



2021 Annual report

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Kenya

Creating value through
inclusive finance

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Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy while improving financial health and capability for women and micro and small enterprises (MSEs).

We work closely with the public sector, the financial services industry, and other partners to develop financial solutions that better address the real-world challenges that low-income households, micro and small enterprises, and underserved groups such as women and youth face.

FSD Kenya was established in 2001 to support the development of inclusive finance as a means to stimulate wealth creation and to reduce poverty. In 2005, FSD Kenya was constituted as an independent trust. We operate under the supervision of professional trustees with policy guidance from a Programme Investment Committee (PIC).

Our current funders are UK aid, the Swedish International Development Cooperation Agency (SIDA), and the Bill & Melinda Gates Foundation

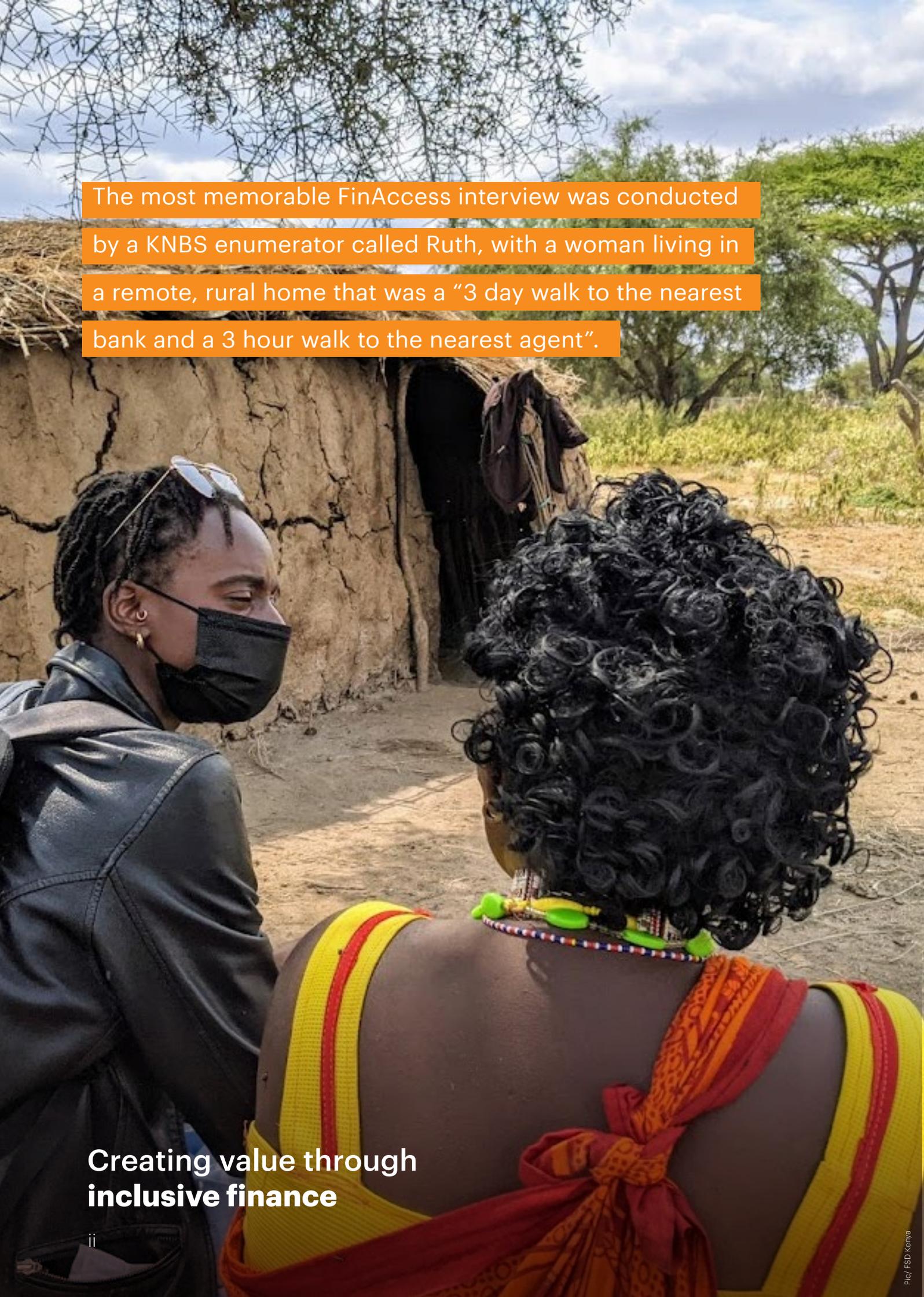




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A photograph showing two women in a rural setting. On the left, a woman with short dreadlocks, wearing a black leather jacket, a black face mask, and sunglasses on her head, is looking towards the right. On the right, a woman with a large, voluminous black curly wig and a colorful beaded necklace is seen from the back. She is wearing a yellow and red patterned top. They are standing in front of a traditional mud-brick house with a thatched roof. The background shows dry grass and trees under a blue sky with some clouds.

The most memorable FinAccess interview was conducted by a KNBS enumerator called Ruth, with a woman living in a remote, rural home that was a “3 day walk to the nearest bank and a 3 hour walk to the nearest agent”.

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Letter from the CEO

In a year that began with Covid-19's delta variant and ended with the omicron variant, 2021 was our first full year of the Covid-19 pandemic. We are all still learning to work in the 'new normal' and the FSD Kenya team worked with our partners across the public and private sectors to help facilitate the development of more inclusive financial systems in Kenya, even more critical to Kenya's long-term development goals in these challenging times. 2021 also marked the final year of FSD Kenya's 2016 – 2021 Strategy.

The [FinAccess](#) launch in December 2021 was a perfect way to cap both our year and our strategy as we considered the insights from this important demand-side data in a hybrid in-person and virtual event. Although there were only 60 people in the room, almost 2000 people joined virtually or watched the recording following the event. I was honoured to share some reflections on the findings as well as my own experience observing some of the surveys being administered in Kajiado County in July 2021.

The most memorable FinAccess interview was conducted by a KNBS enumerator called Ruth, with a woman living in a remote, rural home that was a "3 day walk to the nearest bank and a 3 hour walk to the nearest agent". Although she is part of the 83.7% with formal financial access, it was clear that she seldom used this access as it was either too far away, too expensive or she just had too little money or economic opportunity. She also said that this "corona thing just makes things worse."

She accesses mobile money through a feature phone but mostly to receive a bit of money from her social network from time to time and not much else. When she was asked about a bank account, she said she didn't have one and wasn't sure what she would use it for. But her husband who was keenly listening in from a bit of a distance walked over and told Ruth that he had a bank account, and she should write that

down. However, his wife gave him a look that said, "you may have a bank account but what good is that to me?" Ruth heard him, but graciously made it clear it was his wife who was being interviewed, not him. When the survey results were published, which are representative at the county level for the first time, I was interested to find out the gender gap between men and women who have bank accounts in Kajiado County – the gap is 17%. Stories like this are one of the reasons that FSD Kenya has decided to position women's economic empowerment at the centre of our work moving into our next strategy.

As a special purpose vehicle, FSD Kenya works with its donors to co-create our strategy for each period and we have completed this process for our 2022 – 2026 strategy period. We are thankful for the continued trust our donor partners place in us to continue to inspire and challenge the financial sector to do better on its promise to deliver value to Kenyan households, women and micro, small and medium enterprises through a more inclusive, more digital, and greener financial sector. Please read more about our next strategy in the next section.



Tamara Cook

Tamara Cook,
Chief executive officer



2

Transition to our 2022 – 2026 strategy

Finance is an integral part of economic life and modern financial systems have enabled solutions to a range of social and economic problems, supporting welfare, growth, and development in the process.

The Government of Kenya acknowledges the role of financial services, which are a key sector in the economic pillar of Vision 2030. National objectives under Vision 2030 aim to create a vibrant and competitive financial sector driving high levels of savings and financing the country's investment needs.

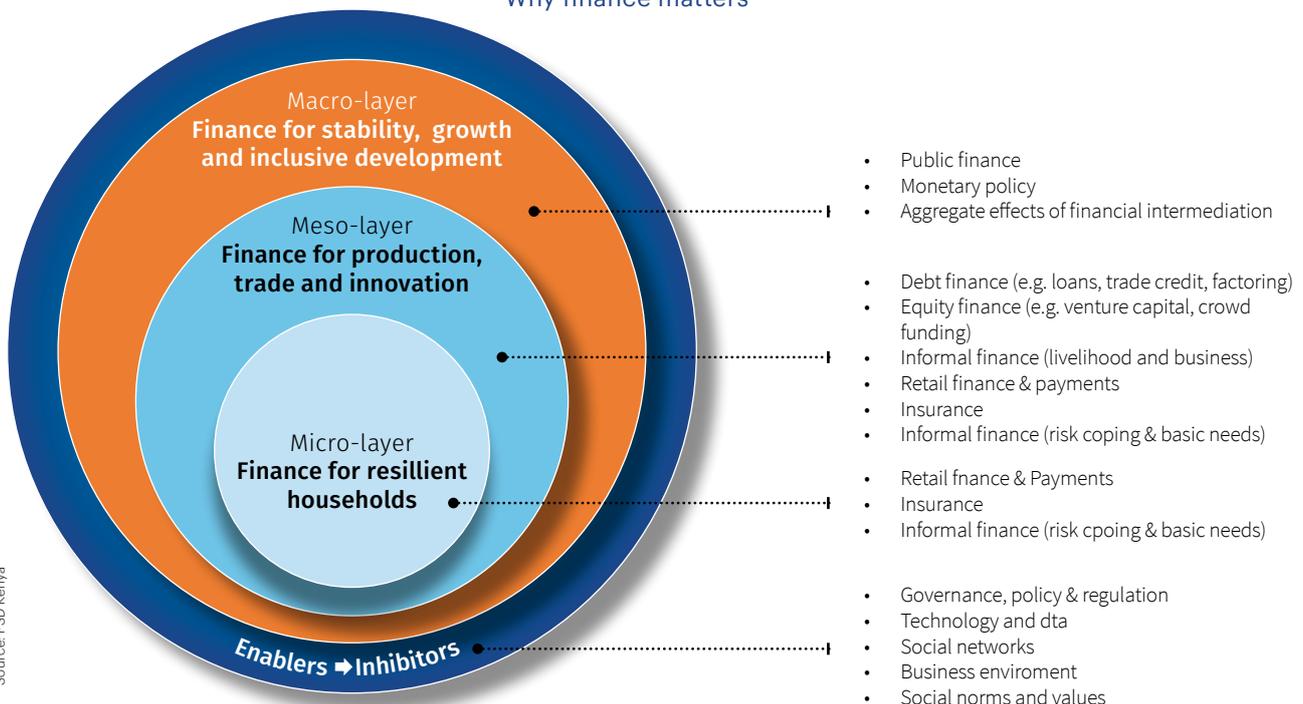
The United Nations Sustainable Development Goals recognise that access to affordable, effective, and safe financial services (savings, insurance, payments, credit, and more) can play a transformative role by fostering equitable growth and furthering vital development goals such as poverty reduction, job creation, gender equality, and food security.

In understanding the role of finance, it is helpful to consider three nested layers of the economy: micro, meso and macro in the figure below.

The micro layer encompasses the individual firms and households that make up the 'atomic' units of the economy. The meso level encompasses the associations of these atomic units into more complex forms of organisation, such as firms linked together loosely in markets or sectors of production, or more tightly in value-chains; and the voluntary associations that individuals and households form such as community savings, investment, or welfare groups.

