



## Brussels Development Briefing n.35

### Revolutionising finance for agri-value chains

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Kenyan Experience on Value Chain Finance.  
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Republic of Kenya



Ministry of Agriculture, Livestock & Fisheries  
State Department of Agriculture

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# **KENYAN EXPERIENCE ON VALUE CHAIN FINANCE**

Presented during policy briefing no. 35 on Revolutionising finance for Agri-value chains held in Brussels, Belgium - 5 March 2014

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# Outline

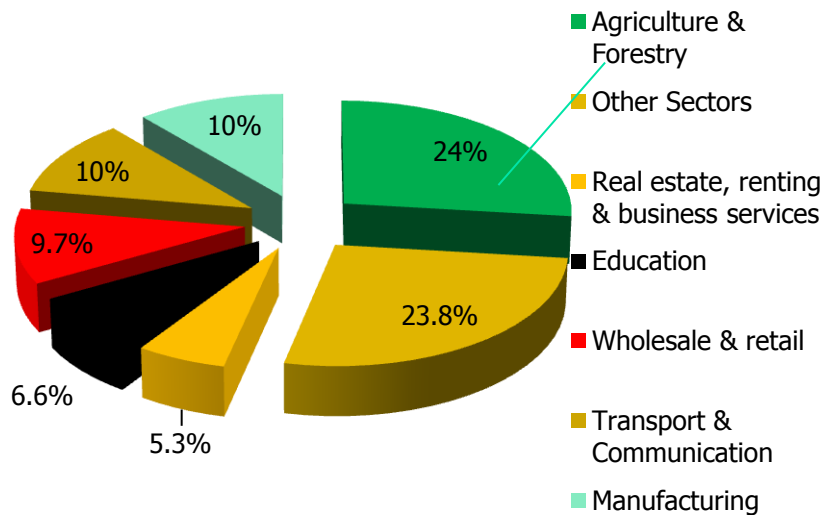
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- Importance of Agriculture
- Government Policies
- Public Private Partnerships
- Agri-value chain financing approach
- Kilimo Biashara product
- Role of technology in financial deepening



