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Kenyan Experience in Agri-value Chain Financing

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Executive Summary

The learning points for participants are: Access to Finance has a crucial role to play in agricultural growth, realization of food security and increased incomes at individual, household, national, regional, and international level and involves multiple partners.

The objective of this paper is to give an overview of agri-value chain financing in Kenya and highlight the role played by access to finance in agribusiness growth in the country. Finance is a multifaceted issue which is a major concern throughout the African Region. Governments in the region therefore purpose to have financial inclusion of its people. All over the world, governments are working on policies and regulatory frameworks to ensure financial inclusion of all their citizens.

Access to finance is not only a concern at the individual level but also at the family level and a major headache to most nations in the developing countries. It contributes significantly to increased use of quality inputs and appropriate technologies along the entire agri-value chain. At the crop production level of the value chain for instance, access to finance results in increased use of quality farm inputs which lead to increased productivity for food security and wealth creation. Food security is a major concern in most developing countries and is no wonder that United Nations identified Eradication of Hunger and Extreme Poverty as the Millennium Development Goal number one (MDG1).

Access to bank credit by farmers is still a major challenge despite the fact that Kenya has a relatively well developed banking system. Risks associated with agribusiness coupled with complicated land laws and tenure systems that limit the use of land as collateral make financing agriculture unattractive to the formal banking industry.

The positive relationship between finance and level of development at national and household level is not disputed. It is against this background that this paper seeks to highlight the role of finance in growth of agri-businesses and ultimate contribution to the overall growth in national economy.

This paper looks at the importance of agriculture in Kenya, the relationship between growth in the sector and the overall economic growth, access to finance as a key challenge in the sector. Secondly it highlights the role of government in agricultural finance. Thirdly, it looks at the Public Private Partnership (PPP) model in financing agri-value chains in the country. Finally the paper looks at the role of technology in enhancing financial deepening in Kenya and the challenges hindering maximum benefit of agricultural financing opportunities.