



**AGRICULTURAL FINANCE CORPORATION**

# **NEW AGRI-FINANCING MODELS**

## **Investment Papers – Popular Version**



*Stimulating investment through agriculture*

**MARCH 2023**



# AFC BRANCH NETWORK



## VISION



To be the Premier Agricultural Development Bank in Kenya

## MISSION

To provide sustainable financing through participative and collaborative financial and non- financial interventions, innovations, technology and products



- Customer Focus
- Integrity
- Dedication
- Partnerships and Teamwork
- Social Responsibility



## CORE VALUES



## Contact Information

### Agricultural Finance Corporation.

**Contact Person:** Managing Director

**Physical:** Development House, Moi Avenue, Nairobi

**Tel:** +254-020-3317199

**Mobile:** +254-724 253 522 / 725 579 769

**Email:** [info@agrifinance.org](mailto:info@agrifinance.org)

### Prepared through Financial support of:

The Financial Sector Deepening (FSD) Kenya

**Physical Address:** Green Suites, Riverside, Riverside Drive.

**Postal Address:** P.O Box 11353-00100, NAIROBI

<https://www.fsdkenya.org/>

### Under the technical Guidance of:

#### Genesis Analytics Ltd - Kenya

**Physical Address:** 4th floor, West Park Suites, Ojjo Close, Parklands, Nairobi

**Postal Address:** P.O. Box 76608-00508, Nairobi, Kenya

[www.genesis-analytics.com](http://www.genesis-analytics.com)





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## LIST OF ABBREVIATIONS

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Abbreviation	In Full
	Agricultural Credit Guarantee Scheme
AFC	Agricultural Finance Corporation
BDS	Business Development Services
CGS	Credit Guarantee Schemes
Comex	Kenya National Multi-Commodity Exchange
CRAW	Co-operatives Ride-on Access Window
DT-SACCOs	Deposit Taking Savings and Credit Cooperatives
GDP	Gross Domestic Product
LTV	Loan-to-Value
M&E	Monitoring and Evaluation
MFI	Microfinance institutions
MRAW	Microfinance Ride-on Access Window
MSME	Micro Small and Medium Sized Enterprise
NCPB	National Cereals and Produce Board
NPLs	Non-Performing Loans
PASS	Private Agricultural Sector Support
PROFIT	Programme for Rural Outreach of Financial Innovations and Technologies
SHFs	Smallholder Farmers
WO	Warehouse Operator
WR	Warehouse Receipt
WRS	Warehouse Receipt System
WRSC	Warehouse Receipt System Council



## ACKNOWLEDGEMENT

The agriculture sector remains the key driver of Kenya's economy contributing approximately twenty percent (20%) of the annual Gross Domestic Product (GDP) directly and an additional twenty seven percent (27%) indirectly. The sector accounts for 65% of Kenya's exports and plays an important role in job creation, improving livelihoods and ensuring food and nutritional security. The sector is a key contributor to the aspirations of the country's Vision 2030 and 'The Bottom-up Economic Transformation Agenda (BETA).

The Agricultural Finance Corporation is a government owned Development Finance Institution (DFI) charged with the mandate of providing affordable credit and technical assistance to spur development within the agricultural sector. To achieve this, the Corporation has its medium-term transformation strategy whose intent is to support government's development agenda more so the commitments in the agricultural sector.

The agriculture sector financing models contained herein, are well aligned to the Government's long-term and Medium-Term Development Priorities, as well as the Constitution of Kenya, the Vision 2030, the Agricultural Sector Development Strategy (ASDS) 2010-2020, the Sustainable Development Goals (SDGs) and the Africa's Agenda 2063. The business models have been developed in such a critical moment as the agricultural sector and the Kenya's economy is recovering from the impacts of Covid-19 pandemic, the ravaging drought and the resulting economic downturn. This is a deliberate strategy to support the government efforts and the private sector in rejuvenating the economic recovery in the country.