# Importance of Agriculture in Kenya

**Fig 1: Contribution to GDP (2011)**

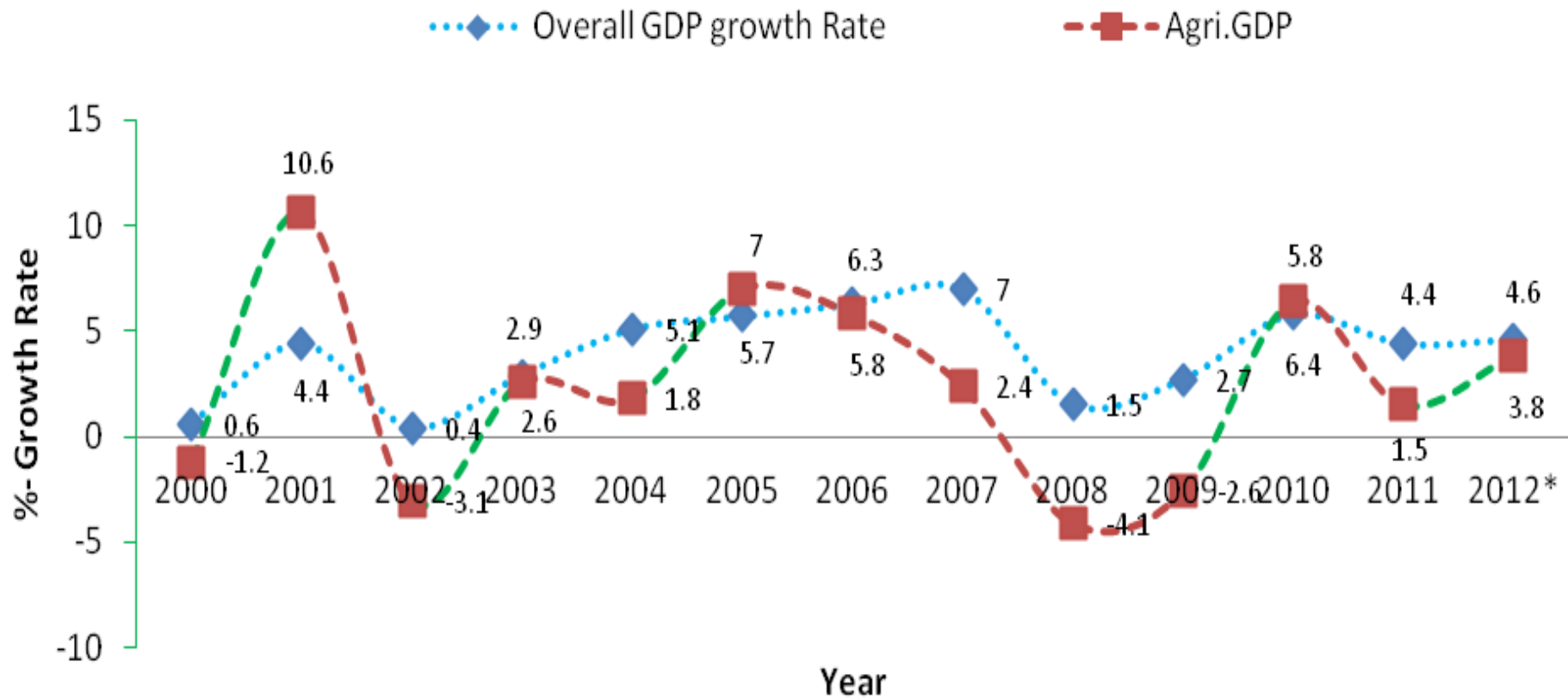


## Agriculture Contribution

- Direct to GDP (26%)
- Indirectly (25%)
- Export earnings (65%)
- Employment in rural areas. (70%)



