to determine how well it has been implemented. The mid-term and end-of-term evaluation of the plan implementation will be crucial especially the latter as it will provide data and information for future strategic plan.

As part of the M&E activities, impact studies will be conducted on projects implemented and properly documented.
7. RISKS AND ASSUMPTIONS

7.1 Assumptions

Stability in the macro-economic environment as well as in the political context in Kenya

Reduction of global social associated with political turmoil hence leading directing resources to humanitarian issues and reduction of the same for development initiatives

i. KDA will be successful in fundraising to fill the resource gap

ii. Appropriate and reliable human resource capital

iii. Strong synergies created through strategic partnerships

7.2 Institutional Risks and proposed mitigations

<table>
<thead>
<tr>
<th>Risks</th>
<th>Proposed mitigations</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient funds for supporting operations and projects/operations-resource allocation (Limited budget for funding projects)</td>
<td>Develop budgets to fully plan for known likelihoods and factor in relevant contingencies. Take a competitive approach to the market. Ensure necessary assurances are in place from donors/other funding sources prior to commencement of projects and tying personnel.</td>
<td>Management</td>
</tr>
<tr>
<td>ICT system failure</td>
<td>Use of modern technological innovations to improve working processes.</td>
<td>Management</td>
</tr>
<tr>
<td>HR risk: insufficient number of employees, high turnover rate;</td>
<td>Restructuring and staff training. Process automation Demand based hiring of staff and tie them to project timelines Continue focus on staff development including developing a supervisory and management curriculum for mid-level staff</td>
<td>Management</td>
</tr>
<tr>
<td>Governance risk arising due to non-compliance with board charter and code of conduct</td>
<td>Ensuring that, the board is compliant as per the board charters and code of conduct including appointments of new board members.</td>
<td>Board</td>
</tr>
<tr>
<td>Political instability</td>
<td>Keeping an eye on the political situation in the country to facilitate quick actions when it warrants. This has a bearing on donors and investors</td>
<td>Management</td>
</tr>
</tbody>
</table>
### STRATEGIC OBJECTIVE ONE: DEVELOPMENT OF INNOVATIVE AGRIBUSINESS FINANCIAL MODELS

<table>
<thead>
<tr>
<th>Key activities</th>
<th>Performance indicators</th>
<th>Responsibility</th>
<th>Timelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish strategic partnerships in agribusiness development at National and County levels to improve access to agricultural innovations and support services</td>
<td>Number of strategic partnerships supporting agribusiness</td>
<td>CEO and Programs Manager</td>
<td>☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>Supporting implementation of 5 agricultural models/technologies to enhance agricultural productivity</td>
<td>Number of projects implemented using improved agricultural technologies/models in farming as a business</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>Through collaborative and applied research, develop 5 value chains and 10 value addition methodologies for the agricultural sector</td>
<td>Number of value chains developed and value addition technologies and initiatives promoted</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
<tr>
<td>Conduct training and capacity building on value chain development and value addition initiatives</td>
<td>Train 20 farmer cooperatives/associations to develop value chains and implement value addition initiatives</td>
<td>☐ ☐ ☐ ☐ ☐</td>
<td></td>
</tr>
</tbody>
</table>

1.1 Facilitate the smallholder farmers to sustainably increase farm productivity and value addition through technological innovations and extension services.
### STRATEGIC OBJECTIVE ONE: ENHANCED MARKETING AND INTEGRATION OF AGRICULTURAL OUTPUTS

| 1.2 Develop and or facilitate access to markets through supporting farmers put in place basic infrastructures, training and access to market information |
| Build farmers capacity to access market intelligence information through tested digital platforms |
| Number of avenues contributing to agricultural information exchange |
| CEO and Programs Manager |
| Link 10 farmer cooperatives/associations to platforms and or apex association to access market information |
| Number of trainings undertaken |
| |
| 1.3 Development of appropriate financial instruments/ channels for farmers and or linking farmers to access financial services through strategic financial partnerships |
| Develop strategic linkages for smallholder farmers to access credit through mobile platforms |
| Number of strategic linkages developed |
| CEO, Programs Manager and Consultants |
| Linkage of 20 farmer cooperatives/associations to access financial services |
| Number of farmer associations linked to access financial services |
| Number of farmers accessing credit |