These models are informed by the sector needs as they are a product of consultative and participatory process encompassing stakeholder's discussions, expert consultations, key informant interviews, focus group discussions and literature reviews. Equally, the draft document has subjected to review, comments and inputs by different stakeholders. We believe we have the right proposals to drive the transformation of the agricultural sector.

On behalf of the Agricultural Finance Corporation, I convey special appreciation to Financial Sector Deepening Trust (FSD)-Kenya and Alliance for Green Revolution in Agriculture (AGRA) for supporting this process with financial and technical resources. Special

mention goes out to Genesis Analytics team for effectively guiding the process as the consultants. I equally take cognizance and appreciate the support and guidance of the board of directors led by the Chairman Eng. John Mruttu, and my management team and staff for their valuable input and support into the formulation these models and investment papers.

I also recognize and appreciate in a profound way the effort and dedication of the team responsible for the papers led by Mr. John N. Mungai and team members who included; Mr Bonano Badia, Mr Cornelius Onsongo, Ms Ruth Okatch, Mr. Eurry Mabonga, Miss Daisy Tum, Mr. Boaz Korir, Ms Leah Wandera, Mr. Savio Sunkuli, Mr. Dennis Mulongo, Ms Catherine Ndivo and Ms Winnie Too.

Finally, I express my confidence that roll-out of these financing models will be a game changer not only in the Corporation's business but also in driving the financial inclusion agenda. This will be a catalyst in the transformation of not only the Agricultural Finance Corporation but also the agricultural sector as a whole.

**George Kubai**  
**Managing Director**



## 1. INTRODUCTION AND BACKGROUND

**A**gricultural sector is a key pillar in Kenya Vision 2030 and the Bottom-up Economic Transformation Agenda (BETA). The sector is the backbone of the Kenyan economy contributing directly 20% of the Gross Domestic Product (GDP) in 2022 and another 25% indirectly. The sector accounted for 69.7% of total exports, employs over 70% of Kenya's rural work force and provides more than 15.5% of formal employment. Additionally, agriculture sector generates about 70% of raw materials for agro-industrial production and generates 45%.

**Despite its significance, the agriculture sector in Kenya faces numerous challenges, including limited access to finance, lack of predictable markets, post-harvest losses, climate change, inadequate technical know-how, and low productivity.** Likewise, child poverty and general poverty is high in the large number of participants in the sector in the rural areas who are predominantly agrarian.

**Agriculture financing especially for smallholder farmers, traders and small and medium enterprises (including women and youth) is not developed in Kenya e.g., financing short and long-term investments in inputs, tools, irrigation, and technology.** The banking sector is especially challenged by lack of good underwriting data and skills; high operational costs associated with serving remotely based small farmers/enterprises; trade risks posed by the sector informality and commodity price swings and risks aggravated by dependency on rain-fed agriculture, changing weather patterns as well as weak post-harvest trading,

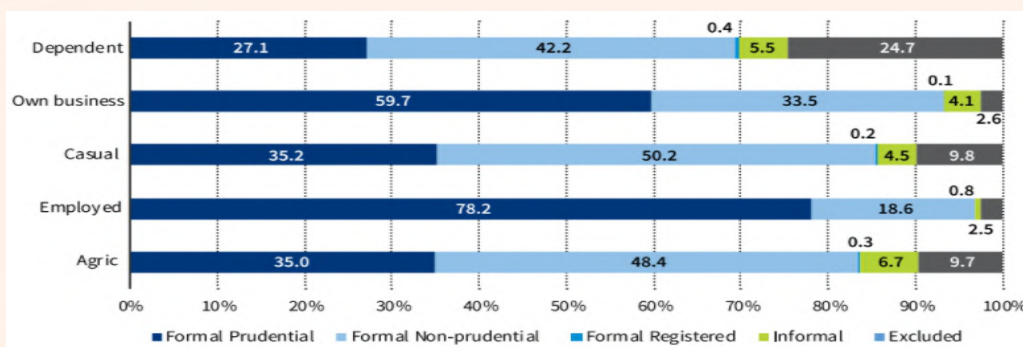
warehousing, and processing arrangements.