Lastly, the macro layer represents economy-wide reservoirs and flows of spending power and capital residing collectively in households, government and firms and used for different ends: private consumption, spending, investment, and international trade.

Figure 1: Role of finance in the economy: Why finance matters



Source: FSD Kenya

At the broadest layer, finance influences how large pools of money move through the economy, and at the most granular layer, finance influences how firms and households manage money and risk and raise funds for large purchases or investments.

The finance market in Kenya has developed considerably over the years leading to gains in financial inclusion. Eight out of ten Kenyans (83.7%) have access to formal financial services and products, up from three out of ten Kenyans (26.7%) in 2006.

Despite this development and growth, many Kenyans and Kenyan enterprises are being left behind. Financial health has fallen since 2016 across all demographics, with seven out of ten (74%) of Kenyans reporting that their financial lives had worsened in the previous one year.

Kenyans and Kenyan enterprises are being left behind by the finance market because of various constraints besetting the finance market system. The work we will execute in our 2022 – 2026 strategy will contribute towards overcoming these finance market system challenges.

In our 2022 – 2026 strategy, we have set out to contribute to the development of financial markets offering useful, affordable, and trusted financial solutions for Kenyans and Kenyan enterprises, especially for women and micro and small enterprises. Building on learning from both FSD Kenya and the broader family of the FSD Network across the continent, FSD Kenya continues to pivot towards a real economy focus for delivering value-adding finance.

To demonstrate how finance can work for the real economy, FSD Kenya has prioritised several sectors based on a gap analysis for women and MSEs and the potential to demonstrate the power of inclusive finance including:

- Agriculture and processing
- Trade value chains
- Health finance
- Affordable housing finance
- Green finance

As we engage at the intersection of the real economy and financial sector, we will focus on shifting key functions of the financial market towards more inclusive finance:

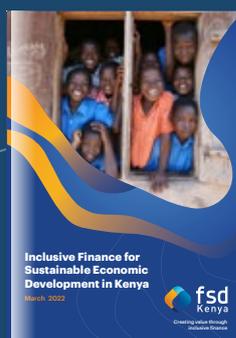
- **Effective policy, regulation, and vision:** The enabling environment has shifted towards the idea

of more inclusive, digital, and greener finance but FSD Kenya’s 2022-2026 strategy intends to walk closely with policymakers and regulators to turn those ideas into reality through the implementation of government initiatives such as the Digital Finance Policy, Digital Economy Strategy, and National Payments Strategy and the Medium-term plans leading to Vision 2030.

- **Open financial market infrastructure:** Although Kenya remains ahead of its peers in terms of the reach and effectiveness of financial market information such as digital payments, credit information sharing and digital IDs, FSD Kenya will seek to facilitate greater openness, interoperability, portability, risk mitigation, and improving financial service delivery, especially at the last mile.
- **Value-adding financial solutions:** Given the progress in the enabling environment, financial market infrastructure and financial access, Kenya has a high possibility frontier for demonstrating how to design and deliver useful, affordable, and trusted financial solutions that help users seize opportunities in the real economy and manage risks and shocks. Kenya already has many glimmers of promise and FSD Kenya will partner with the market to better understand when finance delivers value versus when it extracts value and then will work with the market to stimulate the scaling of the value-adding solutions

FSD Kenya’s work 2022 - 2026 will be guided by four strategic drivers intended to lead to greater impact from more inclusive finance:

- Positioning women at the centre of our strategy
- Meeting the financial needs of MSEs for growth and resilience
- Leveraging the opportunities and mitigating the challenges of a more digital economy
- Factoring in climate risks and green opportunities



For more information about our 2022 – 2026 strategy, click this link:

<https://www.fsdkenya.org/wp-content/uploads/2022/04/Strategy-document-31st-March.pdf>



3

2021 in review:

Reckoning with the divergent impact of, and recovery from Covid-19

3.1 Economic performance

The Covid-19 pandemic, hit the global economy in 2020 and whereas 2020 was defined by divergent impact within and between economies, 2021 was defined by multispeed and divergent recovery in the global and local economies.

In Kenya, divergent economic recovery was seen in two main ways. The first was in deepening economic dualism defined by resilience in a narrowing middle- and upper-income layers juxtaposed with an increasingly vulnerable swathe at the bottom of the income pyramid. Secondly, while Kenya exhibited relative macroeconomic resilience, this masked sustained inequalities and divergence in sectoral and income recovery.

On the up-side, East Africa was the only region in Africa that avoided a recession in 2020 and in 2021. In Kenya, the economy rebounded in 2021, with the GDP growth

for the first half of the year coming in at an average of 5.4%, and Q3' 2021 growth at 9.9%. However, this economic 'growth' in 2021 is more a reflection of base effect given the contraction in 2020, than a significant increase in economic activity.

That said, inflation remained reasonable through 2021 and the mobile money sector has demonstrated [sustained resilience and growth](#). Diaspora remittances [continued to be robust in 2021](#), with total remittances in 2021 reaching a record USD 3,718 million. This surpassed the previous record of USD 3,094 million set in 2020. These amounts are equivalent to approximately 3 % of Kenya's GDP. In 2021, the Government [rebased the GDP](#) resulting in a modest 5.3% increase in the overall size of the economy and maintains Kenya's classification as a lower-middle income country.

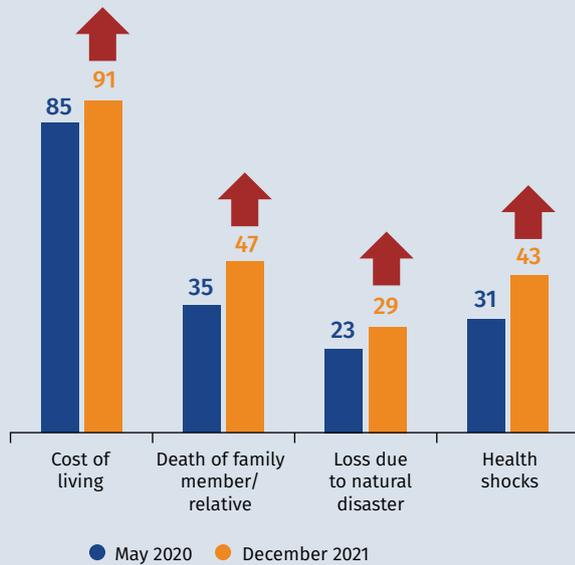
On the other hand, the divergent economic impact and recovery has been evident in



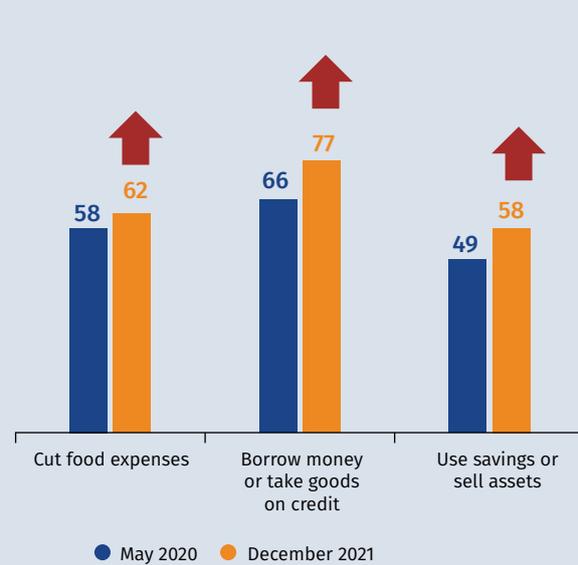


Figure 2:

(a) Incidence of major financial shocks (2021)
In the past 3 months, % of population experienced...



(b) Rise in coping strategies (2021)
To meet daily expenses in the past month, % of population who...



Source: FSD Kenya COVID-19 Household Tracker survey

differences in resilience and vulnerability at the sectoral, firm and household levels. Covid-19 has sharply increased poverty. The pandemic pushed an estimated [two million Kenyans into poverty in 2020](#), and although poverty subsequently decreased by roughly one-fifth in the first half of 2021, it [remained above pre-pandemic levels](#).

While poverty dropped in both rural and urban areas, the progress has been slower in rural areas. This likely reflects the adverse impact of severe dry weather conditions in 2021 on rural livelihoods. More people experienced food insecurity in the first half of 2021 amid renewed containment measures, but food insecurity remained below levels earlier in the pandemic. Indeed, a key factor that made 2021 difficult for most Kenyans was the poor performance of the agriculture sector informed by [unfavourable weather conditions](#), continued locust invasions and poor rains which negatively affected the sector. Household vulnerability remained high in 2021, with signs of increasing food insecurity, increased reliance on coping mechanisms to meet daily needs, increased assets sales and depleted savings.

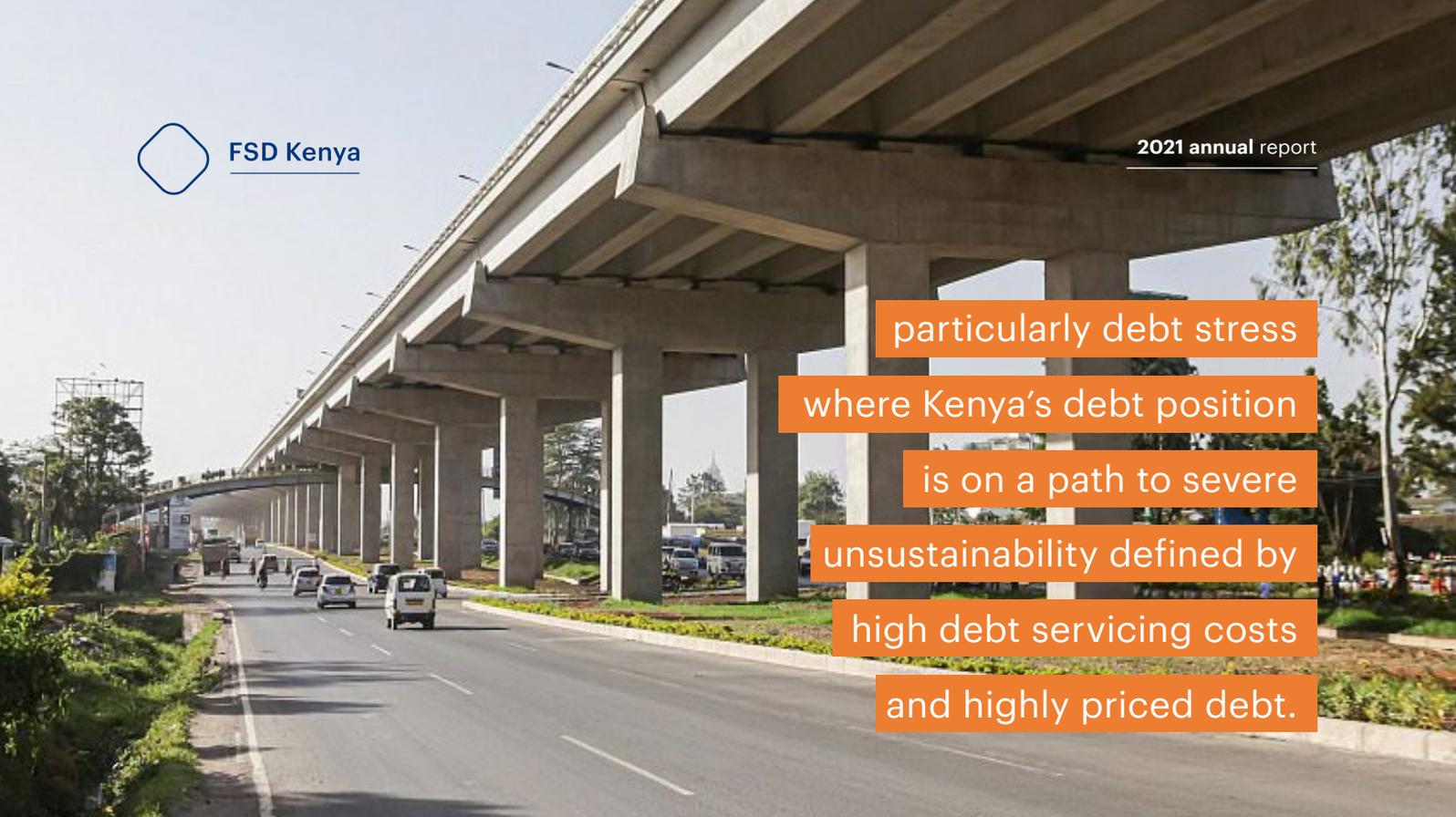
Snap shot: Covid-19 and Micro and Small Enterprises (MSEs)

In 2021, Covid-19 continued to hit MSEs in multiple ways including a significant drop in customer demand with a corresponding fall in revenue; erosion of savings and assets dampening prospects for recovery; scant support from government compounded by price hikes from suppliers and the burden of propping up households who rely on MSE incomes and the goods and services they supply. Divergent MSE recovery began emerging with 3 broad pathways: 1) Businesses that shut down and have not reopened; 2) Businesses operating at a revenue less than that of pre-Covid-19 levels; and 3) Businesses that have recovered fully.

