



# FINAS 2024

Financing Agriculture  
Sustainably-Conference

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27<sup>th</sup> – 28<sup>th</sup> MARCH, 2024  
SAFARI PARK HOTEL, NAIROBI, KENYA

# REPORT



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Fund for Resilience and Prosperity

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# Abbreviations and Acronyms

AATF	African Agricultural Technology Foundation
ACRIFA	Africa Climate Risk Insurance Facility for Adaptation
AEZ	Agro-Ecological Zones
AFAP	African Fertilizer and Agribusiness Partnership
AFC	Agricultural Finance Corporation
AfDB	African Development Bank
AFIK	Association of Fintechs in Kenya
AGRA	Alliance for Green Revolution in Africa
APA	Apollo Life Assurance
ARRP	The Africa Recovery and Resilience Plan
ASAL	Arid and Semi-Arid
BETA	Bottom-Up Economic Transformational Agenda
CAADP	Comprehensive African Agricultural Development Programme
CBK	Central Bank of Kenya
CGIAR	Consultative Group on International Agricultural Research
DFI	Development Finance Institution
DRIVE	De-Risking Inclusion and Value Enhancement of Pastoral Economies
EAFF	Eastern Africa Farmers Federation
EPA	European Partnership Agreement
EU	European Union
FAK	Fertilizer Association of Kenya
FAO	Food and Agriculture Organization of the United Nations
FINAS	Financing Agriculture Sustainably Conference
FRP	Fund for Resilience and Prosperity
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GMO	Genetically Modified Organism
GMR	Guaranteed Minimum Returns
GODAN	Global Open Data for Agriculture and Nutrition
GUF	GODAN Guarantee Fund
IDP	Internally Displaced Person

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IFAD International Fund for Agricultural Development  
IFDC International Fertilizer Development Center  
IFPRI International Food Policy Research Institute  
ILRI International Livestock Research Institute  
KALRO Kenya Agricultural and Livestock Research Organization  
KENAS Kenya Accreditation Service  
KEPHIS Kenya Plant Health Inspectorate Service  
KIAMIS Kenya Integrated Agriculture Management Information System  
KPIs Key Performance Indicators  
KPMG Klynveld Peat Marwick Goerdeler  
KTDA Kenya Tea Development Agency  
KUSCCO Kenya Union of Savings and Credit Cooperatives  
M&E Monitoring and Evaluation  
MoALD Ministry of Agriculture and Livestock Development  
MoU Memorandum of Understanding  
MSMEs Micro, Small & Medium Enterprises  
NAVCDP National Agricultural Value Chain Development Project  
NCBA National Commercial Bank of Africa  
NGO Non-Governmental Organization  
NRF National Research Fund  
OWOC One Ward One Cooperative  
PPP Public Private Partnership  
PwC PricewaterhouseCoopers  
PWD Persons with Disability  
SACCO Savings and Credit Co-operative Society  
SMEs Small and Midsize Enterprises



## Dr. Andrew Mwihi Karanja

Cabinet Secretary, Ministry of Agriculture and Livestock Development

## Foreword

It is with great enthusiasm and anticipation that we present the report on the Financing Agriculture Sustainably in Kenya (FINAS 2024) Conference. This pivotal event represents a significant step in our collective efforts to address the financing challenges within Kenya's agricultural sector and to explore innovative solutions for sustainable development.

Addressing the challenges in agricultural financing requires a collaborative approach. We must confront several critical issues including: Developing strategies to mitigate risks to maintain investor confidence and ensuring sector stability; Streamlining processes to reduce the high transaction costs incurred by smallholder farmers and enterprises; Enhancing expertise to better manage agricultural loan portfolios; and implementing more effective policies to mobilize private sector capital for agriculture and creating a supportive environment for investment. The need for effective financing models to support agricultural activities is more pressing than ever. The government is committed to re-modelling our financing mechanisms to support the agricultural sector effectively. This re-modelling is crucial for achieving our agricultural goals and ensuring sustained progress. We are committed to designing and implementing strategies that address these challenges and promote sustainable growth. A key strategy involves exploring blended financing opportunities, where public and private funds are managed through a common investment scheme. This model leverages the complementary expertise of all parties involved, ensuring that both sectors can contribute their strengths to advance agricultural development.

The government is committed to advancing and supporting the actionable outcomes of the FINAS 2024 Conference. The insights and recommendations from this event will guide our efforts to develop a robust and effective agricultural financing framework.

I extend my sincere gratitude to all participants and stakeholders for their invaluable contributions to this conference. Your dedication and collaboration are vital in driving our shared vision for a prosperous and resilient agricultural sector in Kenya.

## Preface

As we present the report on the Financing Agriculture Sustainably (FINAS 2024) Conference, we reflect with optimism on the valuable discussions and insights from this crucial event. The conference served as a key platform for dialogue on agricultural investment, funding priorities, and the support needed to promote sustainable development in Kenya's agricultural sector.

Under the Bottom-Up Economic Transformation Agenda (BETA), the government has prioritized agriculture due to its potential to drive economic recovery, enhance food security, and create jobs. Our focus includes crops and livestock production and the blue economy, aimed at improving food security, reducing food imports, and boosting exports. Adequate financing is essential to advance the sector and achieve these goals.

BETA emphasizes structured engagement with the private sector, exemplified by initiatives like FINAS 2024. These dialogues help align stakeholder efforts and track progress effectively. The government is committed to developing policies that align with the Malabo Declaration, which promotes accelerated agricultural growth and transformation. Increasing commercial lending to agriculture is a key aspect of this strategy.

Despite the inherent risks associated with agriculture - such as floods, droughts, pests, diseases, and weather variabilities - we remain committed to engaging with the private sector to create policies that encourage investment and provide sustainable financing solutions. This report captures the essence of our discussions and the collaborative spirit of FINAS 2024. It serves as a testament to our collective efforts and a roadmap for future actions. I extend my sincere gratitude to all participants and stakeholders for their invaluable contributions and dedication to advancing sustainable agricultural financing in Kenya. Together, we move forward with renewed determination to achieve our shared vision for a prosperous and resilient agricultural sector.



## Dr. Paul Kiprono Ronoh

Principal Secretary, State Department for Agriculture  
Ministry of Agriculture and Livestock Development

## Executive Summary

Agriculture is Kenya's economic cornerstone and vital to the livelihood of millions of Kenyans. The sector faces a myriad of challenges that threaten its sustainability and growth. Limited access to finance, climate change-induced disruptions, and market uncertainties underscore the urgent need for transformative action in the sector. It is against this backdrop that the government of Kenya and Rootooba, together with like-minded partners, premiered a critical dialogue for Africa, the Financing Agriculture Sustainably (FINAS 2024) Conference, a two-day event held from 27<sup>th</sup> to 28<sup>th</sup> March 2024 at Safari Park Hotel in Nairobi, Kenya.

The Conference brought together a wide range of stakeholders including agricultural based enterprises, government, financial institutions, insurance companies, development partners, and academia. The overarching aim was to discuss strategies for positioning Kenya's agricultural sector for resilience through sustainable financing mechanisms. Conversations in the Conference were categorized into key thematic areas: The Government's priorities for agricultural progression; Financing transformation, governmental incentives and frameworks; De-risking investment in agriculture; Technologies, digitalization & research; Private sector role in sustainably financing agriculture; and Leadership.

The Conference discussions took stock of the country's financing options for the agricultural sector and discussed how to repurpose financing approaches to suite the ecosystem needs. The need for innovative approaches towards financing solutions for smallholder farmers in arid and semi-arid (ASAL) regions was emphasized. The forum explored a range of interventions including public-private partnerships (PPP), in unlocking sustainable funding streams for agricultural development. Proposals on approaches to determine the level of agricultural financing, to inform effective regulatory framework and policies were also presented.

The Conference made recommendations aimed at fostering partnerships and catalysing investments in order to safeguard the sector against external shocks and unlock its potential as a driver of inclusive and sustainable development in Kenya. These were broadly along the following areas: Inclusive finance; Strengthening farmer cooperatives and the policy and regulatory environment; De-risking investment in agriculture; Leveraging technologies; Digitalization and innovative research; Partnerships and collaboration; data and knowledge sharing. Moving forward, sustained commitment and collaborative efforts from all stakeholders are vital in translating conference outcomes into actions that enhance the resilience, productivity and sustainability of Kenyan agricultural enterprises.

# 1. Introduction

## 1.1 Background

Recognition of the need to invest in agriculture: The financing ecosystem in most of sub-Saharan Africa is yet to fully align with the development of demand driven agricultural financing solutions. Subsequently, there is a converse relationship between Agriculture finance investment and the sectors' contribution to the GDP. The void comes along with some challenges that span managing risks, high transaction costs in dealing with large number of smallholder farmers, micro, small and medium enterprises (MSMEs), lack of expertise to backstop agricultural loan portfolios, amongst others.

The Malabo Declaration (2014) reaffirms the Maputo Declaration (2003) that allocates 10% of resources to agriculture. The Africa Continental Free Trade Area (AfCFTA) seeks to eliminate trade barriers and boost intra-Africa trade. AfCFTA seeks to establish regional value chains in Africa, enabling investment and job creation. The implementation of the AfCFTA has the potential to foster industrialization, job creation and investment, thus enhancing the competitiveness of Africa in the medium to long term.