# Agriculture vs. National Economy



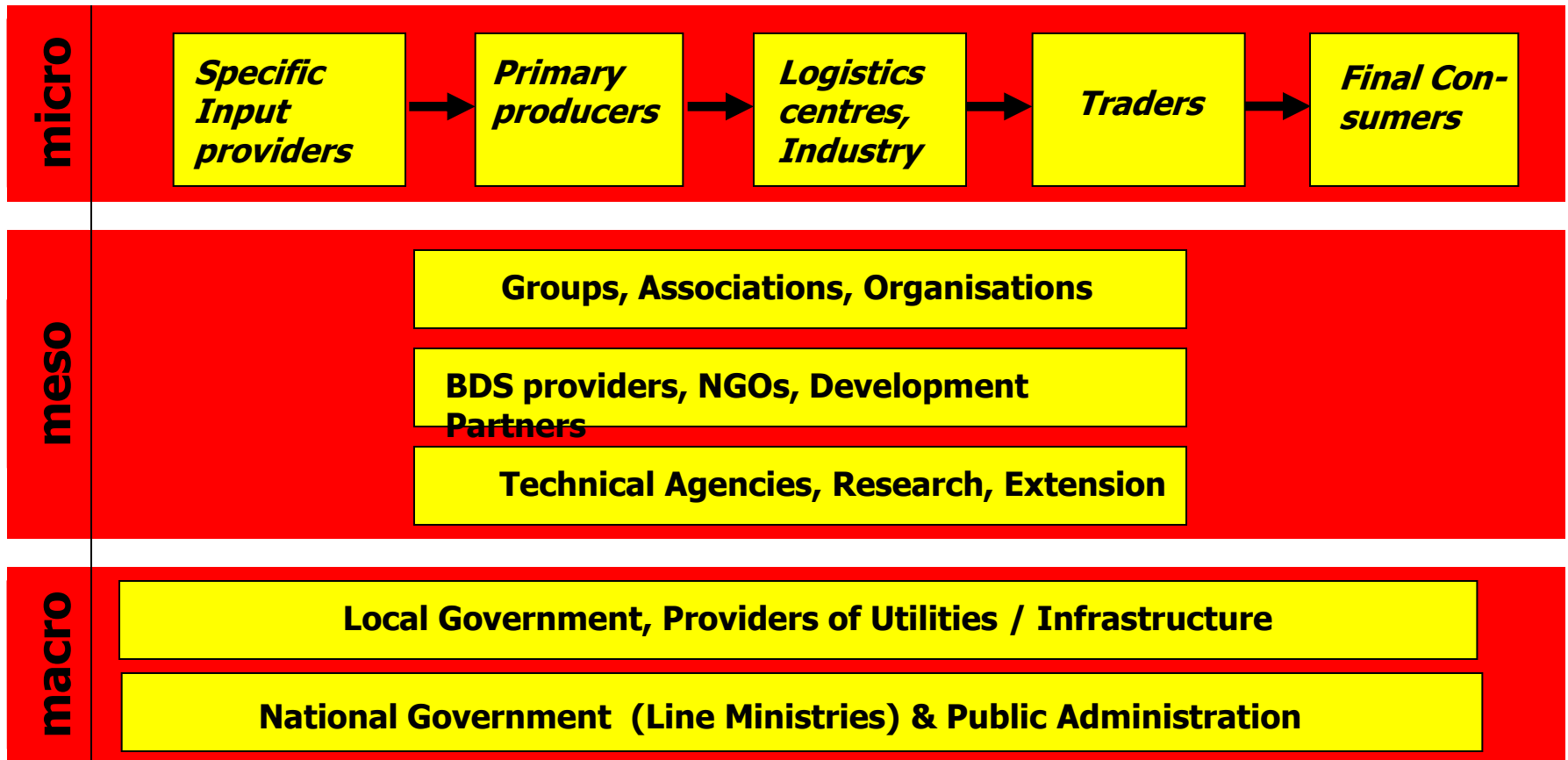


# Policies

- **Kenya Vision 2030** - envisions a “A globally competitive and prosperous country with a high quality of life by 2030”
- The financial sector is expected to play a critical role in mobilizing resources
- Sector policy documents - **SRA, ASDS & NAS** identify provision of financial services as key in agricultural growth
- Access to agricultural inputs and affordable credit is a key strategic objective of the Ministry - addressed through promoting sustainable **PPPs**