**Last mile financiers like SACCOs, User cooperatives, Microfinance Institutions and digital money lenders are stepping in to address the existing financial provision gaps and have developed financing models that can underwrite smallholder farmers' risks and have rural outreach but often suffer from insufficient capital.** These last-mile financiers with the right outreach and lending operations face challenges in raising sufficient capital to meet agriculture sector financial needs. The access to lending capital landscape in Kenya is skewed in favour of tier one and two banks who hold most of the customer deposits in the country.

**To catalyze rural lending, there is need to address the capital challenge faced by Saccos, MFIs and other institutions like big rural buyers, by innovating how they can access appropriate capital for on-lending.** This model aims to catalyze financing into the agricultural sector through deployment of funding to financial institutions (including banks, MFBs, SACCOs and MFIs and Fintechs), asset financing companies and anchor clients that can increase lending to segments not traditionally catered to by financial institutions (FIs). These segments would include women, youth, other marginalized groups and agri-preneurs.

**To reach these segments, AFC intends to primarily focus on SACCOs, MFBs and MFIs, Fintechs and Anchor clients that have greater reach in rural areas and among the target market.** These FIs often make use of social networks and social collateral models, savings-based lending products, willing to lend to risky segments and their vast networks in rural areas (either through physical branches or through digital channels) making them critical financing partners. In addition, AFC will help support the increased tailoring of FI financial products to meet the need of specific value chains. These would leverage the AGRA Agri-MSME Ecosystem Database and bankability metrics.

**Figure 1: Financial access by source of livelihood**



Source: FinAccess Study, 2021

<sup>1</sup>Kenya National Bureau of Statistics (KNBS), 2020

<sup>2</sup>Kenya National Bureau of Statistics (KNBS), 2018



# 1. ABOUT AFC TRANSFORMATION JOURNEY

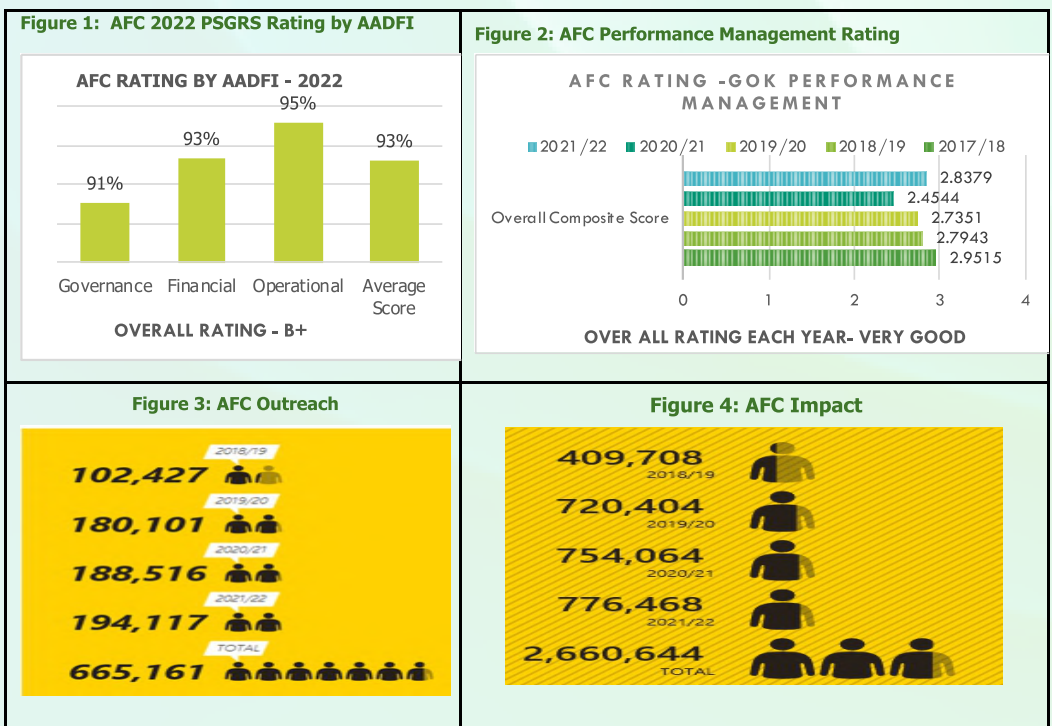
**Agricultural Finance Corporation (AFC) is a government owned development financial institution mandated to provide affordable credit to actors along agricultural value chains.** The Corporation is the only development financial institution in the country that focusing 100% on financing agriculture sector. With a network spread across the country, AFC mission is to provide sustainable financing through participative and collaborative financial and non-financial interventions, innovations, technology and products.