Funding agriculture in Kenya: Despite agriculture being a major contributor to the GDP, the loans in this sector and investment portfolios remain disproportionately low. According to Financial Access Household Survey 2019, only around 3.2% of Kenyans use formal borrowing to service agriculture. This has created a gap that is filled by alternatives that often lack the capacity, quality, and quantity to respond to the sector needs. Alternative income sources, social networks and sale of assets have been sub-optimal alternatives for raising the much-needed capital for investing in the sector.

## 1.2 The Conference

FINAS-2024 convened stakeholders from the agricultural sector in Kenya to discuss sustainable financing strategies and to explore viable approaches for funding agricultural initiatives. The landscape conversations categorized the Conference discussions into six thematic areas, namely: Government's priorities for agricultural progression; Financing transformation and governmental incentives and frameworks; De-risking investment in agriculture; Technologies, digitalization & research; Private sector role in sustainably financing agriculture; and Leadership.

The Conference engaged on the existing financing options for the sector, including bottlenecks, and highlighted the need to accurately determine the level of agricultural financing to inform effective policies. It also provided a platform for B2B and B2C engagements as part of the dialogues and exhibitions. The participants acknowledged the need for a unique approach and criteria for advancing credit to smallholder farmers and pastoralists, and echoed the importance of harnessing innovative technologies, embracing digital solutions, and prioritizing research and innovation to bolster the resilience of the sector.

### The Conference Objectives:

- Take stock of the country's ongoing financing options for the agricultural sector
- Propose means of re-purposing financing approaches to suite the ecosystem and needs
- Propose ways of accurately determining the level of agricultural financing to inform effective policies
- Align agricultural financing in the public and private sector
- Provide a one-stop shop where small, medium, and large agricultural enterprises interact with financing solution providers

### 1.3 Official Launch of FINAS 2024 Conference

FINAS 2024 was officiated by the Prime Cabinet Secretary, and CS for Foreign and Diaspora Affairs, Hon. Musalia Mudavadi. He was preceded by Hon. Mithika Linturi, Cabinet Secretary, Ministry of Agriculture and Livestock Development, who called for development of appropriate models to finance activities in the agricultural sector. The CS acknowledged the need to explore blended financing opportunities where public and private funds would be administered through a common investment scheme while leveraging on the expertise of all parties in a complementary way. He noted the need to have a collective approach to addressing challenges that face financing for the agriculture sector, which included: High transaction costs involved in dealing with the high number of smallholder farmers, micro, small and medium enterprises; lack of expertise to backstop agricultural loan portfolios and ineffective policies to support mobilization of private sector capital for the agricultural sector. He further made a commitment to support the implementation of actionable outcomes of the FINAS2024 Conference.



*Hon. Musalia Mudavadi, the Prime Cabinet Secretary and Cabinet Secretary for Foreign and Diaspora Affairs, during the official launch of the FINAS 2024 Conference*

### Highlights from the Prime Cabinet Secretary's official launch remarks:

- The government recognizes the urgent need to revamp the agricultural sector whose performance has slumped in recent years, and has been overtaken by diaspora remittances as the top foreign exchange earner for the country. For example, by leveraging on agreements such as the European Partnership Agreement (EPA).
- The government is keen on enhancing market access for Kenya's agricultural products, as well as promoting regional and international trade, by addressing trade barriers and promoting regional integration.
- Digitization of agricultural value chains presents a significant opportunity to improve efficiency and increase transparency. By leveraging technology, digitization enhances traceability, reduces transaction costs and improves access to finance for smallholder farmers and other value chain actors.
- The government is committing to improve the regulatory framework in the sector and reduce bureaucracy with the aim of creating



*Hon. Mithika Linturi, Cabinet Secretary, Ministry of Agriculture and Livestock Development.*

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an enabling environment for private sector investment.

- Fintechs and financial institutions need to work together to provide innovative financial solutions for small-scale farmers by leveraging mobile technology and alternative data sources. This helps improve access to credit and other financial services for smallholder farmers who have been under-served by the traditional formal financial sector.

- The government's Agricultural and Rural Financial Inclusion Project aims to enhance access, efficiency and stability of agricultural and rural finance; and hence facilitate transformation of agriculture into an innovative and commercially oriented sector.
- The government's Executive Order No. 2 emphasizes collaboration between the Ministry of Foreign and Diaspora Affairs and the Ministry of Agriculture and Livestock Development, in order to step up the country's export potential and attract foreign investment.



## 2. Government's priorities for agricultural progression

### 2.1 Strengthening the Co-operative movement for agricultural transformation in Kenya: A call to action by Hon Simon Chelugui, Cabinet Secretary, Ministry of Co-operatives and Micro, Small & Medium Enterprises (MSMEs) Development



*Hon. Simon Chelugui, the CS, Ministry of Co-operatives and Micro Small and Medium Enterprises Development making his keynote address at the FINAS Conference 2024.*

The cooperative movement holds promise in providing structure and affordable financing options to smallholder farmers. Their management therefore requires enhancement, to optimize their capability to strengthen the production node of agricultural value chains. Besides production, cooperatives need to venture into other activities across the value chain in order to provide end- to- end solutions. The CS noted that agriculture sector funding was not commensurate with its contribution to the country's GDP. Further, the cost of credit remained high for agricultural enterprises especially smallholder farmers making it unattractive and unsustainable.

#### Recommendations by CS MSMEs

- Diversify the range of credit providers beyond commercial banks to fund the agriculture sector effectively.
- The initial structuring of financial relationships between financial institutions and beneficiaries should employ a blended approach, incorporating co-investment strategies.
- Develop and implement comprehensive de-risking mechanisms, such as credit guarantee schemes, weather-indexed insurance, and risk-sharing partnerships, tailored to the needs of farmers especially smallholder farmers. Such schemes should involve a third-party entity, such as a government agency or financial institution, providing a guarantee to a lender for a portion of a loan extended to a farmer. This guarantee will help reduce the lender's risk, enabling them to offer loans at concessional interest rates to smallholder farmers including youth and women who may not otherwise qualify due to insufficient collateral or credit history.
- Enhance efficiency in the delivery of subsidized farm inputs to farmers.
- Embrace a comprehensive approach in providing financial support to the entire value chain from production to marketing including value addition.
- Organize farmers in cooperatives to serve as a vehicle for aggregation. This will enhance financial literacy, access to finances, markets, services, capacity building and knowledge sharing. In addition, farmer cooperatives are crucial in cost efficiency, risk management and social cohesion.

## 2.2 Funding Agriculture in the Bottom-Up Economic Transformation Agenda

This session presented the government's agricultural plan as envisaged in the Bottom-up Economic Transformation Agenda (BETA), and gave insights into its priorities with a focus on agricultural investment, funding priorities and support areas required. A precursor to this were remarks from a smallholder farmer, Mr. Jonathan Kazungu, Chairperson of the Mibibo Cashew Farmer Co-operative, Kilifi County, who articulated the persistent challenges faced by the farmers in the cashew sector, in spite of its potential to uplift the livelihoods of millions of people in Kenya and beyond the coastal regions. Empowering Farmers Foundation (EFF) is working with cashew famers through the farmer cooperatives and other actors to revive the sector. EFF through support from ETG's Climate Action, recently launched the planting of one million trees, comprising of 500,000 cashew seedlings and 500,000 Moringa seedlings in Kilifi County. Such efforts that focus on increased production and market access need upscaling.



Mr. Jonathan Kazungu, Chairperson of the Mibibo Cashew Farmer Co-operative, Kilifi County, who articulated the persistent challenges faced by the farmers in the cashew sector, in spite of its potential to uplift the livelihoods of millions of people in Kenya and beyond the coastal regions

Proposed action areas to further strengthen the cashew sector and build on the gains from pilot initiatives:

- Investment in cashew R&D and seedling production to address the deficit in high quality and high yielding cashew variety seedlings.
- Review the ban on the export of raw cashew nut. This will help improve the competitiveness of the industry, increase market value of the commodity in the country, and mitigate low farm gate prices by processors.
- Support cashew farmer cooperatives to launch and steady themselves through: exposure and training, seed capital, and strengthening capacity as an aggregator.



Dr. Paul Kiprono Ronoh makes keynote remarks on government's agricultural priorities at the FINAS 2024 Conference

Highlights on government's priorities under the BETA agenda, presented by Dr. Paul Kiprono Ronoh, Principal Secretary in the State Department for Agriculture, Ministry of Agriculture and Livestock Development and augmented by Henry Kinyua, Advisor, Crops Value Chain, Presidential Economic Transformation Agenda (PETS).

- i) Agriculture is a priority area under the government's BETA agenda, due to its potential to support recovery of the Kenyan economy and enhance food security and job creation.
- ii) The Bottom-up Economic Transformation Agenda (BETA), otherwise known as the Plan was developed through a consultative process and aims to address bottlenecks in the agricultural value chains, with the aim of transforming the sector to raise productivity in priority value chains, revamp struggling value chains and promote value addition in priority value chains
- iii) Transformation of the agricultural sector is anchored on three pillars: enhanced food security, decreased reliance on agricultural food imports, and increased export of agricultural and food products.
- iv) Delivery of BETA in the agricultural sector entails establishment of a multi-value chain cooperative in each ward in the country, Savings and Credit Cooperative (SACCO) in each ward in the country and aggregation and set up of an industrial park in each of the 47 Counties.
- v) The Government of Kenya in partnership with the Kenya Agricultural and Livestock Research Organization (KALRO) developed the Kenya Integrated Agriculture Management Information System (KIAMIS) as a tool to support implementation of BETA in the agricultural sector. As at March 2024, KIAMIS had registered 6.4 million farmers. Financial institutions can utilize this data to inform their decision-making processes. The data can also be utilized by government agencies to inform policy.
- vi) The government through BETA is keen on a structured approach to engage with the private sector, including holding annual/regular dialogues such as FINAS to cultivate a common understanding and alignment while tracking progress.
- vii) The government intends to develop policies relating to financing agriculture and align them with the Malabo declaration on accelerated agricultural growth and transformation for shared prosperity and improved livelihoods and increasing commercial lending to the sector.

