

helping  
the poorest  
help themselves



the mutunga partnership

the mutunga update  
august 2006 - issue #9

Good News to the Poorest in Kenya

## Editorial

by Morris stuart

Welcome to this edition of The Mutunga Update. This is a celebratory issue as, over the last month, the fruit of years of preparation, planning and hard work here and on the ground in Kenya have finally come to fruition.

Our first borrowers have received their first loans! This is what we have been working towards ever since the idea became a vision, and courage and faith transformed that vision into a reality. It has been a journey of many partners and partnerships: of friends, donors, of skilled workers and trusted partners in Kenya, of generous and compassionate Australians, and God!

But we are merely at the beginning of an incredible journey. Two client communities have been funded. Three new ones have been mobilised, trained and registered and will be funded over the next month. Our donations are climbing – we're 35% of the way to our first year's target of \$320,000 (and 20 Client communities).

Gideon Mbuka, his staff and the board of Africashare Partnership of Kenya are to be congratulated. They too have displayed faith and courage in taking this journey with us. The catalogue of photographs recording

the handing out of the first loans (far too many to include in this update) has brought me to tears over and over again. I am deeply moved as I read the words of those who are beginning to benefit from this initiative.

I said to Gideon a couple of weeks ago that I felt like a man standing on a volcano that was about to erupt. The prospect is positively energising! Such eruptions create a new landscape. Decades ago a former United States President Lyndon Baines Johnston commenting on another tragic human divide said: "Whites have lived on history's mountain, blacks in history's hollow". The new landscape that I dream of is one where the mountains of power are levelled and the valleys of despair are raised and a new landscape of justice and peace created.

Such is my hope for the erupting volcano called The Mutunga Partnership, as sisters and brothers living in poverty emerge to take their place and contribute their creativity and ingenuity to the rest of humanity.



This is the element for which they were created. The enemy of chronic poverty and its fellow travellers (war, strife, violence corruption, aids, hunger, disease and unnecessary deaths of children and the innocents) stand in their way. Together we can contribute to removing these barriers. Just over a year ago we began to express our faith that this could be done. One year on we are beginning to see the possibility of contributing to changing the face and circumstances of Africa.

The winds are still blowing our ships.  
Welcome to Issue 9- August 2006!

In Partnership

Morris

# Good News to the poorest in Kenya



## First loans handed out in Kenya

*On a crisp July day in Tala, loan recipients, staff and board members, together with local church and community leaders donned bright blue t-shirts and*

*caps emblazoned with the Africashare Partnership name and the Mutunga Partnership logo, and strolled through the Tala Market towards the venue for the ceremony.*

At 3.00 pm. on Wednesday 12th July 2006, at Tala Redeemed Gospel Church, Gideon Mbuka, the CEO of Africashare called out Joyce Kaswii Mutua to receive her loan for KES 20,000/=. Joyce, who runs a furniture shop, was among the first 7 Africashare clients to receive their loans on that day. She had been

saving with Africashare for the previous eight weeks. Her joy could not be hidden; "You have indeed demonstrated your readiness to help us to improve our businesses". There were similar scenes two days later in Kitengela: Mrs Tabitha Mutiso of Wafalme group exclaimed "I have dealt with many organisations before but none has even trained me in business management, given me a certificate, all of which Africashare has done for me".

In Kenya this past month, 30 such borrowers, mainly women, have received their first loans." Joyce Kaswii Mutua and 29 others have begun their journey out of chronic poverty. 186 clients have so far completed their training, and their loan applications will be assessed and processed on a case by case basis until each is funded. This significant milestone in the work of the Mutunga Partnership was marked with appropriate ceremony and celebration by our local partner: Africashare Partnership. Their report stated: *"The roll-out of the first loans was orderly and ceremonial as you will note in the photos. It had to take this shape in order to place the name of Africashare, a level higher. And indeed, that is exactly what happened. The dispatch of the first loans from Africashare to the clients has sent a strong signal in Kenya. We should now be very prepared to meet the challenges of expansion as*

*more people seek to be registered with Africashare. The staff, the Board and all our partners in Kenya are extremely happy with the trend, the speed and the outcome of Africashare so far."*

