Kenya is a leading economy in the region, with a robust financial sector and an entrepreneurial culture. However, access to financial services by business owners and entrepreneurs is very limited and hinders their growth. USAID’s Kenya Investment Mechanism is linking financial institutions and small and medium businesses in clean energy and agriculture to increase their access to financial capital so that they can expand—lifting Kenyans out of poverty, increasing their income and contributing to the Kenyan economy.

Our Work
The Kenya Investment Mechanism activity supports businesses that are struggling to access capital for growth to comply with the requirements of financial institutions, such as business plans and market due diligence, so that they can access the credit they need to accelerate their sales and profit growth. At the same time, the activity works with financial institutions to develop products that are suited to these businesses.

Lastly, the activity leads policy reform efforts focused on removing barriers inhibiting large-scale investment into target sectors to unlock further financing.

Activities:
The activity’s objectives are achieved through the interaction of two integrated components: An Opportunities Team, which will prioritize policies for stakeholders and build the Business Advisory Service Provider (BASP) network which will identify investment opportunities, and an Investment Team which will develop financial institutions’ capacities and identify Development Credit Authority (DCA) guarantees for strategic partners and investors. Specific activities include:

- Building capacities of local BASPs and financial institutions using pay-for-performance* (P4P) methods to package financing products in the clean energy and agriculture value chains at scale, incentivizing them with training and proven P4P approaches.
- Establishing a diverse range of sustainable partnerships—with and among strategic lead firms, financial institutions, government counterparts, small and medium enterprises, and development partners—which will be critical to scaling and replicating creative approaches to unlock financing at scale.
- Facilitating an enabling environment conducive to investment through strategic policy and regulatory reform in partnership with civil society, the private sector and Kenyan government stakeholders.
- Connecting prospective investors with appropriate risk mitigation tools, such as guarantees and insurance to ensure risk is sufficiently mitigated for investors to finance the target value chain enterprises at scale.

*Performance = Financing Disbursement

Performance Objectives:
- Mobilize $400 million capital to enterprises towards the development of four value chains: diary, livestock, horticulture and clean energy.
- Facilitate an enabling environment for private sector financing through policy and regulatory reform, including investment policies under Kenya’s devolved governance structure.
- Increase utilization rates of USAID’s Development Credit Authority (DCA) partial guarantee mechanism, thus reducing risks for Financial Institutions and increasing financing activity of DCA partner institutions into the above value chains.

Outcomes:
At the five-year mark, KIM interventions will have built strategic market linkages with investors that integrate small, medium and large enterprises and smallholder farmers. These linkages will promote equitable participation of male and female farmers into their supply chains. All types and sources of financing will be considered, e.g., debt, equity, domestic, FDI, Stock Exchange listings of securities, etc.