Key action areas for government to strengthen policy action and support implementation of the BETA agenda

- Develop legislative instruments to support and put structures in rolling subsidies of whatever nature in the agricultural sector
- Structure engagement of private sector to facilitate investment for sustainable financing of the sector
- Develop a policy framework to guide sustainable financing of agriculture in the country.

**High-level Panel session:** A further interrogation of the government's plans to action on its priorities.



**Session Moderator: Stephen Muchiri, CEO, Eastern Africa Farmers Federation (EAFF)**

**Panelists:**

- o Dr. Paul Kiprono Ronoh, PS State Department for Agriculture, Ministry of Agriculture and Livestock Development (represented by Mr. Leonard Kubok, Assistant Director, Agribusiness Division).
- o Jonathan Mueke, PS State Department for Livestock, Ministry of Agriculture and Livestock Development (represented by Dr. Christopher Wanga, Director of Policy, State Department of Livestock Development).
- o Ms. Betsy Muthoni Njagi, PS State Department for Blue Economy and Fisheries, Ministry of Mining, Blue Economy and Maritime Affairs (represented by Mr Rodrick Kundu, Fisheries and Blue Economy Secretary).
- o Mary Mwiti, Chief Executive Officer, Council of Governors (represented by Dr. Kiringai Kamau, CECM Agriculture, Livestock, Fisheries and Blue Economy, Murang'a County).

**Outcomes from the discussion:**

- The government requires policy coherence, greater financial commitments and better coordination in the sector, in order to meet its financial goals for the agricultural sector.
- To sustainably support the livestock subsector towards access to sustainable and affordable financing, the government needs to exploit the 80% of the country's land mass, which is arid and semi-arid and attract investors to these regions.
- Limitations in attracting financial resources in the livestock sub-sector are attributed to the fact that agricultural enterprises are perceived to be high risk, especially during times of drought and diseases.
- The government has made effort to reduce risk in the livestock sector through development of: The Agriculture Policy; Agricultural Sector Transformation and Growth Strategy; Livestock Policy; Veterinary Policy; and the Livestock Masterplan. The Livestock Masterplan addresses all livestock value chain challenges, and is based on livestock data on resources and livestock infrastructure.

Predictive returns in dairy, beef, donkey, pig and poultry have been computed to guide public and private investors in making decisions on the best areas for investment. The next step will entail evaluating investment plans in each value chain.

- To exploit the opportunities presented in the blue economy, the subsector is undertaking the following: An evaluation using 'Blue Economy Satellite Account', a tool which provides a holistic way of assessing the subsector's contribution to the economy; reforms in the policy, legal and institutional frameworks to align with the Constitution of Kenya and the BETA agenda; a review of policies such as the Kenya Fisheries Policy; operationalizing of the Fisheries Management and Development Act of 2016 that has created institutions to support the subsector such as the Kenya Fisheries Service focusing on regulation, Fish Levy Trust Fund which is a sustainable financing mechanism to complement the government's investment and the Kenya Fish Marketing Authority; a set-up of the Kenya Fishing Industrial Cooperation, which focuses on domestic and international investments; and Commercialization of aquaculture with an objective of transitioning 25,000 farmers from subsistence to semi-commercial production. Further in collaboration with partners such as FAO, IFAD and World Bank, there are opportunities to access financing including grants for communities at the grassroots.
- While agriculture in Kenya is a devolved function, alignment of funding for the sector with the Maputo and Malabo declarations has not attained the recommended 10% allocation. From 2015 – 2023, the national government allocated an average of 6% to the entire agriculture sector. As a result, few counties have allocated funds close to the recommended 10%, save for counties investing in irrigation infrastructure such as West Pokot, Turkana and Kitui. Majority of the counties allocated between 3 and 5% of their total budgets to agriculture.
- The panel summarized key interventions required to revamp the agriculture sector as follows: advocacy for increased agricultural financing; support towards research and innovation; capacity building and technical support; development of infrastructure including rural access roads; restructuring financial institutions and financing models; and ensuring environmental sustainability and resilience.

## 2.3 Financing Transformation and Governmental Incentives and Frameworks

This session focused on the policy environment that governs agriculture funding and investment in Kenya with a view to making a value-add proposition using case studies. The session comprised of three areas that aimed at strengthening frameworks for better public financing both at national and County level.

### 2.3.1 Promoting sustainable agricultural finance through the One Ward, One Cooperative (OWOC)'s Social Impact Investment Fund

The session sought to construct the state of agriculture in the devolved context and counties' approach to funding agriculture, and how the counties envisage partnerships from the various actors involved in agriculture funding and investment.

It was noted that smallholder agriculture was fragmented and not traditionally driven from a business ethos dimension, with over 65% of the agricultural value chain earnings benefiting only the value chain investors while producers only earned <35% of the income. To remedy the imbalance, the following were considered key: Supporting smallholders' value chain investment, Sustainable Agricultural Practices (SAPs) driven by business modelling that rewards investments along the value chain; Traceable investment and producer-consumer linkages.

An example of a sustainable agricultural finance model is the Murang'a County's One Ward One Cooperative (OWOC) Social Impact Investment Fund. The Fund is a collaboration between the youth, local professionals and stakeholders in a Guarantee Fund Dimension. The model is an overarching goal of the Global Open Data for Agriculture and Nutrition (GODAN) inspired Think Tank that links farmers to consumers while leveraging national and county government's agricultural sector steering committees to promote market access. It also leverages the National Agricultural Value Chain Development Project (NAVCDP)/PETS One SACCO per Ward Initiative, and anchors GODAN youth champions and interns to work with farmers to promote sustainable, digitally inspired agricultural practices, promoting value chain investments through grassroots technology hubs that engage Youth Champion Agripreneurs/VBAs.



#### Key action area:

Create a Sustainability Guarantee Fund (SGF). This will be a pioneering initiative for providing funding to sustainable agricultural projects. The overarching goal is to ensure agricultural cooperatives and small-scale farmers have access to the resources they need to improve their livelihoods and contribute to sustainable development.

### 2.3.2 Combining short-term response and long-term vision: Thinking fertilizer subsidies a new

The conversation sought to interrogate the impact of subsidy programs and their role in the agriculture sector including potential impact on the private sector. The conversation also interrogated best practices for positioning subsidies for impact, using the Kenya Fertilizer Subsidy programme to curate learning lessons. The session summarized detailed discussions from a pre-conference dialogue co-hosted by the MoALD, GIZ and IFPRI/CGIAR (Combining Short-Term Response and Long-Term Vision: Rethinking the Approach to Fertilizer Subsidies - CGIAR). Dr. Lilian Mbuthia, CEO Fertilizer Association of Kenya (FAK) presented the outcomes of the pre-conference dialogue as a pre-amble to the panel

discussion. The pre-conference dialogue evaluated short- and long-term considerations for sustainability; and drew its participants from government, research, private sector and development partners. The short-term perspective of fertilizer subsidies by the Kenyan government is a crisis-response to shocks, which include recent price hikes due to the Russia-Ukraine war, post-COVID effects, dollar devaluation, and the potential effect on food security. Long-term recommendations for fertilizer subsidies needed to consider sustainability, the role of the fertilizer sector in enhancing food security, alternative ways of sustainably boosting productivity and soil health and its effects on nutrient use efficiencies. The pre-conference dialogue provided insights on the fertilizer subsidy program and used that as basis of making recommendations that can inform policies and investments and setting the soil health agenda. The outcomes also contributed to the Africa Fertilizer and Soil Health (AFSH) summit in May 2024.

**Session Moderator:** Sheila Keino, Vice President, Development Cooperation, African Fertilizer and Agribusiness Partnership (AFAP) and Regional Manager for Sustain Africa in East and Southern Africa.

**Panelists:**

- o Simon Muchigiri, Head of Fertilizer Unit, Ministry of Agriculture and Livestock Development (MoALD)
- o Dr. Lilian Mbuthia, CEO Fertilizer Association of Kenya (FAK)
- o Dr. John Olwande, Research Fellow, Tegemeo Institute
- o Dr. Sophia Baumert, Project Manager, Sustainable Agricultural Systems and Policies Project - GIZ



**Panel recommendations on guiding factors for subsidies on a short-term and long-term intervention basis.**

- To increase fertilizer-use efficiency, targeted recommendations are needed that consider target crop and soil type
- To engage the private sector and leverage private sector supply and distribution networks it is recommended to scale up the E-voucher program, since it gives choice to farmers, promotes healthy competition, and innovation
- Fertilizer subsidies should be bundled with other inputs and services such as soil testing, seeds, extension services (public and private), and financing.
- To restore soil organic matter and tackle the challenge of soil acidity, integrated soil management is needed. Lime, organic fertilizer and other fertilizer blends can be part of the subsidy program.
- A monitoring system is needed for measuring the impact of fertilizer subsidies. Also, a micro and macro-level cost benefit analysis can determine the profitability of fertilizer subsidies and inform smart investment of public resources
- Affordable and reliable soil testing services (technologies and laboratories) should be made accessible to smallholder farmers.
- There is need to develop farmer organization and distribution networks to ensure last mile delivery of fertilizers from the right source, at the right place, at the right time.
- Subsidies should ideally be a short-term response in times of crises and should contain an exit plan.
- The development of a synthesis paper on how to best design and operationalize an inclusive subsidy program that considers short and long-term concerns is advisable.