The median revenue indexed to February 2020 (pre-Covid)

Month	Median Revenue (Indexed to Feb '20)
Feb '20	1.0
Jul '20 (Lockdown period)	0.37
Nov '20	0.50
Jul '21	0.67

In July 2021, median revenue was two-thirds (67%) of pre-covid levels



particularly debt stress where Kenya's debt position is on a path to severe unsustainability defined by high debt servicing costs and highly priced debt.

The divergent impact of and recovery from Covid-19 led to macroeconomic tensions in 2021 that will need to continue to be managed into 2022 as follows:

Macroeconomic resilience versus increased inequalities

On one hand, the economy is recovering, inflation has remained manageable (though increasing); export performance has been relatively strong (especially relative to other African countries); diaspora remittances have been robust; and the mobile money sector has demonstrated sustained resilience and growth. On the other hand, key economic sectors continue to be impacted; inflation continues to disproportionately affect low-income groups job while income recovery has been weak.

Fiscal survival versus economic recovery

As government continues to face sustained debt stress and revenue generation pressure, suboptimal policies aimed at fostering fiscal survival will likely continue to be prioritised over economic recovery. This is evidenced in the return to large and expensive commercial debt in the form of the Eurobond and Infrastructure bonds even as concessional debt is increased as well. This is also seen in what can be interpreted as aggressive tax policy measures effected in a bid to bolster revenue collection to meet expenditure obligations. The net result is that tax policies, while increasing revenue, may mute macroeconomic recovery by imposing costs on businesses and households, while the addition of expensive commercial debt will deepen fiscal stress.

Increased financing requirements in the context of debt stress

Government financing support was required to address the health and socio-economic impact of Covid-19.

In 2021, the African Development Bank estimated African governments need [gross financing of about \\$154b](#) to respond to the crisis. Yet this comes at a time when fiscal stress is high, particularly debt stress where Kenya's debt position is on a path to severe unsustainability defined by high debt servicing costs and highly priced debt.

FSD Kenya produced three [State of the Economy Reports](#) in 2021 that provide more detail on the socio-economic impact of the Covid-19 in Kenya.

3.2 Financial sector development

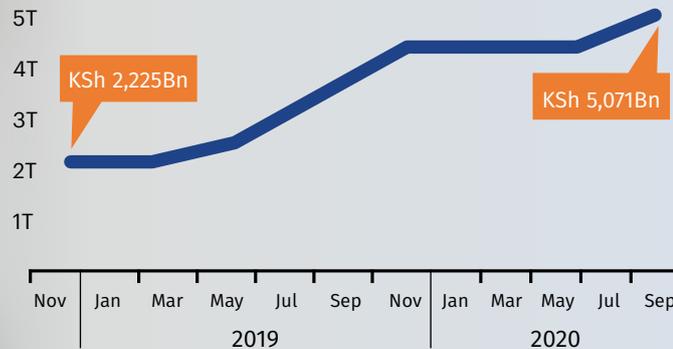
Domestic credit: [Growth in private sector credit increased to 8.6% in December 2021](#), from 7.8% in October. Strong credit growth was observed in the following sectors: Transport and communication (14.3%), manufacturing (13.1%), trade (8.5%), consumer durables (15%), and business services (9.5%). CBK states that number of loan applications remained strong in December, reflecting improved demand with increased economic activities.

NPLs: The ratio of [gross non-performing loans](#) (NPLs) to gross loans stood at 13.1% in December 2021 down from 13.6% in October. Repayments and recoveries were noted in the manufacturing; personal and household; transport and communication; and building and construction sectors.

Mobile money: Kenya's 2021 mobile money hit a [historic high](#) after users moved KShs. 6.24t (about USD 55.1b) on mobile phones between January and November in 2021, surpassing the USD 45.9b transacted in 2020.



Figure 3: Value of mobile money transactions



Source: CBK

Loan restructuring: CBK put in place emergency measures on restructuring of loans for bank borrowers in March 2020 which expired on 2nd March 2021. CBK is of the view the measures were highly effective, giving borrowers restructuring options which included moratorium on principle or interest and waivers on interest fees. The measures gave borrowers room to readjust their businesses and operations to the ‘new normal’. The provisions provided the banking sector with the opportunity to re-evaluate their loan books, build additional capital and liquidity buffers and minimise the effect of the pandemic on their NPLs.

Climate-related risk management: In October 2021, CBK released Guidance on Climate-Related Risk Management highlighting that all banks and mortgage finance companies ought to integrate the risks and opportunities arising from climate change in their risk management, strategy, and governance structure. Banks are expected to build their capacity going forward to identify and mitigate the risks arising from climate change.

Suspension of listing negative credit information: Following a presidential directive in November 2021, CBK announced a 12-month suspension of listing of negative credit information for borrowers with loans below KShs 5.0m, whose loans were performing previously, but have become non-performing from 1st October 2021. The move by the CBK is ostensibly aimed to cushion micro, small and medium enterprises (MSMEs) from adverse effects of the Covid-19 pandemic.

Regulation of digital lenders: In December 2021, President Uhuru Kenyatta signed into law the CBK Amendment Act, 2021 which confers the CBK powers to regulate the digital lending services sector and aims to amend the Central Bank of Kenya Act Chapter 491 to provide and allow for the licensing of digital credit service providers, who are currently not regulated. The act also defines relevant terms for the business of digital credit lending where a digital credit provider is a person licensed by the CBK to carry on digital credit business while a digital credit business is one of providing credit facilities or loan services through a digital channel. Further, the act aims to provide for a fair and non-discriminatory marketplace for access to credit.

Banking sector: The [banking sector remains stable](#) with strong liquidity and capital adequacy ratios. The capital adequacy and the liquidity ratios of the banking sector stood at 18.9% and 56.8%, respectively, in June 2021, well above the statutory requirements). Bank profitability improved in the year to June 2021, with the return on asset and return on equity increasing to 3.4% and 23.3%. Gross non-performing loans (NPLs) have gradually declined to 13.1% in December 2021 after peaking at 14.6% in March 2021, consistent with improving economic conditions. [A notable development during the pandemic period](#) has been a surge in mobile-phone based banking: the number of bank transactions on mobile phones increased from 56% of all transactions before the pandemic to 85% in 2021.

4

How inclusive is Kenya's financial landscape?



Highlights from 2021 FinAccess Household Survey

FinAccess 2021, the 6th round of the national surveys that seek to establish the level of financial inclusion in Kenya, was launched on 15th December 2021.

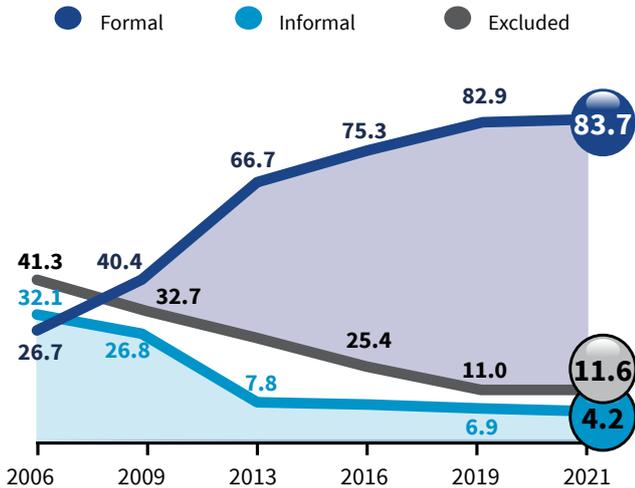
The surveys are conducted as a partnership between the Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS) and FSD Kenya with support from other financial regulators and financial sector players.

Formal access and digital access

Despite the impacts of the Covid-19 pandemic, formal financial access has risen marginally between 2019 and 2021 from 82.9% to 83.7%. Exclusion has also risen slightly from 11% to 11.6% in 2021.

The highest levels of exclusion are among youth below 25 years, the lowest wealth quintiles, and rural residents.

Figure 4:
Overall Access 2006-2021 (%)



Source: FinAccess 2021

Figure 5:
Use of Financial solutions over time

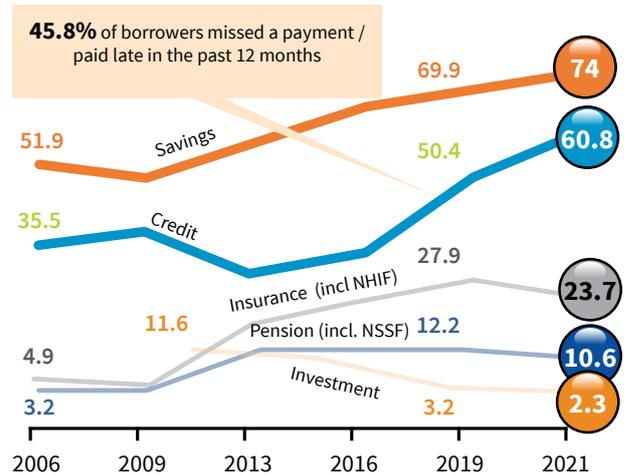
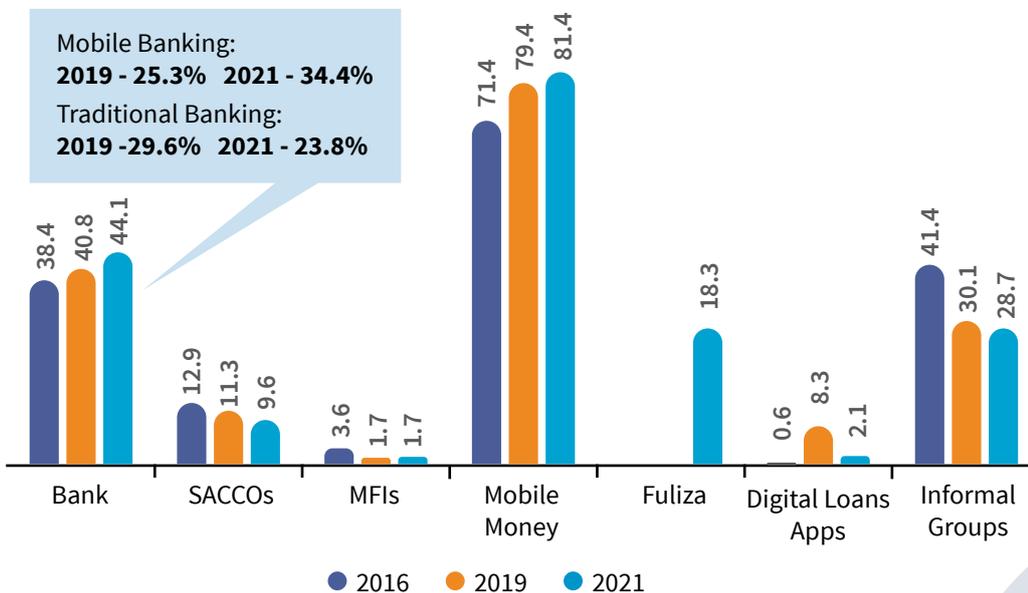


Figure 6:
Trends in usage by provider type



Source: FinAccess 2021

Usage of both savings and credit has risen between 2019 and 2021 while usage of insurance has reduced, driven by a steep decline in use of the National Health Insurance Fund (NHIF). Meanwhile, payments are becoming increasingly digitised, with the majority using mobile money as well as cash.