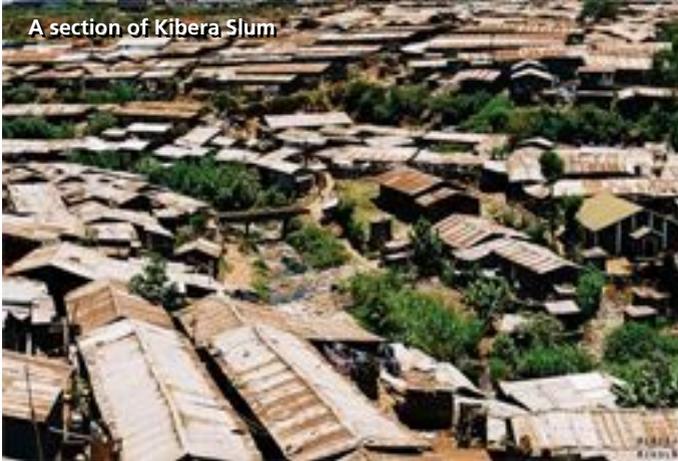


For donors and partners of the Mutunga Partnership, these developments represent a long anticipated milestone. And this is but the beginning! This is the consequence of your compassion, generosity and prayers. You are already making a contribution to changing the face and circumstances of sisters and brothers in Africa! Our partners and staff in Kenya deserve hearty congratulations and encouragement to press on. Gideon has expressed the hope that *"this update will excite and energize you as it has done to us here. It is very fulfilling to see the way things are unfolding here day by day."*

*“Today we are assembled here to witness the attainment of yet another milestone in the continuing journey of Africashare and its partners in alleviating poverty and suffering.... Our being here today, confirms our desire and aspiration in fulfilling our vision and mission to be the leading micro credit provider of affordable low interest loan facility to low income earners and people living in chronic poverty (vision) in order to support the poor in their efforts to transform their lives and circumstances (mission). Today, Africashare has registered 36 groups and established 5 clusters at Tala, Kitengela, Mavoko, Muisuni and Embakasi areas with plans to spread to the other parts of the country”. (Gideon Mbuka: 12 July 2006, on the occasion of the handing out of the first loans).*







A section of Kibera Slum

## Snapshots

**Kibera, Africa's largest and poorest slum**, situated southwest of Nairobi city centre, has a population of one million. The locality dates from a 1920 settlement for Nubian soldiers ("Kibera" is the Nubian word for "forest"). The slum covers two square kilometers. ***This 'city' is the location of a new cluster of clients.*** The Mutunga Partnership is providing micro-loans at the lowest interest rates in Kenya, and invests in its borrowers by providing training and mentoring as well as banking services to the poorest.

Most people who live in Kibera work as casuals in the city's industrial areas earning very little. Others earn their

daily bread by hawking their goods on the streets of Nairobi or by carrying out small-scale businesses. Many people who leave the countryside for the city do not find jobs to sustain themselves. They have no option but to settle in slums such as Kibera, Mukhuru, Kayaba and Kyambiu.



### Mutheu is a banana seller

Banana sellers typically earn 50Khs (AUD\$1.00) per day operating on a 10% pay to sales ratio. The grower makes 20% and the 'middle-man'

the rest! By providing access to a small loan, The Mutunga Partnership will enable Mutheu to access her product directly from the grower. This will provide a better return to the grower and enable Mutheu to increase her daily earnings – possibly up to five times more.

## Cluster profiles

by Gideon Mbuka

### **Maiuni – a fully established Cluster**

Maiuni cluster is within Kangundo Division to Tala. Kangundo Town has developed from a simple trading place and owes its historical origin to Asian traders who settled there in the 1920s. The town has a strong informal business sector comprising shops and kiosks. It also includes artisans of different kinds such as mechanics, blacksmiths, tailors and vendors of various utility and consumer goods.

A significant number of individuals are employed as teachers, government workers and in the existing business network. Other sources of income include transfers from family members and relatives. Agriculture provides the major source of income for 74% of the households. This agro-based economy however, is hampered by poor land and environmental

management practices, poor market access, over-dependence on the rainfall patterns, inadequate skills in marketing and pricing as well as lack of innovation. As a means of spreading the livelihood risks, the community has diversified its economy towards informal businesses. 14% earn their income from a combination of farming and informal business. Women own the majority of the businesses. A significant number are owned by couples i.e. husband and wife. (Very few are owned by sole male proprietors).

Women are more directly involved in the day-to-day management of household consumption. This may explain why a majority of them venture into small businesses. The rapid assessment recently undertaken in the area revealed that business is hampered by a lack of capital and a robust savings and credit culture, as well as inadequate diversification of businesses and skills for market development. The critical business problems in Maiuni area in order of priority are insufficient working capital, customers who do not pay and low demand for products.

Recent baseline surveys indicate the demand for credit among the households to be high. 54% have attempted to borrow in the past three-years. The main sources

targeted for borrowing in order of priority were, relatives and friends (40%), savings and co-operatives (31%) and Rotating and savings credit associations (8%). Other sources mentioned included moneylenders as well as employers.