**Key action areas:**

- Engage the private sector and leverage private sector supply and distribution networks.
- Remove constraints to the access of subsidized fertilizer (e.g. through credit facilitation options; better information; targeting women and small-scale farmer)
- Provide targeted fertilizer recommendations: e.g. in terms of target crops, soil type, also integrating advisory for ISFM, crop diversification, regenerative agriculture

- Repurpose fertilizer subsidy to include a liming programme especially in the major maize producing counties
- Repurposing fertilizer subsidies for incentivizing soil health management (e.g. payments for soil health services; subsidies for organic fertilizer)
- Support procurement through farmer organizations at the local level
- Government agencies in consultation with other stakeholders need to have a framework that will enhance the local production of fertilizers taking advantage of organic waste.
- Develop a synthesis policy paper on how to best design and operationalize an inclusive subsidy program that considers short and long-term concern

### 2.3.3 Establishment of one focal point for agricultural financing:

Within the Agricultural Finance environment, there is need for an Agricultural Finance Coordination Unit in Kenya guided by a market shaping approach, led by the government and driven by public good. This session sought to interrogate the current status and brainstorm on means to develop an integrated action to enhance the effectiveness of public and private investments in the agricultural finance sector in Kenya. The session, co-hosted by AGRA and FSD- Kenya consisted of a keynote by Hedwig Siewertsen, Head of Inclusive Finance at Alliance for Green Revolution in Africa (AGRA), and a panel discussion. The presentation was based on the outcome of a pre-conference dialogue. The establishment of a one focal point for agricultural financing was expected to result in enhancement of integrating data sourcing and analytics, coordination of public investments and sharing of knowledge and research findings.

However, successful establishment hinged on addressing the key bottlenecks such as barriers in legal and regulatory framework, policy barriers and a lack of blended financing for the agriculture sector. The presenter shared highlights of the Kampala principles, developed by the Global Partnership for Effective Development Co-operation. The Kampala principles toolkit provides tailored advice to countries and organizations engaging in private sector partnerships in development

co-operation. They emphasize principles such as inclusive participation, sustainable resource management, market-oriented approaches and empowerment of smallholder farmers. These principles served as a framework for policymakers, stakeholders, and practitioners to guide their efforts towards fostering agricultural growth, food security, and poverty reduction.

#### Session Moderator:

James Kashangaki, Chief Programme Officer - FSD Kenya.

#### Panelists:

- o Moses Banda, Inclusive Finance Expert, Executive office of the president
- o Dr. Gilbert Muthee, Director agribusiness and market department, State Department for Agriculture
- o George Kubai, Managing Director, Agricultural Finance Corporation (AFC)
- o George Macharia – Head of Agribusiness, Equity Bank Kenya PLC

#### Outcomes from the panel discussions:

- Reports on support from commercial banks to the agriculture sector is understated. This is attributed to the requirements by the Central Bank of Kenya, which provide guidelines on loan classification, capital requirements and risk classifications. There is no standardized approach in identifying credit beneficiaries from the agricultural sector. There is therefore need to reclassify agri-industry lending, a task that demands the involvement of all stakeholders, including government agencies, the private sector, farmer organizations, and county governments.
- Involvement of peripheral service providers will help provide controls for unsustainable credit push to smallholder farmers
- There has been no structured way of collecting data on agriculture financing in Kenya. To address this challenge, the Government of Kenya aims to make use of the following to support data gathering/ generation:
  - o Multi-value chain cooperative in each ward in the country
  - o Savings and Credit Cooperative (SACCO) in each ward in the country

- o Aggregation and Industrial Park in each of the 47 Counties
  - o Linking of farmers to markets at the county level
- The diaspora can utilize remittances to support agricultural enterprises through investments, support unlocking international markets by linking them with farmer cooperatives and SMEs and help in identifying potential markets
- Robust and dependable domestic and international markets, that leverage ICTs, are poised to stimulate lending in agriculture, especially considering that market accessibility remains a significant challenge for smallholder farmers
- There is need to develop/align policy to support establishment of a high-level coordination unit for agricultural finance in the country, which will champion agriculture finance.
- The agricultural finance coordination unit should have an institutional framework to embody the coordination and should include all key stakeholders such as; county governments, government agencies, private sector, NGOs, development partners, and agricultural traders among others.
- The unit should be mandated to handle the following aspects:
  - o Serve as the custodian of data and handle information management
  - o Handle technical support services such as ICT, data, capacity building and finance literacy
  - o Spearhead and coordinate resource mobilization including grants, securities, donations and risk funds
  - o Support and coordinate research and innovation to support agricultural financing
  - o Formulate regulations and policies to support agricultural finance
  - o Promote farmer driven, investment anchored cash flow cycle in managing credit to agriculture
- The coordination in agricultural financing will enhance resource mobilization, sharing of data and research findings, elimination of duplication of resources through better coordination in funds mobilization and utilization and strengthening of synergy among different actors.
- To structure coordination and impact evaluation for the successful

establishment of one focal point coordination unit, there is need to develop an M&E framework with key performance indicators (KPIs). Monitoring and Evaluation is needed at different stages of implementation of the one focal point coordination unit for agricultural financing and both Public sector, private sector and development partners should be involved in developing the M&E framework

#### Key action areas

- Develop a roadmap to establish the one focal point coordination unit for agricultural financing
- Legal and regulatory framework - Review existing laws and regulations related to agricultural financing to identify any gaps or barriers that need to be addressed in establishing the coordination unit. Developing new policies or amending existing ones as necessary to support the unit's functions
- Define the structure, mandate, and functions of the coordination unit, including its relationship with existing county governments, government agencies and financial institutions involved in agricultural financing
- Identify capacity gaps within the coordination unit and provide training and support to staff members to ensure they have the necessary skills and knowledge to effectively carry out their roles
- Establish an integrated system for collecting, analyzing, and disseminating information related to agricultural financing to support decision-making and monitoring of progress
- Developing mechanisms for monitoring and evaluating the performance of the coordination unit and its impact on agricultural financing outcomes



Panel discussion on establishment of one focal point for agricultural financing

### 3. De-Risking investment in agriculture

The extensive scope of de-risking investments in agriculture was acknowledged and the aim therefore was to seed the conversation in order to build-on through subsequent efforts. Three areas were discussed:

#### 3.1 Demystifying de-risking of agriculture

In pursuit of scaling access to finance in the sector and in recognition of the need to encourage private sector investment, there is need to have an overview of the operating environment of agricultural value chains to identify potential risk areas. The overview, presented by Wohoro Ndochho, CEO, SNDBX Capital, brought out the following:

- De-risking is the proactive pre-emption and management of major but known risks (e.g. the likelihood of drought is famine) to ensure identified desired outcomes (e.g. farmer's income) are achieved amidst uncertainty (e.g. unpredictable rain patterns/climate change impacts).
- It is also a proactive risk management framework that aims to achieve identified desired outcomes (e.g. predictable fertilizer supply) by pre-empting known risks (e.g. Russia/Ukrainian war) amidst uncertainty (e.g. current global supply chain disruptions due to war) to minimize their adverse impact (e.g. weak food security/ surge in food price inflation leads to an increase in poverty) if they occur, so that mutually agreed actions, tools (e.g. harvest insurance) and responses (e.g. local fertilizer production) are taken, deployed or initiated all within a stakeholder relationship context (e.g. farmers, insurers, investors, government) tied to achieving the desired outcome(s) (food security/poverty reduction).
- The main purpose of de-risking investment in agriculture is to lower sector risks and build bridges between financing/investment partners and sector players.
- For successful de-risking in agriculture, government at national and sub-national levels have a role to play as 'de-riskers-in-chief'. Other

elements that will need to be in place include financing tools and methods, de-risking frameworks, tools and templates, and a robust R&D segment. Further, the primary nature and challenge of Kenya's food production calls for the incorporation of the peasant farmer as an SME and leveraging technology for risk minimization.

#### 3.2 Sealing the leaking pipeline to improve quality of expenditure on agriculture in Kenya

This topic by PwC aimed to provide an overview of avenues where resource "leakage" adds to the challenge of managing risk in the agricultural sector. Leakages in financing agriculture can be from intentional acts, inefficiencies in processes and natural occurrences with causes that include inefficiency, natural events, intentional acts – Economic crime, fraud and corruption, and affect a wide range of actors that include farmers, financial institutions (banks, SACCOs, Micro Finance Institutions, private equity), insurance companies, agro-processors, donors and NGO's and governments. To address the leakages, it is necessary to promote an ethical culture, enabling fraud detection and intervention, and strengthening resilience by enhancing process-wise controls. At the government level, it is necessary to establish the correct legal framework that enables investigation, prosecution, conviction and recovery of proceeds of crime. A proposal was made to expound this topic in the next FINAS dialogue in order to come up with actionable areas, led by PwC.

