

## KENYA INVESTMENT MECHANISM

### Duration:

August 2018 – August 2023

### Implementer:

Palladium Group

### Key Partners:

- CrossBoundary
- Open Capital
- Research Solutions Africa Inc.
- Lattice Training Limited

### Focus Counties:

Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia, Vihiga, Kitui, Makeni, Taita Taveta, Isiolo, Marsabit, Turkana, Garissa, and Wajir



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.

\*Performance = financing or investment disbursement

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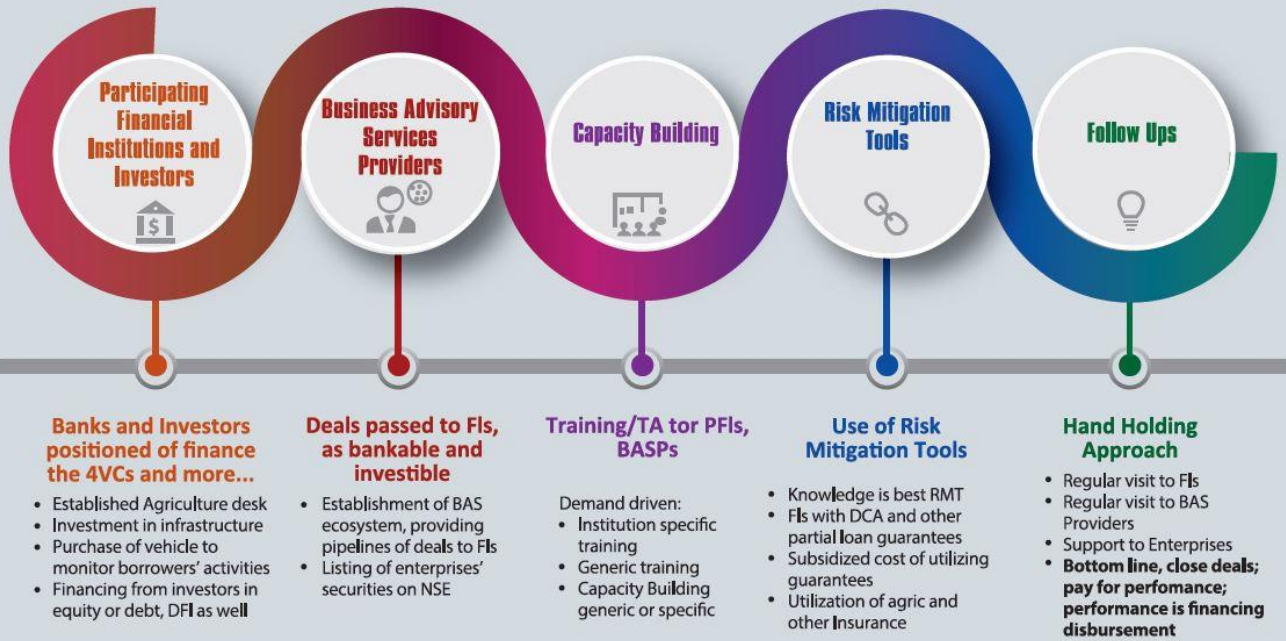
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## Pillars of KIM Financing Model for Value Chains: Dairy, Livestock, Horticulture, and Clean Energy



## KIM Financing Cycle