People mainly borrow to finance education and farming activities. Others borrow to finance health expenses or to re-invest in existing businesses. Some households are not able to borrow due their low-income base, collateral attachment (e.g. land or household assets), unattractive loan terms, short repayment period (mainly two weeks) and high interest rates. People generally do not access credit from the existing micro-finance organizations, because of their short grace period, their high interest rates, and bureaucratic inefficiencies which often result in the expiry of the grace period by the time the borrower gets the loan! Africashare Partnership plans to partner with Maiuni community to meet these challenges and to eradicate extreme poverty, hunger and human suffering through provision of micro-credit.

### **Embakasi - a fully established cluster**

Africashare has already finalised establishing the third cluster in Embakasi area. This cluster is situated

between Kitengela and Nairobi City (SE of city centre). Members of this cluster come from Mlolongo, Maasai Village Pipeline, Tassia, Kwa Njenga slums etc. in the suburbs of Nairobi.

Most of the inhabitants are either employed as casual workers in the factories or struggle in small businesses, e.g. selling charcoal, vegetables, cereals, clothes, electronics, retail shops, etc.

## **Groups and their micro-enterprises**

*(information supplied by Africashare Partnership)*

**FUMAR Group is composed of 10 members.** The group members have been receiving training in business management and entrepreneurship skills. They have also been trained on the policies and systems of Africashare. The members meet weekly on Wednesday during which time they evaluate their progress and collect their savings, which are banked in the Africashare account.

By the end of May 2006, the group was in its 3rd week of savings. One group member Jacinta M.Ndivo runs a school- St. Benedict Montessori. Promoting basic education is the key to unlocking the potential for reducing poverty levels among the poor and oppressed.

***Edward Mutuku is a member of Chemichemi group which comprises 13 members.***

Chemichemi group falls within the Tala Cluster. Edward's enterprise is milk-processing. Chemichemi focuses on improving livelihoods through appropriate agricultural methods such as dairy farming and organic farming.

***Sinai Group is in the Tala cluster.***

The group was registered on 24th April 2006. Most of the group members are engaged in peasant farming. The majority of the members intend to improve their household income through agribusiness activities.

***Evelyn Mutua*** runs a hair salon in Tala market and is a member of Imani group in the Tala Cluster. This group has 13 members who are involved in various business activities in Tala market and its surroundings.

# Features

## From Idea to Action

by Gideon Mbuka

Over the years, the concept of community development has expanded and has become more holistic. It is now clear that no single strategy will resolve the problems of poverty in many Kenyan communities given their complexity and vulnerability. As the country gears towards meeting the Millennium Development Goals and especially Goal 1: “Eradicate extreme poverty and hunger: Target 1: Halve, between 1990-2015 the proportion of people whose income is less than one dollar per day”, there is a need for an integrated approach to development.

Since the 1970s, Micro finance has continued to provide an alternative approach, that of involving the poor in transforming their socio-economic situations. This approach involves providing financial services for the poor: those who were previously considered “un-bankable” because of their lack of collateral. Once given the opportunity, experience has shown that clients are able to expand their businesses, increase their incomes and also repay their loans. Research has clearly established that the poor are capable of transforming

their own lives given the chance. This model of lending disproved all conventional thinking. Micro finance has since become one of the most sustainable and effective tools in the fight against global poverty. The traditional banking system requires a borrower to have collateral in order to receive a loan, which the poor can hardly afford. Also, traditional banks are not generally interested in issuing small loans as the transaction costs usually exceed the interest benefits.

After its launch on 28/10/2005, Africashare has continued to grow from strength to strength. It has experienced expansion and growth in the form of increase in the number of clients and area of coverage, and the establishment of administrative structures. For instance by end of May 2006, 18 groups had been registered (8 in Kitengela and 10 in Tala). The 18 registered groups have a total membership of 186 people (107 in Tala and 79 in Kitengela) with majority of them set to submit their loan application forms in mid June 2006. Total collections from the registered clients in regard to joining fees and clients savings amount to (AUD \$3,020) Ksh 151,000/= (Tala 98,900 and Kitengela Ksh 52,100). Tala and Kitengela clusters are now fully established and funded. Many more clusters are expected to be fully established in the next few months.