#### 3.3 Opportunities for de-risking

This section provided examples of on-going de-risking initiatives. There is indeed room to explore untapped potential for de-risking in both the livestock and blue economy and fisheries sectors, that remain key drivers for agricultural transformation.

## Key highlights:

- In de-risking the livestock sector, there is need to focus on market systems, anticipatory actions and interventions, in order to complement emergency responses, and as well incorporate youth and women. A bigger percentage of climate investment also needs to go towards research on development of livestock systems to optimize the sector. Institutions such as the International Livestock Research Institute (ILRI) remain a critical catalyst/enabler in risk financing as it provides research linkages with government, private sector, research institutions, academia, and donors.
- Suggestions on de-risking financing solutions through resilient market systems:
  - Designing financial services that speak to the context and environment of the drylands. This requires provision of complementary services and linking to the broader livestock value chain.
  - Acknowledging that challenges/barriers do not only exist on the demand side but also on the supply side as well.
- The NCBA has made a commitment to green the environment with a target of mobilizing KES 30 billion for green and sustainable finance to address climate change by 2030, by supporting businesses in green financing; it is hence de-risking the agriculture sector by running a guarantee scheme and is intentional on bringing women and youth into the economic space.
- IFAD'S Food Systems Financing (3FS): IFAD's global support in the food systems transformation financing agenda was USD 350 - 400billion/year, and USD 7676 billion/year in Africa, with the financing portfolio in Kenya amounting to USD 224 Million in four investment projects with operations across 37 counties. IFAD tracks financial flow to food systems through Domestic public financing, International development financing and Private sector financing. Expenditure in agriculture was either specific or supportive to food systems along the following components: Agricultural and value chain development (31.8%); Infrastructure for food systems (24.5%); Nutrition and health (12.4%); Social assistance (including emergency food assistance) (22.2%) and Climate change and natural resources (9.1%).
- MasterCard Foundation Fund for Resilience and Prosperity: This is a 7-year, US\$ 126 million Fund, whose main objective is to unlock enterprise growth, catalyze, scale-up and sustain the creation of dignified and fulfilling work opportunities for the young including PWDs, IDPs and refugees; with a greater focus on young women. Through various interventions, the program aims to support SMEs in agriculture, digital economy and climate adaption across 20 countries in Sub-Saharan Africa. The fund will address a broad spectrum of SME specific challenges as well as macro issues using four interventions, namely: Challenge Fund, Technical Assistance (TA), Connect Fund, and Convening and Influencing. The Agribusiness Challenge Fund is a rolling call for proposals open for nine months from March 2024. Support from the fund will include grants ranging from US\$ 500,000 to US\$ 2,500,000, disbursed over a 3-year period, and categories of interest include primary production, processing and aggregation, trading and market linkages. Prospective solutions supported by MasterCard Foundation to support climate adaptation and agriculture can fall in the following categories:
  - Support organizations providing farmers with early warning systems for extreme weather conditions
  - Support businesses that specialize in developing and selling climate-resilient crop varieties tailored to specific regions
  - Support enterprises offering various food storage and preservation solutions tailored to specific crops
  - Support enterprises that supply efficient irrigation technologies such as smart irrigation systems, drip irrigation, and soil moisture sensors for adaptation to water scarcity
  - Support enterprises training farmers on changing the calendar of planting and changing crop intensity in tandem with the changing climate
  - Support organizations that are offering crop insurance services tailored to farmers especially youth and women
  - Support enterprises enhancing development of locally driven adaptation techniques in agriculture through partnerships between farmers, experts and other stakeholders

- Up-coming initiatives from MasterCard Foundation to support agriculture financing include the Climate Adaptation Challenge Fund which will be a rolling call for proposals that will launch in 2025 and be open for nine months, and the Digital Economy Challenge Fund will be a rolling call for proposals that will launch in 2026 and be open for nine months. Further, MasterCard proposes to walk with the recipient of the fund for 7-10 years to enhance sustainability, which helps de-risk the private financing organizations and the SMEs.
- AFDB's Africa Climate Risk Insurance Facility for Adaptation (ACRIFA) aims at introducing a framework linking the insurance industry, value chain actors and ecosystem enablers. It is expected to serve as a conduit for climate financing and championing the use of insurance products as instruments for climate adaptation and mitigation. Its resource mobilization strategy focuses on adaptation, mitigation and loss and damage.

ACRIFA's unique de-risking mandate will enable it to expand the scale of existing related climate insurance initiatives, which focus on the sovereign level (such as ADRIFI) but which also operate at meso and micro levels.

- At the micro-level, ACRIFA will avail insurance to individual producers, securing their access to inputs and protecting against production yield, drought, flood, pest, input credit, price and storage risks
- At the meso-level, ACRIFA will support financial institutions and value chain actors with grants, technical assistance, guarantees, first loss, stop loss, purchase of deductibles, premium financing etc. to fortify agri-food chains against climate-induced risks
- At the macro-level, ACRIFA will build on ADRIFI's experience and network of partners to facilitate pre-arranged financing for national food security and public disaster responses.

The facility is currently under design to mobilize \$1 Billion of concessionary, high-risk capital and grants to stimulate the development and uptake of targeted climate insurance solutions delivered through African primary insurers and reinsurers across the African continent.

### 3.4 Status of agriculture insurance and avenues for scaling up the uptake of agriculture insurance solutions - Panel discussion

**Session Moderator:** Dr Nungari Mwangi, Consultant, Strategy and Partnerships, Agri-SME Innovative Financing and Development, Agriculture Finance and Rural Development Division, AfDB.

**Panelists:**

- Tom Gitogo, Group MD and CEO Britam Holdings PLC
- Wohoro Ndochho, CEO, SNDBX Capital
- Maurice Ouma, Project Coordinator, De-Risking Inclusion and Value Enhancement of Pastoral Economies (DRIVE) Project
- Ashok Shah, Group CEO, Apollo Investment/APA Insurance
- Dr Hassan Bashir, Senior Consultant – Climate Insurance, African Development Bank (AfDB)



### Insights from the panel:

- Insurance penetration remains low in Kenya with uptake of insurance in the agriculture sector at <3%. Government support through development of favourable policy therefore remains key for insurance penetration in agriculture. On the other hand, the insurance companies need to develop a favourable approach/strategy for pitching insurance products to farmers.
- Key hindrances to the design and piloting of insurance in agriculture include quality of data, aggregation of critical masses or assembly of a sufficient pool of farmers, and low awareness on insurance among farmers.
- Partnership with the private sector, leveraging on technology, risk pooling, and raising awareness on the insurance concept and product are important towards successful scaling out of livestock insurance.

**Key action area:** Draw up and set ground for operationalization of a roadmap for cross border risk sharing as a de-risking option that can be operationalized through a consortia of insurance companies in different countries to share and spread risks.

### 3.5 Funding instruments to support climate adaptation & mitigation in the agricultural sector -Panel discussion

**Session Moderator:** Daniel Munyambu, Country Agribusiness Specialist, ABSA Bank Kenya PLC.

**Panellists:**

- o Kennedy Mugambi, Tax Advisor, KPMG
- o Veronica Ndetu, Director, ADAPT Kenya
- o Jared Ochieng, Senior Agriculture Specialist, FSD-Kenya
- o Winfred Kinuthia, Grants, finance and operations manager, MasterCard

**Highlights from the session:**

- Carbon markets is one strategy to support climate adaptation and mitigation in the agricultural sector for the following reasons:
  - o Helps Kenyan farmers generate additional income by implementing sustainable farming practices that sequester



carbon

- o Provides compensation for farmers implementing practices that provide environmental benefits
- o Provides an opportunity to diversify their income streams beyond traditional agricultural activities
- Environmental Stewardship - Farmers can play a crucial role in mitigating climate change and protecting fragile ecosystems through their participation in carbon markets.
- For farmers to benefit from carbon markets, proper regulatory frameworks to promote integrity and support valuation of carbon credits are required. Other factors that will lead to its success include: tax incentives in the generation and sale of carbon credits, awareness raising and capacity building, enhanced access to information, financial support and collaboration between government agencies, NGOs, private sector stakeholders, and international organizations.
- Government ought to collaborate with the banking and insurance sectors to establish a standardized and transparent framework, in which carbon credits can be valued and insured based on their impact on reducing emissions. This valuation can then be integrated into collateral assessments. Such recognition would incentivize emission reduction, and also align financial institutions with climate goals.
- An understanding of the climate related terms is key. Adaptation

is where the whole economy is trying to shape up or model itself against the effects of climate change. In mitigation, a country tries to slow down climate change, while resilience entails trying to reduce the hazardous effects of climate change, and the welfare of the society. Resilience of agriculture can be enhanced by piloting and implementing solutions that work for smallholder farmers.

- A key financial related challenge faced in driving solutions on mitigation and adaptation is lack of records by farmers, which results in their exclusion in accessing financing, and lack of trust and transparency between the financial institution and the smallholder farmer.
- Smallholder farmers experience the greatest shocks from climate change. The cost of activities related to climate change adaptation is high with Kenya requiring \$4.6 billion per year to fund adaptation efforts.
- Grant funding has a major role to play in climate change mitigation

and adaptation. It aims at supporting SMEs in climate change mitigation and adaptation by providing capital to the SMEs; bridging technical capacity gaps; and connection aspects for sustainability. However, policies and regulations to support grant funding remain a challenge.

- Flows of climate finance into Africa are currently heavily oriented towards the public sector, with 85% benefiting the public sector.