### STRATEGIC OBJECTIVE TWO: ENTREPRENEURSHIP AND SKILLS DEVELOPMENT FOR THE MSME SECTOR

| 2.1 Identify high potential micro-entrepreneurs to be supported to scale their enterprises to small and finally medium enterprises |
| To identify and recruit 1,000 high potential entrepreneurs needing services to scale up their enterprises |
| Number of micro entrepreneurs identified and recruited |
| CEO and Programs Manager |
| Cluster the entrepreneurs into cohorts of 5-10 for per sector for ease of offering technical support and training |
| Number of clusters formed |
| |
| 2.2 Development of strategic partnerships for offering business development services (BDS) to the MSME players |
| Establish 10 strategic partnerships and linkages for the entrepreneurs as per the identified sectors |
| Number of strategic partnership and linkages formed |
| CEO and Programs Manager |
| Development of a database for BDS service providers |
| Developed and operational database for BDS service providers |
### 2.3 To offer enterprise development training and managerial skills to the MSME sector

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
<th>Key Performance Indicators</th>
<th>Responsible Officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish 10 strategic partnerships with successful entrepreneurs to offer business mentoring services as well as with vocational training institutions</td>
<td>Number of partnerships created</td>
<td>CEO and Programs Manager</td>
<td></td>
</tr>
<tr>
<td>Support training and capacity building of 10,000 micro-entrepreneurs in digital financial literacy and investment appraisals</td>
<td>Number of trainings conducted</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2.4 Enabling access to financial services through developed linkages and partnerships

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
<th>Key Performance Indicators</th>
<th>Responsible Officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop partnerships with financial institutions to enable access to finance by the potential entrepreneurs</td>
<td>Number of strategic partnerships formed with financial institutions/players</td>
<td>CEO and Programs Manager</td>
<td></td>
</tr>
<tr>
<td>Undertake due diligence for the successful entrepreneurs before linking them for credit access</td>
<td>Number of entrepreneurs receiving financial services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide information on available financial products for the entrepreneurs</td>
<td>Number of entrepreneurs reached</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### STRATEGIC OBJECTIVE THREE: RESILIENCE TO CLIMATE CHANGE /ENVIRONMENT

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
<th>Key Performance Indicators</th>
<th>Responsible Officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of clean and green energy solutions to high potential and the marginalized and the resource poor</td>
<td>Creation of a functional renewable energy financing fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of biogas technology to enable 2,000 smallholder farmers access the technology</td>
<td>Number of loans disbursed</td>
<td>CEO, Senior Accountant and Programs Manager</td>
<td></td>
</tr>
<tr>
<td>Create a renewable energy revolving fund</td>
<td>Number of farmers reached</td>
<td>Manager</td>
<td></td>
</tr>
<tr>
<td>Creation of strategic partnerships with financial institutions</td>
<td>Creation of a functional renewable energy financing fund</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 3.2 To promote innovative water harvesting technologies through innovative financing mechanisms

<table>
<thead>
<tr>
<th>Description</th>
<th>Goal</th>
<th>Number of Households Accessing Clean Water for Domestic and Farming Purposes</th>
<th>Creation of Strategic Partnerships with Players in the Water Sector Including Development Partners and Financiers</th>
<th>Number of Households Accessing Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of water harvesting technologies to enable 10,000 households access clean water for micro-irrigation and domestic use</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creation of strategic partnerships with players in the water sector including development partners and financiers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3.3 To promote adoption of green enterprises as a way of generating employment and income and conserving the environment

<table>
<thead>
<tr>
<th>Description</th>
<th>Goal</th>
<th>Number of Green Enterprises Created</th>
<th>Number of Eco-Entrepreneurs Nurtured</th>
<th>Number of Eco-Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify and nurture 5,000 eco-entrepreneurs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support the creation of 1,800 employment opportunities relating to environmental conservation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### STRATEGIC OBJECTIVE FOUR: MICROFINANCE RESEARCH AND INNOVATION