Despite the lack of growth in uptake of formal accounts, the daily relevance of formal finance has increased, driven by digital technology.

Figure 7: Trends in daily use of financial services Providers 2019 - 2021

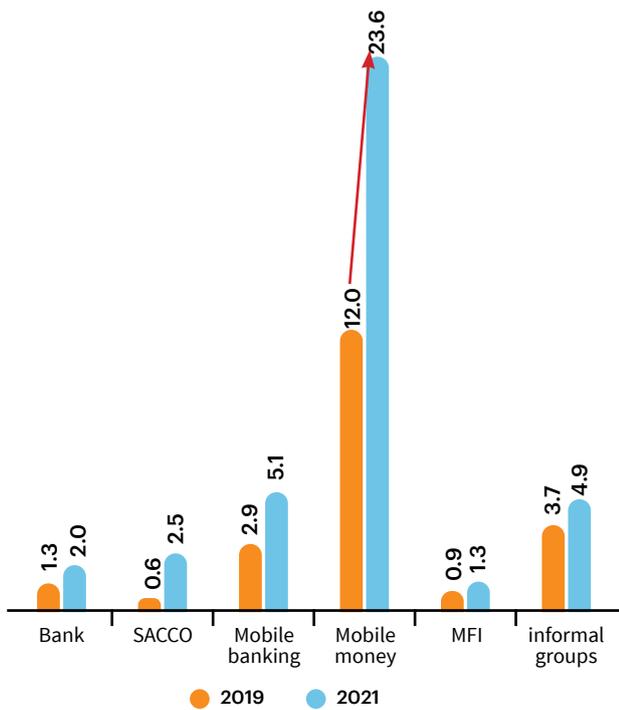
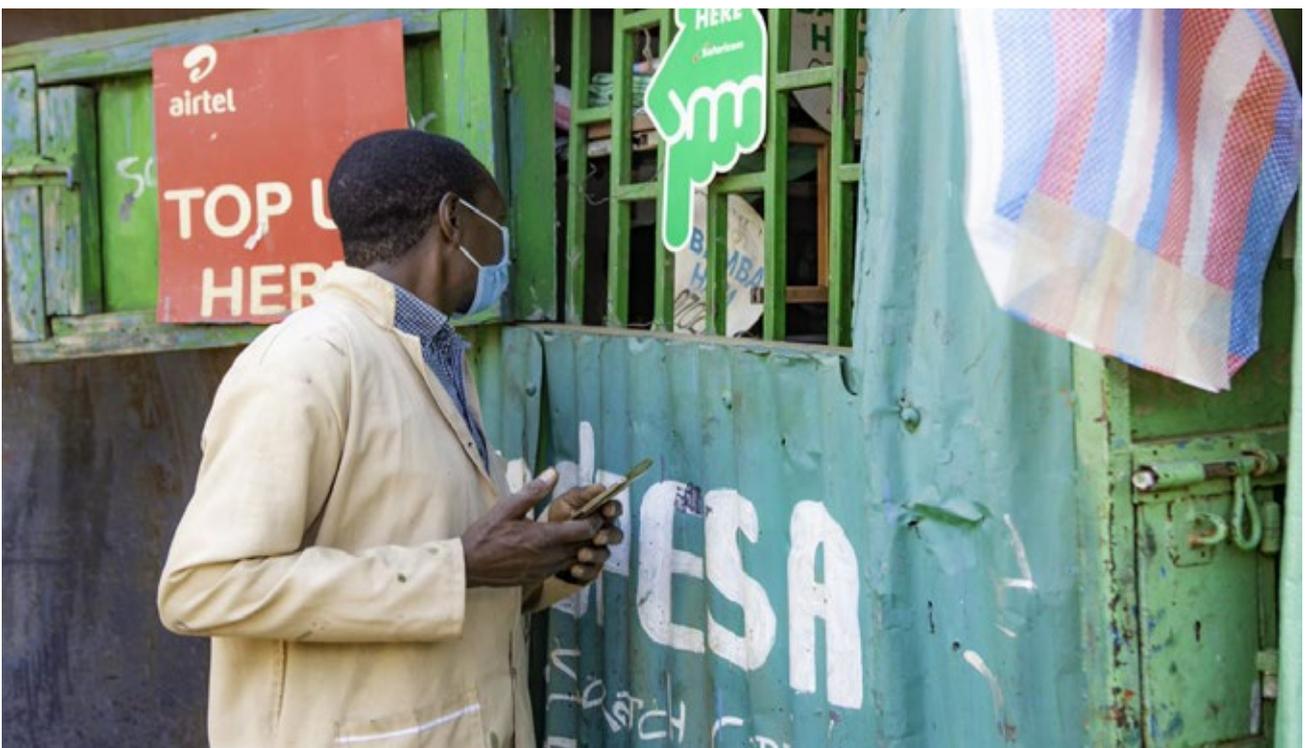
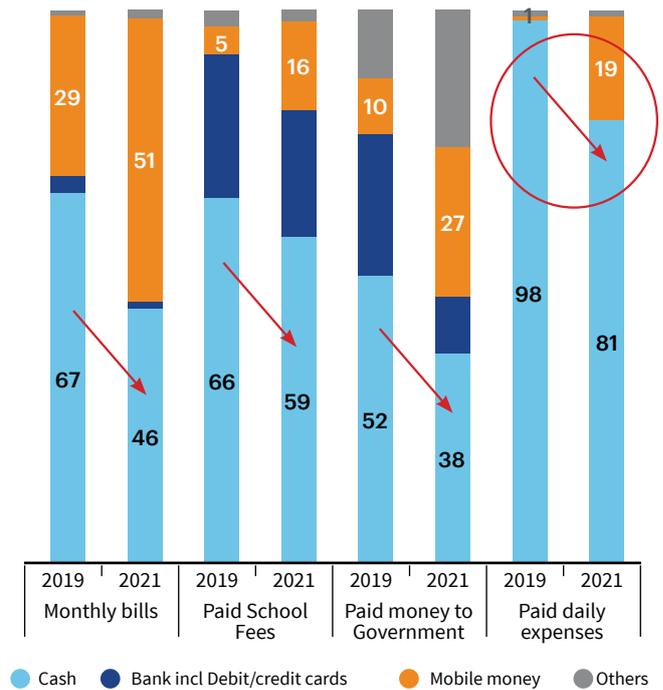


Figure 8: Mode of payment for key transactions 2019 - 2021



Digital finance has helped to bridge the gender divide in Kenya, although a gap persists, especially in access to smartphones and in daily use of digital transactions.

Figure 9: Digital account use by sex (2021)

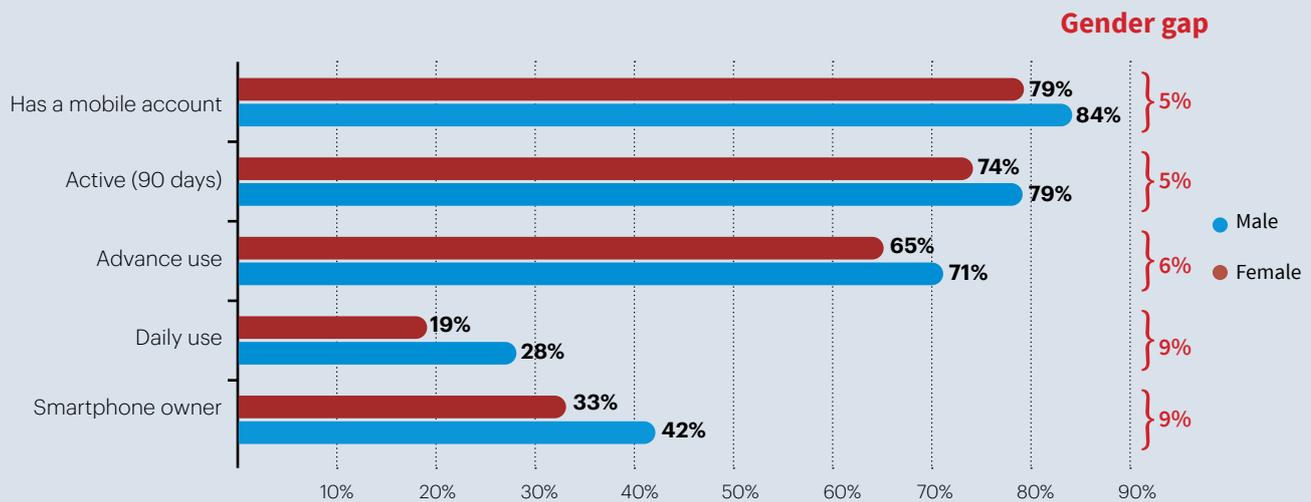
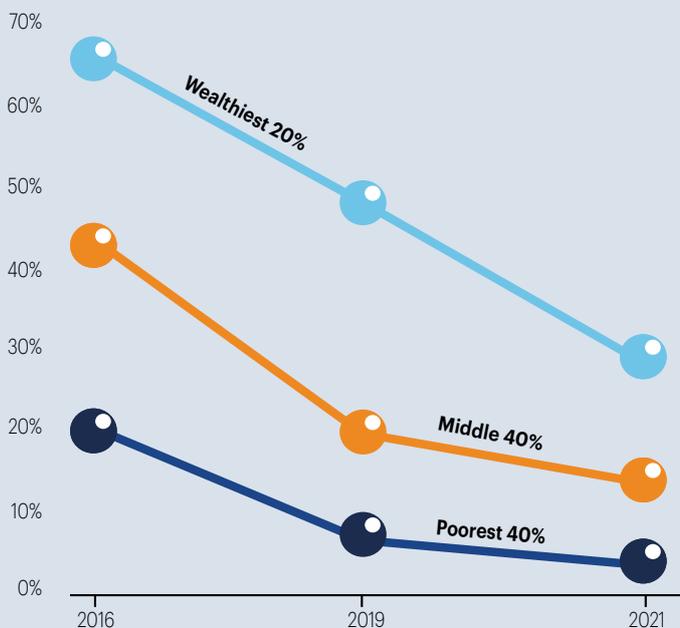


Figure 10: Perceptions of personal financial status in past year (Adults 18+)



Financial health

Financial health has **declined** across all population segments. **Financial health** is defined as the ability to manage day to day, the ability to cope with risks and, the ability to invest in livelihoods and the future. **Drivers of declining financial health are mainly long-term and structural**, reflecting under-investment in growth at the lower end of the economy which has resulted in reduced job opportunities- for example, fewer people are able to earn income from employment and business, with more people depending on casual labour and transfers. **The impact on households has been exacerbated by Covid-19 which has increased exposure to shocks**, the main one being rising cost of living spurred by inflation (the price of basic food stuffs increased by 85% but median incomes remained stagnant).