## Key Action areas:

- Development of policy and regulations that will regulate trade in carbon credits
- Undertake environmental impact of climate change on agriculture –support data is missing
- Develop Data Sourcing and support for risk amelioration

## 4. Technologies, digitalization and research/data

The session explored digital finance, data and technology in the agricultural sector. The discussions were guided by a keynote from Ali Hussein, Chairperson of the Association of Fintechs (AFIK) on Pillars of success towards a vibrant digital financing ecosystem and Dr Paul Thangata of AGRA on Building a sustainable agricultural research-financing model. These were complemented by panel discussions



Panel discussion on Pillars of success towards a vibrant digital financing ecosystem

#### 4.1 Pillars of success towards a vibrant digital financing ecosystem

**Session Moderator:** Ali Hussein, Chairperson of the Association of Fintechs

## Panellists:

- o Dr. Kiringai Kamau, CECM Agriculture, Livestock, Fisheries and Blue Economy, Murang'a County
- o Munyi Nthiga, Secretary General, Association of Fintechs in Kenya and Executive Director, Ketha Africa
- o Penny Musengi, CEO and Founder, Pesira
- o Tabitha Njeri Njuguna, MD AFEX Kenya

### Session highlights:

- The key pillars for success in a digital financing ecosystem include: a policy framework, technological infrastructure, and capacity building.
- Data-driven credit scoring and risk assessment are important for objective evaluation and personalized financing.
- Digital financing will contribute to market expansion. However, there is likelihood of security concerns that calls for continuous innovation.
- There are challenges in market access that call for digitization in agricultural value chains and include: logistical challenges that hamper timely delivery of produce to markets; lack of information on the markets by the producer; lack of information about the producer by the market, and lack of records, and traceability. Digitalization can help in enhancing traceability and monitoring different aspects such as the use of inputs and agronomic practices.
- Digitalization of agriculture at the county level has not taken off well, with an estimated 20% digitalization level and only 4% of the value being digitally captured. This is as a result of: challenge of data enumeration, which affects data quality; broken flow of value and information; approach to financing for smallholder farmers, where farmers get paid last in the value chain and get paid late after supplying their produce, yet the cost of money due to the delay in payment is not taken into account. There is therefore need to democratize financing of farmers.
- The Central Kenya Economic block has taken a common approach for digitizing/automation of agriculture, setting pace for other counties and economic blocks. For successful digitization however, there is need to ensure availability of quality and reliable data.
- Consolidation is the concept behind cooperatives and groups' collective action, to enable farmers to enjoy higher market prices. However, consolidation as currently structured has largely been ineffective.
- Access to market information such as prices is used as a bargaining tool. Therefore, data needs synthesis to make it easily usable by various value chain actors including the farmer. This would promote digital marketplaces and catalyse payments. There is therefore need for the government to develop favourable policies that support

consolidation, markets, and data generation in the agricultural sector

- There is need to support agriculture start-up ventures specifically in licensing and accessing capital, considering that most policies and capital access requirements are prohibitive to the youth and women

## 4.2 Building a sustainable model for agricultural research funding in Kenya

This session was guided by a keynote presentation by AGRA on Kenya's journey for building a sustainable funding mechanism for agricultural research in Kenya. The key note was followed by a panel that looked at the importance of data for sound decision making in agricultural finance.

**Session Moderator:** Kevin Shikuku, Scientist, ILRI

**Panellists:**

- o Dr Canisius K. Kanangire, Executive Director, African Agricultural Technology Foundation (AATF)
- o Maarten Susan, Financing Agriculture Digital Platform
- o Sharon Mosin, Country Director-Kenya & GSL, Aceli Africa



### Session highlights:

- The Kenya government has come close to establishing an agricultural research fund through the KALRO Act 2013, but is yet to be operationalized. The current funding model has been affected by aspects such as the removal of levies on major agricultural

commodities, over-reliance on donor funding, skewed funding towards adaptive and on-farm research, leaving a huge resource gap for the generation of new innovations and knowledge, and weak infrastructure for commercialization of research outputs including weak policy, stringent processes to register patents, and weak enforcement of royalties.

- Several options have been fronted for the operationalization of the Agricultural Research fund as follows:

**Option 1:** Operationalize the ARF after reviewing the KALR Act 2013

**Option 2:** Operationalize ARF as currently anchored in KALR Act 2013 – option favoured by KALRO

**Option 3:** NRF to remain the channel for support for agricultural research – important to ring fence the agriculture budget

**Option 4:** Ministry Budget Provision – re-direction of funds

- Research/evidence and data can help in prioritizing investments and financing of the agricultural sector for example by supporting seed systems and technology transfer for climate change mitigation.
- While quality data is key for purposes of supporting investments, there is need to ensure that there is a guiding policy on data protection and use.
- Financial institutions particularly commercial banks rarely utilize data to inform decision on lending. There is need to develop a framework for measuring the impact of bank lending to the agriculture sector. Credit lending should be based on qualitative and quantitative data under the philosophy “to measure is to treasure”
- There is need to promote voluntary data sharing among actors in the agriculture sector as has been the case with commercial banks. Collaborative data sharing enables stakeholders to better assess and mitigate risks associated with agricultural production and financing. This leads to more informed decision-making and reduced lending risks for financial institutions. There are however aspects to be considered to make collaborative data sharing a success and these include: Ensure compliance with relevant legal and regulatory requirements governing data ownership, sharing, consent, privacy and security and implementation of a robust data privacy and

security measures to protect sensitive information shared among stakeholders

- Collection of quality data requires a standardized approach, which makes the process slow and expensive. There is need to generate data at County level and devolve data access. To manage costs, credible sources such as secondary data generated by Universities and research institutions can be utilized where need be. Numerous organizations have adopted the approach of collaborative data mining and usage, which involves both primary and secondary data. AATF for example has initiated data mining to inform decisions on technology transfer.

### 4.3 Lessons in agricultural finance – Five crucial insights

This session focused on the strengthening of the capacity of financing and lending institutions and on how to make data more useful for decision-making. Below is a summary of the session, led by Maarten Susan, who leads the Financing Agriculture Digital Platform.



Maarten Susan, Financing Agriculture Digital Platform.

- The need to plan for the future was presented through the presenter's analogy of a futuristic scenario, of 2064. The projected changes are likely to include: Urban expansion, increase in the current population by 26 million people to 82 million; urbanization, transforming rural areas and societies. This calls for a transformation of the agriculture sector to meet the increasing demand for food.
- The following strategies will be key in transforming the agriculture sector:
  - Private sector-driven transformation
  - Public-private planning and coordination
  - Digitization of agriculture and other service sectors
  - Large scale and commercial agricultural production
  - Adoption of technologies and innovations that are effective and efficient e.g. feedlots for livestock production, and mechanization of the agriculture sector
  - Climate change adaptation and mitigation e.g. through breeding of drought resistant varieties, water conservation techniques such as drip irrigation, use of green energy, regenerative agriculture
  - Shift of smallholder farmers from subsistence farming as their primary occupation to generating income from secondary sources
- Transformation of the agricultural sector will therefore need the following aspects: Awareness creation-starting and maintaining a dialogue among stakeholders; a think-tank (scenario building by stakeholders' group), commitment from the financial sector; coordination (stop fragmentation of well-intentioned initiatives), and co-operation (public and private sector).
- Commitment in financing the agricultural sector is lacking in many commercial banks. In its 2023 Learning Brief, Aceli Africa summarized five key points that need to co-exist in agri-interested banks: Senior-level commitment, defined agriculture strategy, empowered middle managers, internal awareness and alignment and engagement at branch level.

#### Key action areas:

- Create a standardized loan classification framework for financial institutions tagging their clients on what VC they work in and the activity that they perform.
- Establishment of a centralized repository for collating, analysing, and disseminating data and research findings relevant to the agricultural sector. The centre should be equipped with modern data collection tools and employ interdisciplinary teams. Through strategic partnerships with government agencies, research institutions, financial institutions, development agencies and NGOs, the centre will facilitate data-sharing, capacity-building, and policy dialogues. The stakeholders will also access actionable insights on sustainable agricultural practices, market trends, and financing opportunities, enabling informed decision-making that fosters resilient and inclusive agricultural development in Kenya.
- Finalization of the process of setting up an Agriculture Research Fund

## 5. Private sector role in sustainably financing agriculture - addressing the missing middle

This session sought to bring out the role of the private sector in the achievement of a financial system that delivers value for need and takes into consideration gender inclusivity. Private sector continues to be part of the missing middle and several efforts that were discussed in this session highlighted the status and lessons learnt.

### 5.1 Case study from MESPT

MESPT strategically focuses on agri-enterprise development, financial access and inclusion, agricultural productivity, food safety, green transformation, gender equity and youth empowerment, whereby women comprise 40% of the beneficiaries from MESPT. The enterprise plans to integrate 30% youth in their programs across selected value chains and green projects contributing towards sustainable financial investments amongst agri-MSMEs for socio-economic development in Kenya through: increased loan portfolio and revenues generated by financial institutions and agri-SMEs, reduced barriers in financial access and utilization amongst vulnerable agri-SMEs, women and the youth and increased access to technical assistance and business advisory services by financial service providers and agri-SMEs.

