

**PRESS RELEASE
FOR IMMEDIATE RELEASE
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FSD AND CGAP ANNOUNCE AWARDS FROM SOCIAL PROTECTION PAYMENT
CHALLENGE FUND**

Financial Sector Deepening Kenya (FSD Kenya) and the Consultative Group to Assist the Poor (CGAP), today announced awards under the Kenya Social Protection Payments (SPP) Challenge Fund. FSD Kenya was established by donors to support the development of inclusive financial markets in Kenya and CGAP is a consortium of 33 donor agencies working to improve access to finance for the poor worldwide.

The SPP Challenge Fund was created by FSD Kenya and CGAP to encourage providers of payment services to develop innovative payment solutions to deliver proposed new Government social protection schemes. These social protection schemes involve Government, in partnership with development partners, making small grant payments to some of the poorest in Kenya. Delivering these social payments safely and affordably presents a huge challenge in Kenya, where the banking system currently reaches fewer than one in five of the population.

The SPP Challenge Fund offers matching finance for providers who are prepared to invest in the development and testing of approaches not yet tried in Kenya. Priority was given to the degree of innovation, and the extent to which the SPP Challenge Fund would enable applicants to do what they would otherwise not do. The selection panel decided that two bids stood out in this respect:

- Vodafone in partnership with Safaricom, which proposes to extend its recently launched M-Pesa mobile payments solution so that it can operate in parts of the country where there is no cell phone reception, and
- The Sevak Consortium, comprising international IT consultancy Sevak Solutions, Paynet Holdings and Kenya Commercial Bank (KCB) which will leverage the existing network of PesaPoint ATMs, KCB branches and create new solutions based on point of sale (POS) terminals in remote parts of the country.

The awards panel, consisting of representatives from the Government of Kenya, CGAP and FSD Kenya, met in Nairobi this week to evaluate the proposals. Six applications were received from a range of local and international providers. “We were delighted that the SPP Challenge Fund attracted applications from world class players both based here in Kenya and abroad“, observed David Ferrand, FSD Kenya’s director.

“In addition to meeting the needs of recipients of social protection transfers we also wanted to encourage the development of solutions which would enable other members of the community to also access financial services”, noted Ferrand. CGAP, which recently announced the launch of its Technology Programme backed by the Bill and Melinda Gates Foundation, sees the SPP Challenge Fund as a way to catalyze additional appropriate financial services to low income people: “Countries such as Bangladesh and South Africa have demonstrated that it is possible to develop a range of financial services around a social payment, and we hope to see Kenya join the list of countries that are leading innovators in this respect,” said Mark Pickens, CGAP representative on the SPP Challenge Fund awards panel.

From early 2008 the Government of Kenya and its development partners plan to extend an existing pilot social protection scheme, that is currently focused on vulnerable children, and develop a new

one to reach vulnerable households in the arid and semi-arid lands of Kenya, where repeated droughts have left large numbers of people chronically hungry and dependent on short-term emergency food.

The schemes aim to protect people from extreme poverty by providing small regular cash payments to enable the most basic needs to be met. The availability of social protection through reliable, regular cash payments can help the poorest escape the vicious poverty cycle in which many are trapped in these areas.

The Government and development partners will select providers of financial services to support the pilot social payment programmes through competitive tender expected to be announced mid-year. Successful awardees for the FSD/CGAP SPP Challenge Fund will be required to develop a prototype of their proposed solutions in time for this tender. “It is important to note that the tender will be open to any qualifying bidder, not only these Challenge Fund awardees. The Challenge Fund awards in no way presage what the outcome of that tender will be. But we do expect that through these awards, the Government and development partners will have a wider set of options from which to choose”, says Ferrand.

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More about FSD Kenya.

The Financial Sector Deepening programme (FSD Kenya) was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry the programme’s goal is to significantly expand access to services among lower income households and smaller scale enterprises. It operates as an independent Trust under the supervision of professional trustees (leading international accounting firm, KPMG), with policy guidance from a programme investment committee. Finance is provided by a number of development partners working with the Government of Kenya. Partners already committed to FSD include the UK’s Department for International Development (DFID), the World Bank/Ministry of Trade and Industry and the Swedish International Development Agency (SIDA). Visit: www.fsdkenya.org.

More about CGAP

The Consultative Group to Assist the Poor (CGAP) is a resource center for the microfinance industry, setting standards, offering technical and advisory services, training, and information on best practices, in addition to providing funding for innovative projects. Its 33 members – including bilateral, multilateral and private donors – are committed to building more inclusive financial systems that work for the poor. In 2004, the G8 endorsed CGAP’s Key Principles of Microfinance.