For more details and insights from the 2021 FinAccess Household survey, [click here](#).



5

Highlights from our work in 2021

With limited resources to weather the storm, small businesses were particularly vulnerable to the repercussions of the Covid-19 pandemic.



Pictures: FSD Kenya

Boresha Mama cash transfer project

The cash transfer project dubbed *Boresha Mama* (Improving the wellbeing of women), reached 1,200 cross-border women traders in Busia County with three unconditional cash transfers of KShs 2,000 each, offering a viable mechanism to survive the harsh economic conditions created by the Covid -19 pandemic and enable them to bounce back when things start getting back to 'normal'. The cash transfers were executed in partnership with TradeMark East Africa (TMEA) as the implementing partner and with NCBA Bank who transferred the funds via M-Pesa.

With limited resources to weather the storm, small businesses were particularly vulnerable to the repercussions of the Covid-19 pandemic. The economic ramifications of the pandemic quickly became apparent, with micro and small enterprises (MSEs) caught in the front lines. Even though small businesses active in trade tend to be more competitive and resilient, many of them were shaken by disruptions of supply chains, price distortions, intricate cross border logistics, as well as with workers and customers staying indoors.

Given this reality, and that at the time limited focus and interventions were targeted at cross border women traders, TMEA under

their Safe Trade Emergence Facility, and FSD Kenya under its Swedish International Development Cooperation Agency (SIDA) funded Trade Facilitation Project sought to support vulnerable cross border women traders in Busia County whose businesses were negatively affected by the pandemic. This initiative also sought to demonstrate a viable sustainable initiative that can be scaled within the financial sector product development and offering. In phase one, Boresha Mama disbursed KShs 6,000 each to 1,200 programme beneficiaries in three tranches of KShs 2,000 each.

At the end of phase one, a retrospective



baseline and evaluation was conducted to evaluate pilot activities. Based on the survey findings, 1,098 traders were selected from the initial phase, and graduated to phase 2 which begins in 2022. The beneficiaries will each receive one-off disbursements of KShs 8,000 each in patient capital, repayable in 6 months at an interest rate of 3% per month on a reducing balance basis. In

preparation for this, all 1,098 traders have received business advisory training to help them develop capacities for risk-informed business decision making.

Key issues/challenges encountered, and lessons learnt:

- Covid-19 affected the project implementation schedule following a new wave of infections that made it difficult to execute timely roll out of planned activities.
- The project demonstrated the significant impact that a boost of just KShs 6,000 in unconditional cash can have on women owned businesses, and on increasing their resilience in a county with a high poverty index. Majority (94%) of beneficiaries reported that they used the Boresha Mama funds to diversify their businesses, increase inventory, and re-establish their livelihoods.
- Boresha Mama has become a recognisable brand name across Bu-



sia County and traders. Both beneficiaries and non-beneficiaries recognise and relate with the various project interventions. This has enhanced ownership of the project by the target community.

- The accountability mechanism through a toll-free line established by the project was, and continues to be, a powerful mechanism for disseminating information and receiving timely feedback, promoting safeguard amongst the project implementation team, as well as project beneficiaries.
- Beneficiaries prefer funds to be channelled to them in form of loans rather than unconditional transfers. According to them, loans are a trigger for seriousness among beneficiaries, and incentivises them work harder to ensure the businesses flourish to allow for timely repayment.

Like in any other project, there were unintended outcomes, both desirable and undesirable:

- One of the desirable outcomes was growing use of technology and adoption of formal finance. All the funds were transferred to the beneficiaries via

mobile money.

- Strengthening of savings groups in the county was another desirable outcome. Beneficiaries of the *Boresha Mama* project have revived savings groups or formed themselves into new savings groups, all coalescing around the clusters of beneficiaries across all seven sub-counties of Busia County.
- Emancipation of *Boresha Mama* beneficiaries from the “sex for fish practice.”
- The *Boresha Mama* funds also had the effect (among the beneficiaries’ families) of reducing cases of gender-based violence which is partly fed by high levels of dependency.
- An undesirable outcome was the association of the unconditional cash transfers with the occult as potential beneficiaries could not understand “why anyone would give away free money.” As a result, many more deserving women failed to enrol into the project due to fear.



Pictures: FSD Kenya



Climate action at county level

FSD Kenya’s focus on climate action is in response to the adverse impact of climate change on Kenya’s socio-economic development. Devolution of climate/green funds remains a major priority for green financing, as it will ensure that resources reach where they are needed most – local communities. County governments provide a good opportunity to create institutional linkages and absorption of the devolved funds.

The framework under the County Climate Change Fund (CCCCF) Mechanism provides a platform to mainstream climate change in planning and budgeting, access climate finance from different sources and strengthen public participation in the management and use of those funds for climate resilient activities.

Whereas some counties such as Makueni, Garissa and Isiolo have established County Climate Change Funds, the linkage between these funds and the national system is currently still a work in progress. Climate change action is also still an emerging area of focus in many county governments’ policy agenda.

FSD Kenya worked with sixteen county governments with the support of the Adaptation Con-



Climate change action is also still an emerging area of focus in many county governments’ policy agenda.



sortium (Ada) to deepen the County Climate Change Fund mechanisms in those counties. Our partner counties included Kakamega, Vihiga, Kisumu, Kisii, Bomet and Nandi, Machakos, Narok, Kwale, Makeni, Nakuru, Taita Taveta, Trans Nzoia, Laikipia, Embu and Kericho, with significant achievements in setting up legislative structures and capacity building for county policy makers.

To sustain efforts towards long term capacity building FSD Kenya supported the development of the County Climate Change Fund training manual in collaboration with the Kenya School of Government. The manual will be used in training policy makers from the public sector both at the national and at county level. Domiciling the training at the Kenya School of Government is a sustainability measure to build in-country technical know-how beyond the project's life. Development of the manual is also timely as demand for training on County Climate Change Fund is likely to increase with the kick-off of the National Treasury/ World Bank led - Financing Locally Led Climate Action Program (FLLoCA) that has put establishment of County Climate Change Fund as the minimum access conditions for the funding available to counties.

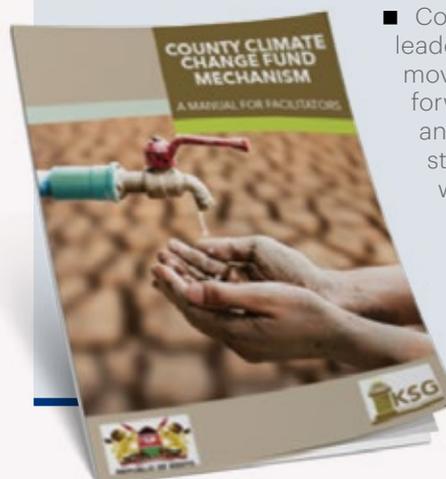
FSD Kenya also compiled lessons from the CCCF work and showcased during several strategic meetings including the 7th Annual Devolution Conference held in Makueni County whose main objective was to strengthen county governments to act on climate change, develop stronger response capacities, and provide a platform for stakeholders to deliberate on their role in unlocking opportunities to turn around the climate change impacts in the communities. These lessons were also shared at the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow, UK during a high-level event on locally led climate actions organised by the UK COP 26 Presidency.



Vihiga county Governor at the FSD Kenya/ADA booth during the 7th Annual Devolution Conference. PIC/FSD Kenya

Lessons Learnt

- Access to relevant climate data and information is necessary for effective management of climate risks at sub-national levels. Development of credible structured climate data has not been a priority at the county level, coupled with limited incentives and compelling policy to generate such data. Data and information are crucial elements, providing linkages to market and enabling environment for green growth with investment opportunities.
- Plans are underway to bring together stakeholders to initiate ways to develop a climate related data ecosystem that is informed by local realities and fostering improved county level capability to generate and apply such data for effective local climate resourcing. It is expected that availability of such data will support financiers to build business cases for financing green investments in Kenya.
- County governments' leadership is critical in moving the climate agenda forward. Policy decisions and enactment of legislative structures were made faster where the leadership understood and appreciated the benefits of CCCF mechanism.



A gendered review of financial sector laws in Kenya



Credit: FSD Kenya

More women (12.4%) are financially excluded compared to men (10.8%) in Kenya according to the 2021 FinAccess Household survey.

Despite policy and programmatic efforts taken to address the financial exclusion of women, and though the gender gap has been narrowing over time, it persists.

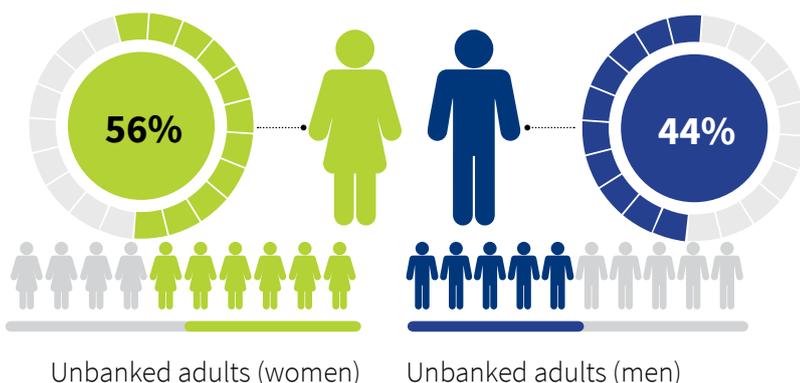
Legal and non-legal barriers hamper women's financial inclusion. To ensure that women's vulnerabilities are recognised, and they are fully empowered to take on

their rightful place as beneficiaries, critical stakeholders, and agents of change in the financial system, there is need for the elimination of these barriers. Gender mainstreaming in law provides one of the most powerful tools to address these barriers.

Kenya has made significant efforts toward development of policy and legal frameworks that promote equal participation of men and women in finance as evident through the Constitution of Kenya 2010 which entrenches equality as a critical pillar and a national value of governance; the Public Procurement and Asset Disposal Act 2015 which provides for affirmative action for women to enable their securing of government tenders and hence get access to finance; and development of the National Policy on Gender and Development 2019 which provides for gender mainstreaming in all sectors of the economy, among others.

There is still a lack of consistency in how laws mainstream gender with some laws being outrightly discriminatory against women by providing for differential treatment of women such as the Pensions Act and the Law of Succession Act. It was however noted that most of these laws are in the process of being amended or have been amended recently to change this position.

Some laws that otherwise appear gender neutral in their phraseology may and do in fact have negative impacts on women given the already prevailing or unequal conditions for women already attained and the prevailing socio-cultural context and the way these laws are applied. It was found that social norms, practices, stereotypes and beliefs are important in the application of law as they affect the manner in which such laws are applied in certain contexts. For example, under



Source: FinAccess 2021



“ Kenya has made significant efforts toward development of policy and legal frameworks that promote equal participation of men and women in finance.

the Proceeds of Crime and Anti-Money Laundering Act; the Central Depository Operations Procedures; the Microfinance Act; the National Payment Systems Act and the Kenya Information and Communications (Registration of Sim-Cards) Regulations, both women and men are required to present identification cards or passports to either open accounts with financial institutions or register a SIM card. However, these legal requirements do not take cognizance of the fact that in Kenya, women are disproportionately more likely to have difficulty obtaining ID cards, and as a result, this hinders their ability to meet the requirements of most of these laws, leading to women’s higher levels of financial exclusion.