MESPT outlined a case study involving support to Elgon Fish Farm for a fingerling production enterprise in Trans Nzoia County. The key challenge was climate change effects on water resources and the solution involved expansion of water dam and drilling of a borehole, powered by solar energy. As a result of MESPT's intervention, there was strengthened capacity to produce quality 1.5M mono sex fingerlings per cycle, mobilization of over 1000 smallholder fish farmers (ongoing), increased partnership with Directorate of Fisheries in Trans Nzoia County, business opportunity for cage fish farming in the dam (at inception) and employment creation during and after completion of the project.

### 5.2 Insights from Apollo Agriculture's experience with smallholder farmers in the region:

- More than 95% of the small holder farmers lack access to financing; yet they manage 90% of the 2.5 billion acres of farmland.
- Apollo's financing model that is bundled with agri-services ensures higher returns on investment for the farmer. The company adopts a holistic financing approach to the farmers' needs including farm inputs and tools, digitized advisory services, insurance and market access, and farmers use mobile money services to repay their loans either after harvest or following the sale of the crop.
- The use of digital tools to solve challenges encountered has been instrumental in the success of Apollo's interventions. These include: Apollo's credit models and proprietary credit data which facilitates profitable farm financing; their automated agent network, mobile payments and farmers' referrals which lead to low-cost automated customer experience and Apollo's 'checkout' App and existing informal retailers that leads to scalable last-mile distribution.
- Apollo is working with an estimated 1,000 retail partners, 200,000 paying customers, and 10,000 agents in Kenya and Zambia, and its model has resulted in a significant increase (2.5 times) in yield and profit with 89% participating farmers reporting increased productivity and 84% reporting increased quality of life.

### 5.3 ABSA's support for women and youth in agribusiness

- Women represent 42-60% of the agriculture labour force in Kenya and are better at credit repayment compared to men but yet more vulnerable to climate shocks and hold less than 10% of registered land title deeds.
- Absa bank has targeted supporting initiatives that use a value chain approach and promotes access to sustainable finance, markets,

training, mentoring & coaching, information and insurance. The bank funds and promotes climate smart agriculture and organizes benchmarking trips for women to learn best practices in the agricultural sector across the globe, including learning about the requirement of agricultural products in the international markets. To optimize benefits from the trips, ABSA bank engages experts to assist women tackle issues identified from benchmarking activities on accreditation, logistics and standards, amongst other aspects. Whereas Absa has specific programs that support women groups, it forges collaboration with men through identification of 'he-for-she' men to support women in each group by sensitizing other men. Its gender initiatives include reaching out to diaspora youth and reaching out to youth especially in universities under the ready to work program. The bank also supports investment in infrastructure improvement for agricultural enterprises.



Ms Elizabeth Wasunna, Business Banking Director, Absa Bank Kenya PLC.

#### 5.4 FSD-Kenya's insights towards reaching small scale farmers: The problem of coordination and its implications for finance – A review of models and innovations

Smallholder farming constitutes a significant portion of Kenya's agricultural sector, providing livelihoods for millions and contributing substantially to the nation's food security. However, the fragmented nature of smallholder farming presents challenges in achieving efficiency and market competitiveness. FSD-K highlighted various coordination

models that have been employed to overcome these challenges and enhance smallholder farming in Kenya, through various initiatives that were discussed in a panel. The benefits of using platforms to connect smallholder farmers with markets range from helping the farmer to access information on extension services, inputs, tools and machinery. The platforms therefore help address the common challenges encountered when engaging smallholder farmers such as high transportation and logistics costs, limited advisory and outreach, volatile incomes, and diversity of practices including investor base. These models, and others not mentioned, have played a role in transforming Kenya's agricultural landscape.

**Session Moderator:** Duncan Oyaro, FSD Kenya

**Panellists:**

- o Sudi Matara- KTDA Foundation
- o Seema Gohil – Director, DigiFarm Kenya
- o George Njoroge - Country Coordinator, Farm to Market Alliance (World Food Programme)
- o Joseph Wanyingi – CEO Kenlinks Ltd (Dairy aggregator and value chain specialist)



## Models discussed in the panel discussion:

### 5.4.1 Kenya Tea Development Authority (KTDA) and its role of aggregation and connection to markets

KTDA is a private Limited Company with 54 factories, which are run as limited companies, serving 720,000 smallholder farmers. KTDA through its subsidiaries supports tea production, logistics, insurance brokerage, tea blending (KETEPA), financing to the farmers, energy production and research and development. As an aggregator, KTDA focuses on competitive sourcing of financing and competitive sourcing of inputs to get the best rates especially for fertilizer, marketing, procurement of machineries, financial inclusion and corporate social projects.

KTDA nevertheless continues to face challenges that are likely to hamper progressive efforts, that include the politicizing of the crop, stagnant tea prices in the global market, high cost of production especially energy costs, declining productivity because of climate change and land subdivision hindering economies of scale.

### 5.4.2 DigiFarm Kenya

DigiFarm Kenya connects smallholders to services and markets, finances farmers and provides the infrastructure to digitize farmer details. The platform recognizes opportunities for supporting farmers that include blending of human activities with technology, digitizing processes to support farmers especially those not keeping records and embracing technology and making use of data.

### 5.4.3 Farm to Market Alliance (World Food Programme)

- Aggregation as a model is a desirable solution to supporting smallholder farmers and helps organize farmers into economic units.
- Farm to Market Alliance started with a model that had no impact at farmer level because Farmer Leaders in the original model were not effective in supporting farmers. Consequently, FTMA had to develop a new model and changed the approach from using Farmer

Leaders to building a business (commercial model) with the aim of supporting farmers become entrepreneurs.

- FTMA sees opportunity through building strong rural economies to attract youth to either practice or support agriculture; this will help reduce pressure in urban areas. Use of technology to enhance productivity and involvement of women in agri-enterprises is key. The alliance acknowledges enhancement of traditional value chains to make them attractive, and building dynamic models to support rural economies including engaging financial sector actors to support agricultural enterprises.

### 5.4.4 The Farmer Service Center (FSC) model

This model is supported by the Farm to Market Alliance (FTMA), that focuses on the last mile linkage of inputs, extension, information and services, supporting the supply chain from the farmer to the market by organizing producers to aggregate and conduct quality checks. FTMA's stakeholders include smallholder farmers, input providers, buyers and financial service providers and services provided by FSC include training, first mile access to lower cost inputs, last mile access to markets, negotiating commissions with suppliers, extending viable market reach, reducing dealer financing, certification and quality control and providing access to trade finance channels for new farmer and aggregator customers.

The success of the Farmer Service Center is attributable to adoption of various strategies including an expansionist approach, identifying its niche and providing community leadership.

Kenlinks Limited offers aggregation services, farmer advisory, farm inputs and digitization. It is strong on coordination as a means of de-risking smallholder farmers through advocacy, access to markets, inputs, finance, and insurance.

## 6. Closing Session moderated by the State Department of Cooperatives



### 6.1 Leading from the Front: Garnering leadership, commitment for agricultural transformation - from Policy to action

This session presented the case for moving policy and promise to action. The journey of Equity Bank was presented by Samuel Makome, Group Chief Commercial Officer. The Bank, founded as Equity Building Society, was built by support from smallholder tea farmers, who served as its first group of customers. Based on this recognition, Equity Bank has been leading from the front in supporting farmers and the larger agricultural sector. The bank runs the Africa Recovery and Resilience Plan (ARRP), which has six pillars including Food and Agriculture and aims to elevate lending to food and agriculture enterprises to 30% by 2030. The bank has been supporting capacity building efforts among farmers and processors of agricultural produce, as well as financing purchase of agricultural machinery. In partnership with the Government of Kenya, Equity Bank has supported more than 90,000 farmers through the agricultural credit guarantee scheme. The bank also prioritizes support for commercializing agriculture in order to enhance productivity, employment and market access. The need for financing the agriculture sector through a public private partnership (PPP) framework was underscored.



Mr Samuel Makome, Group Chief Commercial Officer, Equity Bank.

### 6.2 Resolutions and call to action

Munyi Nthiga, Secretary General, Association of Fintechs in Kenya (AFIK), summarized the key highlights of the FINAS 2024 Conference; underscored the importance of the pre-Conference dialogues; and highlighted on the next steps. The following aspects were noted:

- The high number of FINAS 2024 Conference participants >850
- Attendance and participation of 10 State Departments across three government ministries
- Government commitment and active participation at the highest led by Hon. Musalia, Prime Cabinet Secretary and Cabinet Secretary for Foreign and Diaspora Affairs
- Multi-stakeholder engagement involving public institutions, private sector, farmers, development agencies, financial institutions, insurance companies, sector associations and academia among others.
- FINAS 2024 Conference was preceded by three pre-Conference dialogues under the following themes:
  - a) Making a case for one focal point for agricultural finance
  - b) Structuring agricultural financing at county level
  - c) Combining short-term response and long-term vision: Rethinking the approach to fertilizer subsidies

#### **Key action areas:**

- Development of an implementation plan for the actionable areas-to include a working group, and stakeholder engagement where necessary, resource mobilization plan and post conference dialogues.
- Foster partnerships and collaboration to forge collaborations among government agencies, financial institutions, insurance agencies, development organizations, private sector and academia in order to mobilize resources and expertise towards sustainable agricultural financing. Partnerships and collaborations will play a significant role in developing a comprehensive approach to providing financial support across the entire agricultural value chain, from production to marketing, including value addition. Multi-stakeholder initiatives are also essential for scaling up impactful interventions and maximizing synergies.

