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The Kenya Investment Mechanism supported Shona EPZ to redesign their business to produce personal protective equipment (PPE) during the COVID-19 pandemic. Photo credit: USAID

KENYA

KENYA INVESTMENT MECHANISM

The Kenya Investment Mechanism (KIM) is a five-year USAID program that is facilitating \$520 million in investment for key sectors of Kenya’s economy, including agriculture, and for regional trade and investment opportunities under the Prosper Africa initiative. The program supports the mobilization of private investment and accelerates enterprise-driven development.

KIM addresses two principal market failures that have discouraged investors from financing micro, small, and medium enterprises (MSMEs) in the Kenyan economy: insufficient quality consulting services and limited availability of financial products tailored to these sectors. KIM uses smart incentives to mobilize finance for development in targeted sectors including agriculture (supported by Feed the Future), clean energy (supported by Power Africa), and women-owned businesses as well as in the health, water, and trade sectors.

KIM builds the capacity of financial institutions (FIs) and business advisory service providers (BASPs) through training and technical assistance to facilitate private finance and investment for the working capital needs of smallholder farmers and MSMEs. This increases the competitiveness and productivity of enterprises working along any link in the target value chains. Concurrently, KIM leads policy reform efforts focused on removing barriers inhibiting large-scale investment into these sectors, therefore unlocking further finance. The two objectives result in the program serving as an investment platform that mobilizes substantial capital from the private sector and builds partnerships between stakeholders in the financial ecosystem.



MOBILIZING CAPITAL

KIM facilitates lending to underserved sectors, such as agriculture, working with FIs to unlock financing at scale. KIM supports FIs to structure and list deals on the capital markets; conduct value chain analysis and value chain financing arrangements; and mitigate risk. To support MSME development, KIM focuses on creating a pool of high quality and competitive BASPs that can assist MSMEs, actively sourcing and quickly closing investment transactions, and building a more competitive financial services environment. KIM periodically convenes joint BASPs and FI meetings to strengthen ecosystem collaboration by building trust and strengthening business interactions.

PROMOTING REGIONAL TRADE AND INVESTMENT

In support of Prosper Africa's goal to increase two-way trade and investment between the United States and Africa, KIM works to mobilize investment for transactions with a qualifying U.S. nexus within the broader East Africa region.

FINANCING SELF-RELIANCE

Functioning financial markets are vital for Kenya's economic growth. KIM works to increase utilization rates of USAID's Development Credit Authority partial guarantee mechanism. To further strengthen capital markets, KIM is mobilizing pension funds, a significant but under-leveraged source of financing, through capacity development of the Kenyan Pension Funds Investment Consortium for investments in energy and infrastructure.

KEY ACHIEVEMENTS

- To date, KIM has mobilized over \$400 million for enterprises in key sectors.
- The capital mobilization has led to creation of more than 3,000 jobs.
- KIM has engaged over 40 business advisory service providers who have signed engagements with over 300 agribusinesses for an estimated investment pipeline of over \$1 billion.
- KIM has supported eight Prosper Counties to identify strategic investment opportunities worth \$182 million, build their capacity to mobilize private investors, and help enact enabling policies.
- KIM supported the National Treasury to establish Kenya's first ever national credit guarantee scheme, enabling MSMEs to access credit guarantees instead of collateral requirements.
- KIM has supported financial institutions to access \$53 million in International Development Finance Corporation's credit guarantee, increasing utilization from 11% in 2018 to 73% in 2021.

BUDGET

USD \$35 million

DURATION

August 2018 – August 2023

ACTIVITY LOCATIONS

KIM works nationwide with a particular focus on Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia, Vihiga, Kitui, Makueni, Taita Taveta, Isiolo, Marsabit, Turkana, Garissa, Wajir, Kimbu, Nakuru, and Mombasa. KIM also facilitates transactions in the East African Countries.

IMPLEMENTING PARTNER

Palladium Group

KEY PARTNERS

KIM works with over 40 Kenyan and international transaction advisors and over 20 Kenyan financial institutions.

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