Where gender issues are explicitly addressed in law, the tendency is for mention of gender to be limited to the gender composition of management of institutions e.g., Central Bank of Kenya Act; the National Social Security Fund Act and the Sacco Societies Act 2008.

Instances were found where laws use masculine language to refer to persons irrespective of their gender (use of gender-insensitive language) thereby entrenching held stereotypes. Further, under the Statutory Instruments Act 2013, where a proposed statutory instrument/law is likely to impose significant costs on the community, the regulation making authority is required to prepare a regulatory impact statement about the instrument. However, gender is not explicitly listed as one of the criteria used in the regulatory impact assessment and the law does not go far enough to set out a methodology on how gender issues may be considered.

The review also noted that there are gender-friendly laws with the potential to deepen financial inclusion across gender lines but which may only realise their potential with external intervention due to lack of awareness and consumer knowledge on the law and how it works as well as the benefits. For example, there





are novel laws such as the Movable Property Security Rights Act, 2017 and the Warehouse Receipt System Act, 2019 which allow the diversification of collateral allowing women who do not own real (immovable) property to secure credit by using their movable property or through the mechanism of warehouse receipting. However, the uptake of the mechanisms is undocumented, and their use and benefits may be unknown amongst consumers. Similarly, laws such as the Unclaimed Financial Assets Act exist, and are instrumental in allowing access to a next of kin's unclaimed financial assets. However, results from the study show that women may not benefit from this, due to lack of knowledge on how to claim for these assets. The protections offered by the Data Protection Act; the Consumer Protections Act; the Competition Act and the Computer Misuse and Cybercrimes Act also require wider dissemination amongst fintech consumers to enhance consumer protection, especially for women

who are disproportionately affected by consumer rights infringements.

It is also clear in the Kenyan context, that legal provisions may be gender-friendly, however, due to failure to implement the laws, women miss out on the benefits that would have accrued to them, had the law been applied as intended. This is highlighted in the case of the Employment Act, 2007 which contains provisions that aim to protect women from discrimination and incentivize women's work. However, these laws are not always implemented, to the detriment of women workers. Similarly, the Climate Change Act, 2016 directs the establishment of a gender responsive climate change fund and mandates the development of a national gender and intergenerational responsive public education awareness strategy and implementation plan, which remain undone, highlighting the prevalence of implementation gaps in law.

For more information, download the Gendered review of Financial Sector Laws in Kenya report here:
<https://www.fsdkenya.org/blogs-publications/gendered-review-of-financial-sector-laws-in-kenya/>



Promoting climate smart housing: Jenga green library

The population transition occurring around urbanisation is occurring faster and on a larger scale in Africa than elsewhere in human history¹.

This means, more of Kenya’s urban footprint needs to be built, than exists already. Finance and policy frameworks can play a critical role in influencing the development of urban areas providing green, decent and affordable shelter with associated infrastructure/ services.

FSD Kenya observed that the financial and regulatory sector in Kenya does not adequately reward investment in greener or climate smart housing, nor does it penalise the delivery of poorer quality housing.

FSD Kenya partnered with Kenya Green Building Society to promote a shift in this paradigm to encourage the development of more sustainable urban footprints, with a focus on affordable housing. The partnership includes development of green building guidelines for particular counties and evaluation of alternative building materials, which are still in process of being delivered.

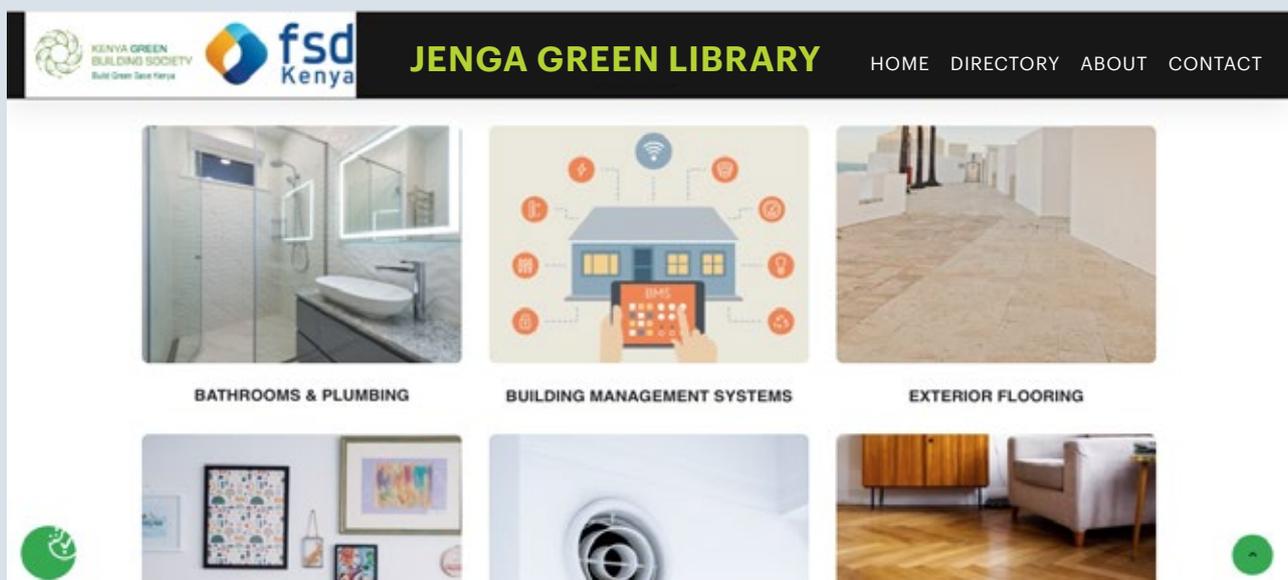
One shorter term output was the creation of the **Jenga Green library**, designed to be a one-stop-shop

for showcasing sustainable building materials and services.

The directory, created by engaging with suppliers to collect data in a standardised and transparent format, will serve as a free digital open-source library. It currently hosts 140+ products and 20+ service providers. Kenya Green Building Society will regularly update the directory as more suppliers submit information about their products and services.

Jenga green library, available as a web, android or iOS app, is a free and active tool that is designed to:

1. Reduce waste and pollution during the delivery of the built environment by encouraging the use of low-carbon materials.
2. Assist developers and homeowners in selecting products and materials that perform well over time and do not degrade, which is an important aspect of circularity/sustainability in the building sector.
3. Advise policy makers on how to implement a circular model in the building and construction industry.



Click this link to visit Jenga green library - <https://linktr.ee/KGBS>

1 <https://www.worldpoliticsreview.com/articles/29914/with-urbanization-africa-has-many-challenges-and-opportunities>



Financial Innovation for the Real Economy

Credit: FSD Kenya

FSD Kenya has recently concluded its Financial Innovation for the Real Economy (FIRE) project aimed at supporting financial market development to positively transform the financial lives, livelihoods, and welfare of low-income Kenyans.

The FIRE project aimed at catalysing the financial system in five innovation systems outcomes:

- i. New mental and business models that enable the innovation process.
- ii. Research and evidence underpinning finance solutions.
- iii. Diverse capital to support innovation.
- iv. Access to cutting edge technology.
- v. Relevant expertise for scaling innovation.

To have practical relevance, the activities included the development, testing and/or scaling of financial solutions across four main sectors in the real economy:

- i. Agricultural value chains: low-income households and small-scale enterprises.
- ii. Manufacturing and construction sectors: enterprises and informal workers in the sector.

- iii. Well-being: focused on education, healthcare, and clean energy for all.
- iv. Knowledge and learning for impact: An innovation observatory that develops examples on the use of consumer insights, tools, platforms, and technologies to develop sustainable financial solutions.

From the 188 market engagements, FSD Kenya proceeded with 82 (44%) of the ideas into concept development stage. Sometimes, opportunities to serve the market were not obvious to the players or even FSD Kenya, necessitating pre-experiment research.

Out of the concepts developed, 54 (66%) proceeded to the investment stage where FSD Kenya supported experimentation (mainly through risk sharing, funding the testing of innovations, research support, supplementing experimentation costs, and offering technical assistance to build capacity).



Some concepts were dropped along the way as they were not aligned to project objectives and innovation framework. From the concepts selected for experimentation, 50 (93%) were implemented while 4 (7%) were cancelled due to reasons like change of partner focus and change of market dynamics among other reasons.

Innovation Systems Outcomes

Financial market systemic change is happening as evidenced by several industry initiatives by the public and private sectors. FSD Kenya conducted an impact mapping exercise that reviewed 13 firms out of the 50 tasks undertaken. Some observed financial market change outcomes from the reviewed tasks include:

- Eight of the thirteen firms assessed developed new financing business models. These include new models of financing agro-dealers, health, e-extension, digital smallholder finance, receivable based finance for Fintechs and wholesale lending among others. A paradigm-shift is occurring, albeit slowly, with financial market players understanding that finance can unlock value for the real economy in a sustainable manner. More players are targeting the low-income market segment with credit, savings, risks mitigation and/or investments solutions.
- Of the total experiments done 13 out of 14 embraced research on finance and real economy sector areas like health, agriculture, insurance, education, biogas, credit scoring for agricultural input and trade financing, informal worker solutions, domestic workers, health finance at the point of care, among others. The success of solutions tested was mixed, requiring several iterations after research to identify the required innovations and identify pathways to scale.
- Whereas majority of the local innovators are still facing difficulty in raising capital, the FSD Kenya partner firms were able to raise innovation capital totalling to KShs 11 billion (around USD100 million). FSD Kenya supported by giving technical assistance in structuring some of the deals as well as by issuing risk sharing facilities during concept testing.
- Seven of the eleven experiments that required new innovation expertise hired new external

resources or upskilled existing team members to support their innovations with the bigger and well-resourced players retaining top talent. The adaptation of tested innovations by the market is early evidence of scale-up. New disciplines like adoption of artificial intelligence (AI) are increasing as demonstrated by the demand of AI specialists to work for leading financial institutions.

- The use of cutting-edge technology i.e. mobile based financial services, use of mobile/digital data, artificial intelligence (AI), satellite imagery among others was demonstrated in 70% of the firms' innovations. New digital business models powered by technology are enabling access to finance and non-finance services such as extension while crowding in multiple service sectors e.g. education, health, transport etc.
- It is evident that creating linkages that enable finance to do more via partnerships, networks and platforms is crucial for innovation in the market. New partnerships between innovators such as Fintechs and last mile financiers with conventional lenders are enabling the deployment of finance and other support services like end-user production knowledge, access to markets, risk mitigation tools etc. to rural markets.

Innovation for the real economy outcomes

- Out of the 50 tested concepts, 14% (7) emerged as exemplars compared to a global rate of innovation success of around 5%. Tasks were considered as "exemplars" when a firm was either able to secure new sources of funding to support the expansion of tested innovation, develop independent partnerships to support scaling of the solution or demonstrate clear evidence of market uptake/engagement as a path toward scale-up and/or sustainability.
- By December 2021, FSD Kenya facilitated experiments resulted in 760,102 transactions worth KShs 7.23b with project partners raised KShs 11 billion innovation capital during the period.