### **6.3 Official announcement, FINAS 2025**

- i) The official announcement of FINAS 2025 was made by Sheila Keino, Vice President, Development Cooperation, African Fertilizer and Agribusiness Partnership (AFAP) and Regional Manager for Sustain Africa in East and Southern Africa.
- ii) Moving forward, the FINAS Conference will take a regional approach while keeping the track of resolutions in previous dialogues.



*Sheila Keino, Vice President, Development Cooperation, African Fertilizer and Agribusiness Partnership (AFAP) and Regional Manager for Sustain Africa in East and Southern Africa*

## 6.4 Vote of thanks

Professor Emeritus Ratemo Michieka, Chairman of the FINAS 2024 secretariat, expressed gratitude and acknowledged contributions of the following individuals and organizations to the Conference's success:



Professor Emeritus Ratemo Michieka, Chairman of the FINAS 2024 Conference.

- i) Hon. Musalia Mudavadi, Prime Cabinet Secretary and Cabinet Secretary for Foreign and Diaspora Affairs
- ii) Hon. Mithika Linturi, Cabinet Secretary, Ministry of Agriculture and Livestock Development
- iii) Hon. Simon Chelugui, Cabinet Secretary, Ministry of Co-operatives and Micro Small and Medium Enterprises Development
- iv) Dr. Paul Kipronoh Ronoh, Principal Secretary, State Department for Agriculture, Ministry of Agriculture and Livestock Development
- v) Mr. Patrick Kiburi Kilemi, Principal Secretary, State Department for Co-operatives, Ministry of Co-operatives and Micro, Small & Medium Enterprises (MSMEs) Development
- vi) Dr. Kiringai Kamau, County Executive Committee Member (CECM) for Agriculture, Livestock Cooperatives and Blue Economy, Murang'a County

- vii) Dr. Charity Mutegi, FINAS 2024 Conference Director
- viii) All Conference participants including sector associations, government officers, exhibitors
- ix) Speakers, anchors, facilitators and moderators
- x) Safari Park Hotel
- xi) FINAS 2024 Conference Organizing Committee

## 6.5 Official closing of the Financing Agriculture Sustainably (FINAS 2024) Conference

The FINAS 2024 Conference was officially closed by Patrick Kiburi Kilemi, Principal Secretary, State Department for Cooperatives in the Ministry of Co-operatives and Micro, Small & Medium Enterprises (MSMEs) Development, who noted the following:



- Agriculture ranked top in the government's Bottom-Up Economic Transformational Agenda (BETA). The agriculture-specific strategy in BETA aims at supporting all nodes in priority agricultural value chains.
- The government was keen on, and prioritizes sustainably improving food production in order for the state to commit resources to other development sectors.



- Stakeholders in the agricultural sector must strategically allocate resources for financing agriculture and gradually augment them over time.
- The Ministry of Co-operatives and Micro, Small & Medium Enterprises (MSMEs) Development remained committed to supporting farmer cooperatives in order to enhance aggregation for the benefit of smallholder farmers.
- Sustainable support for the agricultural sector requires participation by County governments in developing solutions including financing in a farmer-centric approach.
- Government agencies need to foster dialogue with financial institutions in order to identify innovative solutions for financing agriculture.

- Stakeholders need to develop innovative solutions for de-risking agriculture through increasing credit and insurance access particularly for smallholder farmers.
- For sustainability, there is need to attract the youth to agriculture; and have mechanisms to ensure that agriculture makes business sense to the youth. To achieve this, there is need for change in policy to address the key challenges facing the youth (and women) such as lack of capital and lack of land ownership to access credit. Financial institutions should also consider developing specific credit products that support youth and women.
- The Government of Kenya will remain part and parcel of the regional Africa wide approach for future FINAS Conferences.

## Annex 1: Media links

[Agriculture and Rootooba to host Finas 2024](#)

[Mudavadi say govt working on measures to fund agricultural sector](#)

[Mudavadi say govt working on measures to fund agricultural sector](#)

[Mudavadi opens two-day conference to discuss agriculture financing in Kenya](#)

[Mudavadi opens two-day conference to discuss agriculture financing in Kenya](#)

[Mudavadi say govt working on measures to fund agricultural sector](#)

<https://youtu.be/s5xLNo66yhY?si=suTp1ep7iles-c-ps>

[Streamlining financing agriculture sustainably in Kenya](#)

[Stakeholders convenes a 2-day FINAS 2024 conference](#)

[Stakeholders convenes a 2-day FINAS 2024 conference](#)

[https://youtu.be/ZYAeazmrj9I?si=JNWEIgPixJ7\\_voUf](https://youtu.be/ZYAeazmrj9I?si=JNWEIgPixJ7_voUf)

[https://youtu.be/y6oxyMytEaE?si=PerKQAkjGcE\\_9eJr](https://youtu.be/y6oxyMytEaE?si=PerKQAkjGcE_9eJr)

<https://youtu.be/QDbCC6V3ITY?si=Sbb5FF5B4mJ1iD7b>

[- State, counties to host agri funding forum](#)

[Sustainable agriculture financing: the conversation Kenya must have urgently](#)

[Search for sustainable agriculture financing](#)

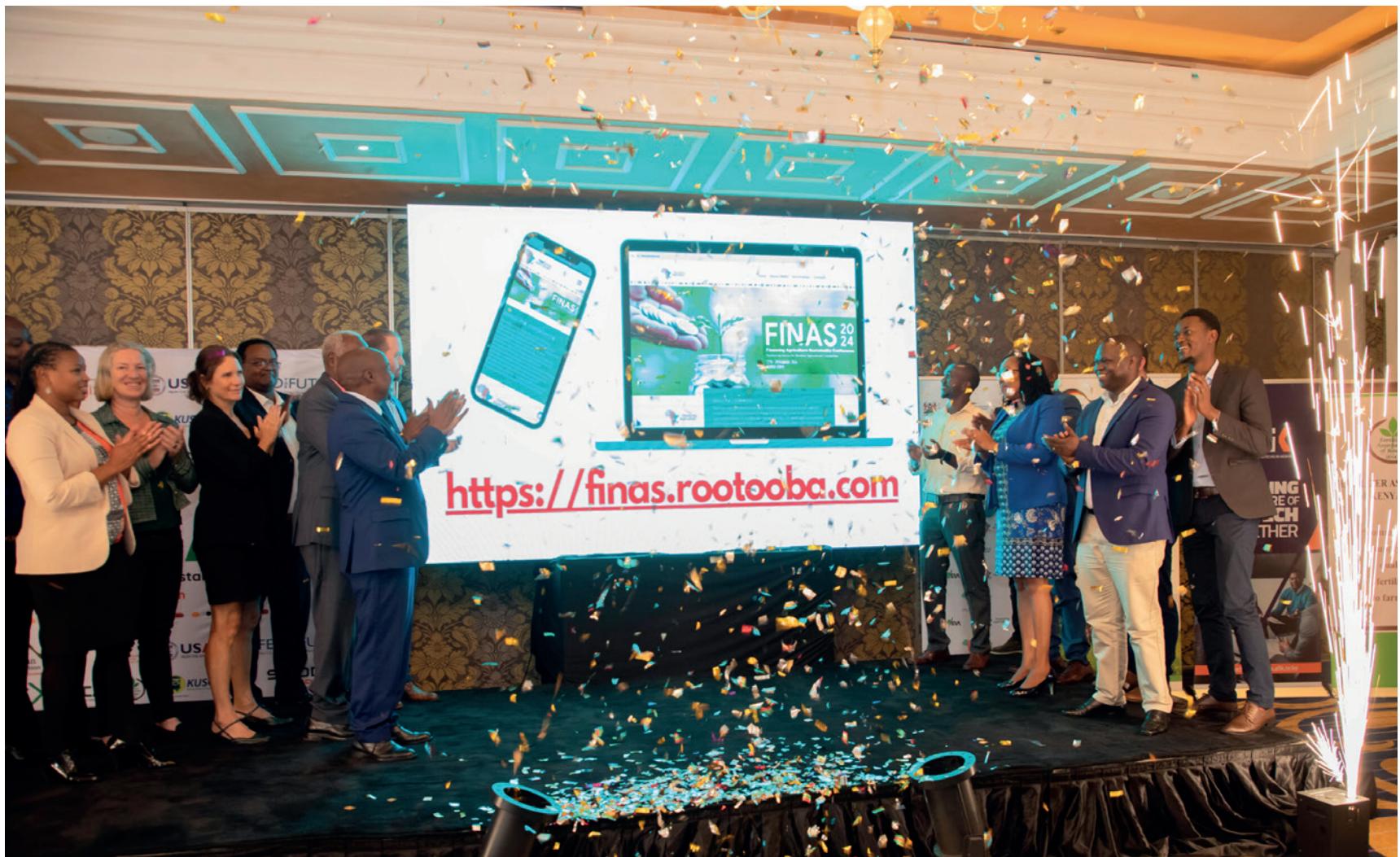
[Money constraints stunt subsidised fertiliser uptake](#)

[Leveraging tech for agribusiness](#)

[De-risking agriculture for sustainable financing of sector](#)

<https://www.pd.co.ke/business/state-promises-better-days-for-agricultural-sector-rural-farmers-228655/>

<https://www.the-star.co.ke/business/2024-03-29-stakeholders-move-to-streamline-financing-of-agriculture-in-kenya/>



# **FINAS<sup>20</sup><sub>24</sub> REPORT**

## **THANK YOU**

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