*Most of the members scheduled to receive loans are women. There are many reasons why women have become the primary target of micro finance services. At a macro level, it is because 70 percent of the world's poor are women. Women have a higher unemployment rate than men in virtually every country including Kenya and make up the majority of the informal sector of most economies. Women are usually the primary or sole family caretakers in many developing countries.*

*Africashare is therefore committed to helping women (as well as men) gain additional daily income to improve the condition of their entire household. Placing any extra income in the hands of women is often the most efficient way to affect an entire family, as women typically put their children's needs before their own. As a result of this, children are more likely to complete their education and escape the poverty trap that their parents are in. Any support to Africashare will enable more women to have access to micro-credit loans and so generate income to improve their household income.*

*"For more than 50 years, the World Bank, donor nations, various aid agencies, national governments, and lately, civil society organizations have all fought the good fight but have not eradicated poverty ... If we stop*

*thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up. Four billion poor can be the engine of the next round of global trade and prosperity ... [and] a source of innovations". (The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits. Prahalad)*

## **Banking on the 'un-bankable'**

by Morris Stuart

The purpose of micro-credit is to enable sustainable holistic development. We are 'banking on the poor' because we believe in their inherent and intuitive ability to tackle and solve their own problems. Given the chance, they are capable of transforming their own lives and circumstances. Poverty does not define the poor. It is a description of their circumstances. The poor are creative, intelligent and ingenious in discerning and establishing enterprise- often in places and circumstances where the wealthy would not even see it! They live under harsh conditions and most survive on less than \$2 a day for well over half-a-century. Now that takes skill, ingenuity and intelligence! These are the constituents of The Mutunga

Partnership and its local partners. They are resilient human beings who deserve our assistance.

### ***Enterprise, not charity***

Giving hand-outs is often irresistible for the compassionate, but in the long-run this practice can be counter-productive. After 'spending' billions of dollars over 50 years on development assistance, the uncomfortable reality today is that the poor are still poor, only now there are more of them! Improvements in health and life-expectancy in the developing world have been remarkable; however, so much aid has been focussed largely on the consequences of poverty rather than on its causes. There is a need to shift the focus from "charity" to "enterprise"; from a 'handout' approach to development assistance to a 'helping-hand' approach. Our micro-credit model practises partnership. It invests in our constituents through training. It facilitates empowerment and builds self-esteem while injecting seed capital and banking services into poor communities. Its aim is to provide the poor with facilities and instruments which give an objective record of their savings and credit history. We add value to their already existing 'banking' practices. Eventually they will 'graduate' into the formal economy and banking

sector armed with this story which will be their 'certificate of title' of their collateral. But our model is also about transformation: personal social and spiritual. It is about harnessing and utilising cultural and other capacities in the enterprise of holistic development.

### ***Mutunga special projects***

In addition to the micro-enterprise initiatives and because of our commitment to holistic development, we have established Mutunga Special Projects. This is our vehicle for achieving the aim of leaving three bits of infrastructure in every community within a ten-year period of working with them, namely: a secondary school; a health facility that will cater especially (though not exclusively) for maternal and child health; and a cultural facility that enhances local cultural capacities. We plan to achieve these objectives through the same enterprise model, (i.e. not a hand-out model). Our belief is that our clients are capable of achieving these goals corporately, assisted by the helping-hand of the Mutunga Partnership.

### ***At the coal-face in Kenya***

A brief sketch of our model: In consultation with local groups and church and community leaders, Africashare Partnership selects potential communities. Baseline

surveys and rapid assessments are then conducted. The results determine whether a cluster (client community) is established. Borrowers are then mobilised and trained. They then register and start saving until training is completed. Certificates are presented, and loan applications are processed. First loans are then handed out. The journey out of chronic poverty will have begun!

### ....and in Australia?

Your thoughts and prayers are especially valued for the following:

- While in Central Australia, I am trying to establish a base for The Mutunga Partnership in Alice Springs, and I am trying to sign up a group of people for at least one Mutunga \$2 Challenge®
- The next Mutunga \$2 Challenge is scheduled for **Sunday 1st to Saturday 7th October**. I hope that all who have committed themselves to this challenge will recall the memory, and record these dates in their diaries! Apart from the benefits of partnership- building and awareness-raising, your commitments to these challenges have been factored into our budget for the year. We have taken your promises seriously!
- I have begun thinking about the 2006 Celebration and would value your input.

- I am also working on various 'portable' products (posters, CD-ROMs, information packs) to get the 'Mutunga' message out there.
- I am also pursuing leads for establishing foot-prints in NSW and WA.
- We are working towards establishing in the Caribbean early in 2007.

### endnotes

***"Set your goals in concrete and your time-lines in sand"*** (courtesy Ian Prentice)

***"Violence is the language of the unheard"***

***"feedback is oxygen!"***

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