FSD Kenya will be publishing specific case studies documenting the innovations undertaken and highlighting key insights and impact including what worked and what did not work in the innovation process.



The National Payments Strategy

Kenya's payments journey is dotted with significant developments and achievements over the years, making Kenya a world-renowned leader and trailblazer in the digital payments and innovation space. From the establishment of the first two ATMs in 1989, Kenya's payments landscape has significantly changed in pace with Kenya's economic transformation.

Key highlights of this journey include the implementation of the Kenya Electronic Payment and Settlement System (KEPSS) in 2005; the launch of mobile money in 2007; the enactment of the National Payments System (NPS) Act in 2011 and the underlying regulations in 2014; the authorisation of a real-time bank account-to-bank account payment system (PesaLink) in 2020; amongst others. The foundations established enabled Kenya to maintain economic activity at the

advent of the Covid-19 pandemic, with mobile payments facilitating remote day-to-day transactions for households and enterprises while reducing social contact.

Since 2019, FSD Kenya has supported the Central Bank of Kenya (CBK) to develop a National Payments Strategy to be implemented over 4 years (2022 – 2025). This strategy, scheduled to be launched in the first quarter of 2022, marks a major milestone in Kenya's payments journey.

Kenya has achieved important milestones over the past three decades in its journey of developing and modernising the payments system. While Kenya's leadership on mobile money is widely acknowledged, much more remains to be done. The strategy seeks to consolidate the gains made so far and chart a clear path towards a new chapter in Kenya's payment journey.

Although cash remains an important means of payment, Kenyans are increasingly making more digital payments. According to the CBK, Kenyans move about KShs 176 billion every day through various non-cash channels such as mobile money, cards and electronic bank transfers.



While Kenya's leadership on mobile money is widely acknowledged, much more remains to be done.



The National Payments Strategy seeks to realise the vision **“a secure, fast, efficient and collaborative payments system that supports financial inclusion and innovations that benefit Kenyans”**. The realisation of this ambitious vision will be achieved by pursuing the following strategic objectives under the leadership of CBK, working with and through other partners:

The Strategic Objectives

1 To support a payments system that meets the diverse needs of customers, especially with respect to financial inclusion and shared prosperity.



2 To enhance the safety and security of the payments system through the adoption of relevant industry and global standards.

3 To support an ecosystem that is anchored on collaboration that produces customercentric and world-leading innovations.



4 To create a supportive policy, legal and regulatory framework that is robustly enforced across existing and emerging players in the payments ecosystem.

The strategy is aligned with and will be implemented alongside other government-led initiatives aimed at leveraging technology to transform

Kenya’s economy. This includes the implementation of the Digital Economy Blueprint and Strategy that provides a framework for developing

a sustainable and inclusive digital economy; the Digital Finance Policy Framework; the digitisation of government services including payments; the development of an enabling and conducive framework for data privacy and protection; amongst others.

The strategy is built around **five core principles**. Trust, security, usefulness, choice, and innovation. These principles, hinged on an increasingly digital world, aim at:

1 Increasing adoption and usage of digital payment instruments and channels.



2 Safeguarding the payments system and ensuring that it is safe and resilient, and that its users and their data are protected.



3 Ensuring that the payments system meets the diverse and unique needs of all users of the payments system by being fast, easy to use, accessible and affordable.



4 Providing users with choice and ability to make payments to and receive payments from any payment instrument or channel, regardless of the provider with no friction and at the minimum cost possible.



5 Ensuring that the payments landscape remains innovative and competitive to keep pace with the changing needs and preferences of both the users and the providers, whilst also ensuring that Kenya retains its global leadership.



The Strategy, which was developed with wide consultation from the industry, sets broad indications on how the payment industry needs to evolve, and is a much welcome and needed steer for the industry. However, the difficult work will begin in earnest when implementation starts. In a highly competitive market where initiatives for public good may require some net gains or losses for some players, the challenge will be in creating the right balances and incentives that enable the entire industry and economy as a whole to win.

[Click here](#) to access the National Payments Strategy 2022 – 2025 and other related resources.



FinAccess MSE Covid-19 tracker survey: Tracking the impacts of Covid-19 on micro and small enterprises in Kenya

In 2020, with Covid-19 pandemic already underway in Kenya, the FinAccess Management partners (FAM) - Central Bank of Kenya, Kenya National Bureau of Statistics and FSD Kenya- decided to invest in a panel survey of micro and small enterprises (MSEs) to track the impacts of Covid-19 on this important population.

FinAccess partners have long been discussing a panel based on the FinAccess survey sample, and Covid-19 presented an opportunity and case for investing, to better inform the policy response. FSD provided the finance and the KNBS and CBK provided technical inputs, with the KNBS also implementing the phone survey tracker.

Given that household Covid-19 trackers were already being implemented by the Kenya National Bureau of Statistics, FSD Kenya/FinMark Trust, the World Bank and others, we saw a data gap on micro enterprises which we sought to fill.

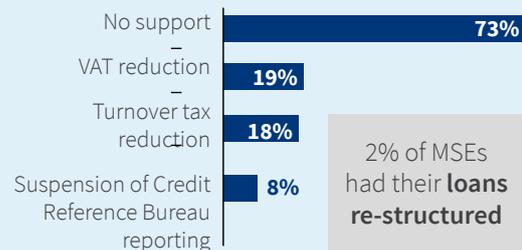
The FinAccess household sample is uniquely placed to gather data on micro-enterprises which are notoriously hard to capture through established data tools given that many of them are informal and unlicensed. The 2019 FinAccess established that 17.5 percent of the adult population derive their income from business (19% including youth aged 16-18), with the majority being micro or small enterprises.

This sub-population is of particular interest in the context of financial inclusion, showing a steep rise in the uptake of formal accounts since 2006 and generally higher levels of usage compared with most

segments other than the formally employed. The Kenya Financial Diaries Updates find that business is an important route out of poverty, and a major contributor to improvements in livelihoods.

The FinAccess MSE Covid-19 Tracker Survey was conducted over 3 rounds from November 2020 to November 2021.

Government measures during the 2020 lockdown



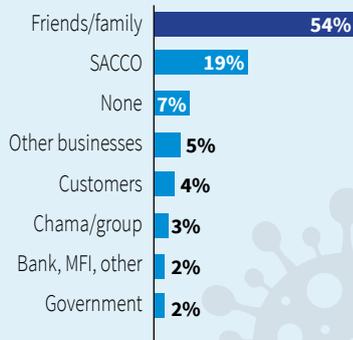
- 19% of businesses benefited from VAT reductions and 18% benefited from reductions in turnover tax.
- 73% mentioned that their businesses had not benefitted from any direct government interventions.





Sources of support

Main sources of support during the 2020 lockdown period



To establish a baseline, the first round used a recall method to capture data on business health and behaviour in February 2020, just before the onset of the pandemic. Due to their informal and decentralised nature, the survey found that MSEs saw limited benefits from measures put in place by government and private sector to mitigate the economic

impacts of the pandemic, with only 17% of MSEs recovering to their pre-Covid-19 revenues by November 2021.

A forthcoming policy report on MSE resilience based on the tracker data, finds that these businesses were substantially more digitised than others, as well as being smaller and more informal which enabled them to avoid higher fixed costs such as rent, and to be more flexible.

Landlords played a major role in business resilience, with some supporting businesses by forgoing or reducing rent, which gave these businesses a higher chance of recovery. Businesses who struggled or closed were unable to access the liquidity needed to recapitalise following depleted revenues and multiple debts, both household and business-related. Many of these relied on social networks, but their networks were unable to sustain the levels of liquidity needed to weather the

effects of the pandemic on lower income economies.

Lastly, qualitative interviews implemented in tandem with the panel phone survey, revealed that the pressures on business resilience pre-dated the pandemic and were related to larger structural shifts in the economy including infrastructure development which reduced retail opportunities for small businesses due to loss of roadside sites or bypassing local communities. The rise of small supermarkets and digital retail platforms has also provided competition for small enterprises, and this was exacerbated during Covid-19 with customers being warned against buying fresh produce from informal outlets for health reasons.

In short, the FinAccess MSE Covid-19 Tracker Survey has given us a window onto MSEs which has helped to increase the visibility of this population to policy makers. Testimony to the success of the tracker is the fact that the Central Bank and Kenya National Bureau of Statistics intend to develop a fresh MSE panel from the FinAccess 2021 sample, which will be fully funded and implemented by government going forward.

The squeeze on businesses during the 2020 lockdown period

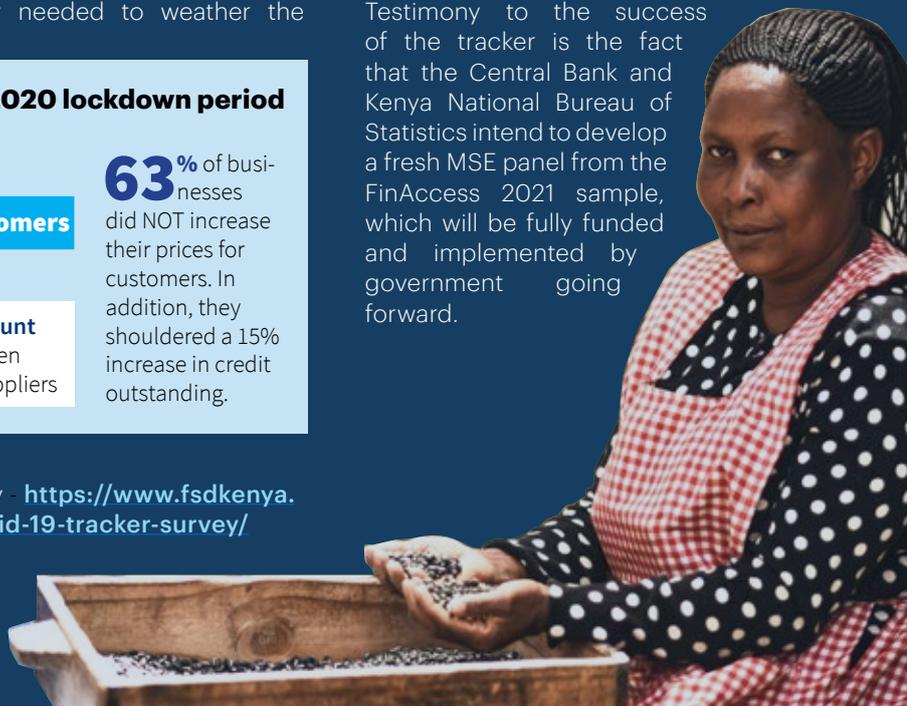
40% of businesses cited increased cost of supplies as their biggest challenge.



Businesses are bearing the brunt of COVID-19 squeezed between cash-strapped customers and suppliers

63% of businesses did NOT increase their prices for customers. In addition, they shouldered a 15% increase in credit outstanding.