**In the recent past, the Corporation has undergone strategic refocusing with an ultimate aim to transform into a sustainable and impactful lender.** This has seen the Corporation improve and sustain its performance on key business metrics and has attained favourable annual performance rating by the regional agencies and government performance rating agencies over the last five years despite the economic disruptions.

**The Corporation's new business model is derived from its medium term strategy, its transformation agenda and the government Bottom-up Transformation Agenda (BETA).** This will ultimately transform AFC into a sustainable, impactful and the go-to financial institution for the

agricultural sector. The Corporation is focusing on the initial four model to refocus the institution as a market marker in agricultural financing. The models include wholesale lending (through SACCOs, MFIs, banks, anchor clients and Fintechs), warehouse receipt financing, the credit guarantee scheme financing, and agricultural mechanization financing. Wholesale lending model was developed and tested through the support of AGRA, IFAD and the National Treasury. This has been tested with eight SACCOs borrowing over KES 1 billion with less than 1% NPL. **The current loan demand pipeline of wholesale financing stands at over KES 4.0 billion.**

**The Corporation seeks to transform the financing of agriculture building on the lessons learnt and based on the apex model and seeks KES 100.9 billion over five-year period.** Currently the Corporation is lending KES 340 million monthly from the revolving fund out of monthly credit demand of KES 1.25 billion monthly. The KES. 900 million monthly unmet demand (KES 15 billion annually) is experienced due to lack of sufficient funds. It is important to note that this demand is based on walk in client (word of mouth) without any marketing or promotion. The Corporation is targeting to lend a conservative KES. 1.7 billion Monthly once the it implements the proposed models with timely disbursements.





# 1. THE NEW INNOVATIVE AGRICULTURAL FINANCING MODELS

**T**he success of the Agricultural Sector is dependent on the level and sustainability of funding to all value chain players. This has however not been the case as annual credit to the sector in Kenya has averaged between 3% - 5% of the total credit by the commercial banks over the last five years. To transform this narrative, AFC has developed and seeks to implement new agri-financing models. These will enable the Corporation transform AFC into an impactful apex lender that will not only drive financial access and inclusion, but also attract and de-risk private investments into the agri-sector. The first phase of the financing business implementation models includes;

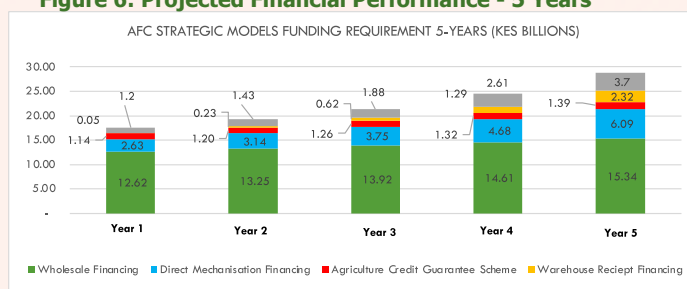
- i) **Wholesale Lending Model** to SACCOs, microfinance institutions, and anchor clients to serve financially excluded segments, with a view of enhancing outreach.
- ii) **Warehouse Receipt Financing model**, to serve as an alternative collateral mechanism, enabling producers to access credit backed by the warehouse receipt.
- iii) **Mechanization financing model**, to scale up acreage under production and enhance agricultural productivity.
- iv) **Agricultural Credit Guarantee Financing model** to catalyze funding into the sector by de-risking agricultural enterprises.

