The Feed the Future Kenya Investment Mechanism (KIM) program is a five-year USAID project that is unlocking $400 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 is addressing two principal market failures that have discouraged investors from financing certain segments of the clean energy and agriculture sectors: insufficient quality consulting services and limited availability of financial products tailored to agriculture and other key sectors of the economy.

KIM was designed to promote access to finance and mobilize substantial capital essential for fostering the development of Kenya’s agricultural market system. By unlocking finance necessary to commercialize upstream and downstream agribusinesses and other sectors, KIM will pull smallholders and SMEs into competitive and growth-oriented value chains, and contribute to USAID’s overall goal of fostering broad-based, sustained, and inclusive economic growth in Kenya.

**Strategy:**
KIM will provide a comprehensive and integrated approach to financing actors and increasing competitiveness through the mobilization of capital into the key sectors of the economy. Through incentives, training, and technical assistance, the project will build the capacity of financial institutions (FIs) and business advisory services providers to finance and facilitate private finance and investment to enterprises working along any link in the target value chains. Concurrently, KIM will lead policy reform efforts focused on removing barriers inhibiting large-scale investment into the target sectors, therefore unlocking further finance. The two objectives of KIM will result in the project serving as an investment platform that mobilizes substantial capital from the private sectors and builds partnerships between stakeholders in the financial ecosystem, ultimately contributing to USAID’s Feed the Future and Power Africa overall goal of fostering broad-based, sustained, and inclusive economic growth in Kenya.

**Performance Objectives:**
- Mobilize $400 million capital to enterprises working along any of the targeted four VCs - dairy, livestock, horticulture, and clean energy.
- Facilitate an enabling environment for private sector financing through policy reform, including investment policies under Kenya’s devolved government.
- Increase utilization rates of USAID’s Development Credit Authority partial guarantee mechanism, thus increasing financing activity of DCA partner institutions into the target VCs.

**Activities:**
KIM’s objectives are achieved through two integrated components:
1) **An opportunities team**, which prioritizes policies and build networks
   - Building capacities of business advisory service provider networks and of FIs to facilitate and finance/invest in the target VCs at scale, incentivizing them with training, capacity building, and proven Pay-4-Performance® approaches.
   - Establishing a diverse range of sustainable partnerships with strategic lead firms, FIs, government counterparts, SMEs, and other partners to scale and replicate creative approaches to unlocking finance at scale.
2) **An investment team**, which will develop FI capacities and identify DCA guarantees for strategic partners and investors.
   - 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.

**Outcomes:**
KIM interventions will build strategic market linkages with investors that integrate enterprises and smallholder farmers. These linkages will promote equitable participation of male and female farmers into their supply chains, creating platforms for deployment of financial solutions along the value chains. All sources of financing will be considered, e.g. debt, equity, domestic, FDI, securities exchange listings of enterprises’ securities, etc.
KENYA INVESTMENT MECHANISM

Pillars of KIM Financing Model for Value Chains: Dairy, Livestock, Horticulture, and Clean Energy

- **Participating Financial Institutions and Investors**
  - Banks and investors positioned to finance
    - Established Agriculture desk
    - Investment in infrastructure
    - Purchase of vehicle to monitor borrowers' activities
    - Financing from investors in equity or debt, DFI as well

- **Business Advisory Services Providers**
  - Deals passed to FIs as bankable and investible
    - Establishment of BAS ecosystem, providing pipelines of deals to FIs
    - Listing of enterprises' securities on NSE

- **Capacity Building**
  - Training/TA for PFIs, BASPs
  - Demand driven:
    - Institution specific training
    - Generic training
    - Capacity Building generic or specific

- **Risk Mitigation Tools**
  - Use of Risk Mitigation Tools
    - Knowledge is best RMT
    - FIs with DCA and other partial loan guarantees
    - Subsidized cost of utilizing guarantees
    - Utilization of agric and other insurance

- **Follow Ups**
  - Hand Holding Approach
    - Regular visit to FIs
    - Regular visit to BAS Providers
    - Support to Enterprises
    - Bottom line, close deals, pay for performance; performance is financing disbursement

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**KIM Financing Cycle**

**Financial Institutions and Investors**
- Debt
- Equity
- Listing securities on Stk Exch
- Domestic and FDI

**Deployment of Capital**

**Support to FIs**
- Capacity building
- Pay for Performance
- Subcontracts
- Risk mitigation tools
- Strengthening financial markets
  *Performance = Financing Disbursement

**Support to BAS Providers**
- Formation of BAS ecosystem
- Capacity building
- Pay for Performance fees
- Step-by-step mentorship
- Connections to FIs and alternative sources of finance

**Sustainability Cycle**

**Enterprises access: Capital Investment Working Capital**

**Improved Services to SHFs**
- Improved / greater support from SHFs

**Smallholder Farmers (Dairy, Livestock, Horticulture; Clean Energy)**

**Enterprise Payment of Services**

**Linkages**

**Improved Services to SHFs**
- Improved / greater support from SHFs