More on FinAccess MSE Covid-19 Tracker survey - <https://www.fsdkenya.org/thematic-areas/mses/finaccess-mse-covid-19-tracker-survey/>

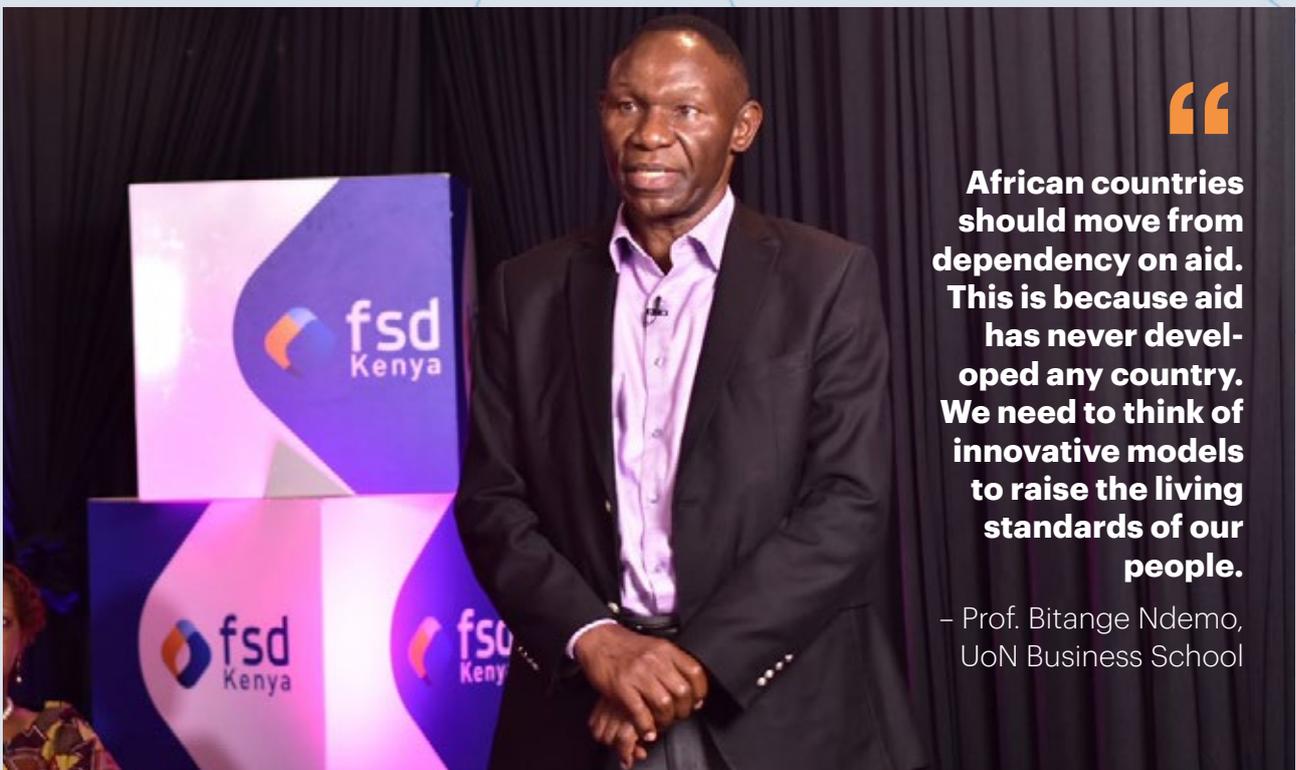




FSD Kenya annual lecture on financial inclusion

Digitalisation and emerging economic development models in Africa:

The role of fintech



African countries should move from dependency on aid. This is because aid has never developed any country. We need to think of innovative models to raise the living standards of our people.

– Prof. Bitange Ndemo, UoN Business School

The 7th FSD Annual Lecture for 2021 Digitalisation and emerging economic development models in Africa: The role of fintech, was delivered by Professor Bitange Ndemo on the 7th of October.

In his lecture, Professor Ndemo said, “As we wake up to the 4th Industrial Revolution, Africa could take advantage of the talent, urbanisation, infrastructure & regulatory regimes that embrace innovation. African countries should move from dependency on Aid. This is because aid has never developed any country. We need to think of innovative models to raise the living standards of our people. We

should look at Africans evolving business models to enable us to industrialise. We need new business models to transform Africa.”

The lecture was followed by a panel discussion consisting of Anne W. Mutahi, Senior Advisor to The President on SME Development; Julius Court, Deputy High Commissioner and Development Director to Kenya; and Wawira Njiru,

Founder and Executive Director, Food for Education.

Addressing recent developments such as Covid-19 and its impact on of MSMEs, Anne Mutahi noted that, “We need a collaborative framework by Government to bring together efforts towards growing MSMEs. If we improve this sector that employs a majority of Kenyans, growth is inevitable. Access to finance and markets is key. What is surprising is that during the Covid-19 pandemic, opportunities in MSME’s emerged that saw new



UK's Deputy High Commissioner and Development Director to Kenya, Julius Court.

models emerge, re-organization, and innovations that incorporated digital opportunities”.

Speaking to the question of how we can ensure that digital finance interfaces with low-income Kenyans sensibly, Deputy High Commissioner and Development Director to Kenya, Julius Court noted that digital innovations impacts the lives of Kenyans, and provides opportunity to reach the most marginalised and underserved Kenyans. “Cash transfer programmes during emergencies like floods, droughts and the locust invasion of 2019/20 enabled the government of Kenya to deliver assistance to affected communities securely and in a timely manner,” he said.

Wawira Njiru also shared the experience from the Food for Education, especially on using the predictive power of technology to manage business efficiency by helping organisations lower costs and interact with the market effectively. “Through technology, we can monitor and use data to make our logistics better,” she said.

Digital innovations impacts the lives of Kenyans, and provides opportunity to reach the most marginalised and underserved Kenyans.



Wawira Njiru, executive director, Food for Education,



Ms Anne Mutahi, Senior Advisor, SME Advisory Unit, Executive Office of the President

The full lecture video, Prof. Ndemo’s presentation, and other materials [are available here...](#)





6

Publications and blogs

Title	Author (s)
■ Lessons on healthcare finance from FSD Kenya, PharmAccess and Spindle Design's research	Wanza Mbole Namboya
■ Podcast: FSD Kenya's Anzette Were speaks on Innovation in Africa	Anzette Were
■ Waking up to the Covid health threat in Kenya	Julie Zollmann
■ The sectoral and gendered impacts of COVID-19 in Africa	Anzette Were
■ How will low-cost private schools survive COVID-19?	Wanza Mbole Namboya
■ Report – State of the Kenyan economy: Focus on the impact of COVID on women and education	Anzette Were, Amrik Heyer and David Taylor
■ Support for collaboration in driving an affordable housing agenda in Kenya	Seeta Shah
■ Kenya's economy resilient but more unequal due to COVID	Bitange Ndemo
■ A snapshot of FSD Kenya's intended work in green finance	Ouma Olum
■ Does gender matter in the design of digital infrastructure and services?	Amrik Heyer
■ Banking industry: Persons with disability pilot project – Case study	FSD Kenya
■ A year of COVID-19 – what role did inclusive finance play?	Tamara Cook
■ Is the Task Force on Climate-related Financial Disclosures (TCFD) the right climate risk reporting standard for Kenya?	Michael Njeru
■ Economic recovery from COVID-19 in Africa requires intentional action	Anzette Were
■ Report – Onboarding of Third-Party Credit Information Providers	FSD Kenya and CIS Kenya
■ Graduation Resilience study findings for phase 1 and 2	Jody Delichte
■ Social protection: not a cost, but an investment in long-term, sustainable economic growth for Kenya	Stephen Kidd, Milkah Chebii and Amrik Heyer
■ Report – State of the Kenyan economy: Focus on Digitisation and the impact of COVID-19 on MSEs	Anzette Were, Amrik Heyer, David Taylor and tamara Cook
■ Why economists need to pay attention to social relations	Amrik Heyer
■ How can inclusive finance build resilience in a world of shared resources?	Amrik Heyer
■ Surviving 2020: Lessons on Resilience from Kenya's COVID diaries	Julie Zollmann, Amolo Ngweno, Anne Gachoka and Catherine Wanjala
■ How has COVID-19 impacted Financial Service Associations?	Wanza Mbole Namboya and William Smith



Title	Author (s)
■ Digitisation and knowledge portal to promote affordable housing	Seeta Shah, Victor Malu, Plounne Oyunge
■ Landlord and Tenant Bill	Seeta Shah
■ Data Privacy and Protection: Guidance Note to Kenya's Digital Financial Services – Report	Francis Gwer, Paul Makin and Rob Reeve
■ Report – New Business Models for Financing the Creative Sector Research	Richard Ketley & FSD Kenya
■ Combining HCD Research, Testing, and Pilot Learning for Micro-insurance Design	Tyler Tappendorf, John Paul Otieno, Luis Kinuthia and Wanza Mbole Namboya
■ Digitisation, business and payments in the time of COVID	David Taylor
■ Mobile Money 1 year into a pandemic – a shift away from cash towards a cash-lite economy	David Taylor
■ FSD Kenya COVID-19 Tracker – Finances, Health, and Coping in Kenya Infographic	Amrik Heyer
■ Gendered financial products research	Dalberg, Anzette Were, Amrik Heyer, Wanza Mbole Namboya, Tamara Cook and Milkah Chebii
■ Climate Finance: Four ways Africa can secure this new wave of financing	Anzette Were
■ Can innovative finance help low-income households better cope with health shocks?	Wanza Mbole Namboya and Nancy Atello
■ National Rating Bill 2021	Seeta Shah, Victor Malu and Muriuki Muriungi
■ An opportunity for county governments to attract climate finance	Milkah Chebii
■ State of the economy report	Anzette Were, Amrik Heyer and David Taylor
■ Gendered review of Financial Sector Laws in Kenya	Milkah Chebii
■ FinAccess household surveys	FinAccess, Central Bank of Kenya, Kenya National Bureau of Statistics and FSD Kenya



7

Webinars and events

- [*Financial inclusion post-Covid: Lessons and challenges- Webinar*](#)
- [*COVID-19 impact on low-cost primary schools in Kenya webinar*](#)
- [*When and How Does Formality Add Value for MSEs?*](#)
- [*Webinar on digitisation and knowledge portal for affordable housing*](#)
- [*Building back better; facilitating the creative economy for resilience and job creation*](#)
- **Webinar 3: How creatives can access opportunities for finance**
- [*2021 FSD Kenya annual lecture on inclusive finance*](#)
- [*Small Firms Diaries Policy Workshop*](#)
- [*AAFF 2021-Panel discussion on web 3.0: The future of Banking and payments in Africa*](#)
- [*Data privacy and protection in financial services: what does good look*](#)
- [*A move towards a circular economy for East Africa's housing sector*](#)
- [*Launch of 2021 FinAccess Household Survey report*](#)





8

Key financial results

Financial Sector Deepening Trust Kenya Income and expenditure statement For the year ended 31st December 2021

FSD Kenya's accumulated surplus decreased by KShs 364m from a carried forward balance surplus of KShs 1,072 million to close the year with an accumulated surplus of KShs 708 million.

Total programme expenditure for the year was KSh 1,132 million with operational expenditure being KSh 131 million.

	2021	2020
INCOME	KSh millions*	KSh millions*
Grants	861	878
Other income	-	74
Finance income ²	9	21
Unrealised foreign exchange gain	30	108
TOTAL INCOME	900	1,081
EXPENDITURE		
PROJECT EXPENSES		
Core projects ³	585	595
Designated projects ⁴	547	122
TOTAL	1,132	717
ADMINISTRATIVE EXPENDITURE	131	142
TOTAL EXPENDITURE	1,263	859
Unrealised foreign exchange losses	-	-
TOTAL COSTS	1,263	859
Surplus/(deficit) for the year	(363)	222

* Columns do not add up due to rounding

² Finance income includes interest earned on FSD funds.

³ Core/non-designated projects are funded by donors through unrestricted funds. Unrestricted funds have no conditions regarding the projects they can be used on.

⁴ Designated projects are funded through restricted funds. Restricted funds can only be used on the projects specified by donors.

9 The Team



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Procurement specialist



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Project manager
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inclusive finance