<table>
<thead>
<tr>
<th>Description</th>
<th>Goal</th>
<th>Number of Consultancy Assignments Executed</th>
<th>Value of the Consultancy Assignment</th>
<th>Number of New Financial Products Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>To execute consultancy assignments worth KSh. 75 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of digital financial literacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop 3 strategic partnerships in delivery of digital financial literacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of 4 financial products with strategic partners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### K-REP DEVELOPMENT AGENCY STRATEGIC PLAN 2017-2022

CEO and Programs Manager

<table>
<thead>
<tr>
<th>Number of Households Accessing Clean Water for Domestic and Farming Purposes</th>
<th>Creation of Strategic Partnerships with Players in the Water Sector Including Development Partners and Financiers</th>
<th>Number of Households Accessing Finance</th>
<th>Number of Green Enterprises Created</th>
<th>Number of Eco-Entrepreneurs Nurtured</th>
<th>Number of Eco-Jobs Created</th>
<th>To execute consultancy assignments worth KSh. 75 million</th>
<th>Promotion of digital financial literacy</th>
<th>Develop 3 strategic partnerships in delivery of digital financial literacy</th>
<th>Development of 4 financial products with strategic partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-REP DEVELOPMENT AGENCY STRATEGIC PLAN 2017-2022</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### CROSS-CUTTING OBJECTIVE: YOUTH AND WOMEN EMPOWERMENT IN ALL THE THEMATIC AREAS

<table>
<thead>
<tr>
<th>Ensure that, 60% of targeted clients/beneficiaries/project participants in the key strategic pillars are youth and women</th>
<th>% of youth and women involved in programme activities</th>
<th>CEO and Programs Manager</th>
</tr>
</thead>
</table>

### INSTITUTIONAL CORPORATE STRATEGIES

<table>
<thead>
<tr>
<th>Updating our office ERP where necessary to respond to our dynamic needs</th>
<th>Updated ERP to reflect the institutional needs</th>
<th>CEO, Senior Accountant and Programs Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitizing our leave application system</td>
<td>Digitalized leave application system</td>
<td>Board</td>
</tr>
<tr>
<td>Conduct impact study/project documentations and publish impact results</td>
<td>Number of documentaries made</td>
<td>Programs</td>
</tr>
<tr>
<td>Review of institutional policies (HR, Accounting, ICT and Procurement)</td>
<td>Reviewed institutional policies</td>
<td>Management</td>
</tr>
<tr>
<td>Review of the organizational structure</td>
<td>Reviewed organizational structure</td>
<td>Board and management</td>
</tr>
</tbody>
</table>

**To build support systems and structures that are efficient, cost effective and responsive to KDA’s development needs**

**To be an equal employer in attracting and retaining high calibre staff who are professional, self-motivated and performance oriented**

<table>
<thead>
<tr>
<th>Recruit Competent and experienced Program Manager and other staff as may be needed from time to time</th>
<th>Competent staff recruited as when needed</th>
<th>CEO, Senior Accountant and Programs Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conducting annual staff performance appraisals and reward performers accordingly</td>
<td>Annual appraisals conducted</td>
<td>Board</td>
</tr>
<tr>
<td>To increase the value of fundraised resources through efficient utilization and expand our database of donors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of the fundraising policy</td>
<td>Fundraising policy developed</td>
<td>CEO, Senior Accountant and Programs Manager</td>
</tr>
<tr>
<td>Development of fundraising strategies</td>
<td>Fundraising strategy</td>
<td></td>
</tr>
<tr>
<td>Acquire 4 new and maintain the existing donors</td>
<td>developed</td>
<td>Board</td>
</tr>
<tr>
<td>Fundraise Ksh 260m to cover activities during the strategic plan period</td>
<td>Number of new donors funding projects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of resources fundraised</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To develop an effective communication strategy and information for action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensify communication through various media on the impact of KDA activities</td>
</tr>
<tr>
<td>Engage the services of PR and communication firm/hire employee to lead this process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To develop strategic Partnership and networks for effective and efficient delivery of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create 5-10 strategic partnerships to enhance service delivery and avoid duplications</td>
</tr>
<tr>
<td>Renewing and registration with Professional bodies and organizations like AMFI and AFRACA for information access as well opportunities</td>
</tr>
</tbody>
</table>