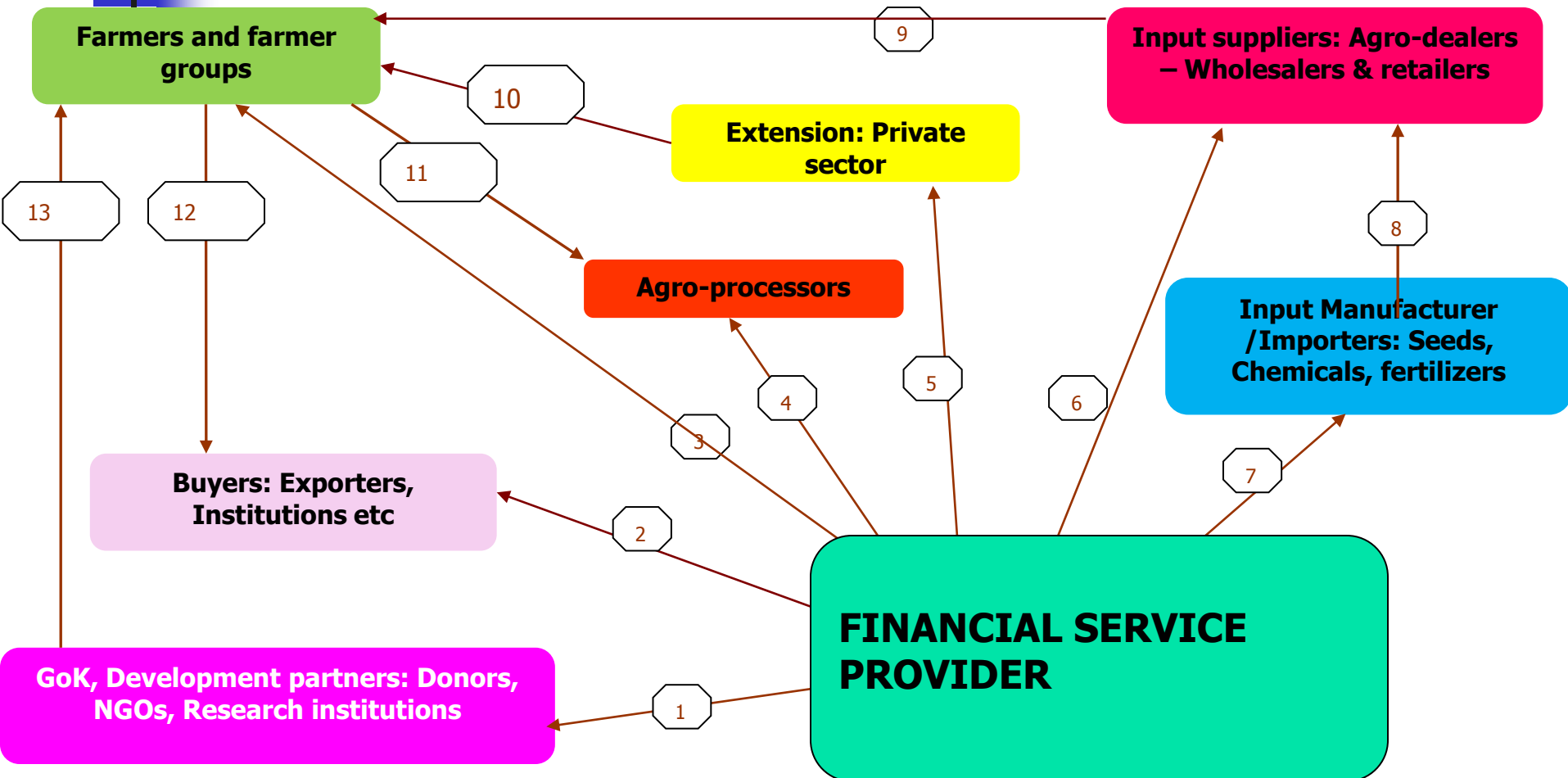


# Value Chain Financing Model





# Value Chain Approach (PPP)







# Financial Products in Agriculture

- Agricultural Credit – (**Kilimo Biashara**, Farm input, crop advance, commercial farm loans)
- Trade Finance Instruments – e.g. WRS
- Risk Management in Agricultural Financing -risk guarantee funds, weather index insurance, crop insurance and livestock insurance



# Kilimo Biashara (Agribusiness) PPP

- Objective - commercialize agriculture by improving access to credit
- Equity Bank – lending own funds Kes 3B (USD 34.5 million), equivalent to 90% exposure
- AGRA and GOK/IFAD – 5% guarantee
- Repayment pegged to crop cycle



# What has worked

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- Increased productivity and investment
- Value addition (Schemers & Keretai self help group in Uasin Gishu county and Kikoneni farmers in Kwale County)
- Farmer mobilization of own resources



# Keretai Self Help Group – A farmers group mobilizing own resources

- 28 members at registration; now 140

Yr	Credit (KShs)	Volume traded	Buyer
08/09		84*90 kg	Middlemen
09/10	843,000	220*90 kg	Dola millers
10/11	1,140,000	640*90 kg	WFP

## Growth

- Acquired 0.2 acres for cereal bank facility
- Establish a milling facility



# What has worked not so well

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- Information sharing on loan disbursements is not regular
- Smallholder farmers do not comprehend formal banking procedures (“loans=loss of land”)
- Undefined market access linkages
- High illiteracy among smallholder farmers



# Role of Technology in Enhancing Financial Deepening

- The government through the central bank has explored and implemented innovative models that will deepen Kenya's financial sector to support savings and investment growth
- Modern **technology** has played a pivotal role in enhancing financial deepening in the country.
  - **Agency, village (van) mobile, sms banking and M-pesa**



# Role of Technology in Enhancing Financial Deepening





# Opportunities

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- Establishment of a market intelligence system
- Demystify loan acquisition procedures and processes through capacity building
- Promotion of farmers groups 'own' savings mobilization and linkages to FIs
- Integrate production, financing and marketing



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**THANK YOU FOR LISTENING**