**To implement the first phase, the Corporation is raising KES. 100.9 billion (USD 917 million) to reach 2.6 million users by implementing the initial four models.** The apex approach will lead to the Corporation channelling 75% of these funds through indirect financing mechanisms under wholesale lending and credit guarantee financing models. This will not only increase the outreach of AFC but also improve the sustainability of the Corporation with a projected return on investment 24% over the five-year period. Use of existing lenders and innovators will not only increase the outreach but also reduce the risk of default. The Corporation will also champion the opening of new agricultural frontiers.

**The total projected outreach from the four models in 2.6 million smallholder farmers and agri-preneurs with the following estimate annual lending.** For year 1, 16% (KES 16.4 billion) will be loaned. The subsequent year two, 18% (KES 17.8b), 19% (KES 19.6b) in year 3, 22% (KES 21.9b) in

year 4 and 25% (KES 25.1b) in year 5. The largest share of 69% (KES 69.8b) will go towards wholesale lending with projected direct outreach of 2.0 million, agriculture credit guarantee 270,733, warehouse receipt financing 229,913, and direct mechanisation financing 66,720.

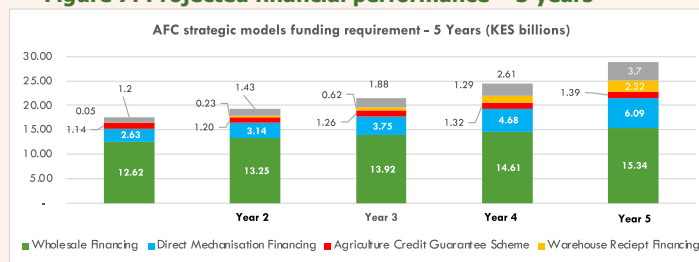
**Figure 6: Projected Financial Performance - 5 Years**



Source: AFC implementation models research by AFC / Genesis Analytics.

**The overall projected return of investment (ROI) is 24% with models like wholesale lending projected at 28% ROI.** The 24% ROI gives room to reduce the wholesale lending rate as an incentive for the market to issue affordable pricing. Agriculture credit guarantee model has the lowest return on investment of 8% but will be a major catalyst for the rollout of the other models.

**Figure 7: Projected financial performance – 5 years**



Source: AFC implementation models research by AFC / Genesis Analytics.



## MODELLING ASSUMPTIONS

**The projections are modest and were made with several assumptions.** Good uptake and repayment of loans is based on the current portfolio performance. AFC will levy the following fees when administering wholesale financing: business development fees of 6%, processing fees of 2.5%, and interest rate fees of 10%. The following are assumptions used in building the model: treasury management 54% of available and unused cash (43% allocated to fixed deposits and 3% preserved as cash), cost associated with NPLs is based on the lower levels of NPLs experienced in the wholesale lending NPLs per the type of institution range from between 2% to 3% of the funding that is extended, cost of borrowing (interest payments) which is achieved using the following formula: donor funding rate (3.5%) + premium (1.5%) to get an average interest rate of 5%, and the cost of offering business development services to the third-party institution will not be borne by AFC. Instead, the institution will seek grant financing to cater for these costs.

The models has accompanying investment papers which are summarized below.

# Imarika DT S A C C O





## A) WHOLESALE FINANCING MODEL

### a) The overview of wholesale financing Model

**Table 1: Summary of the wholesale financing model**

Business Model Name	Wholesale Financing
<b>The Context</b>	<ul style="list-style-type: none"> <li>This model aims to catalyse financing into the agricultural sector through deployment of funding to financial institutions, asset financing companies and anchor clients that can increase lending to segments not traditionally catered to by FIs (women, youth, other marginalised groups and agripreneurs)</li> </ul>
<b>The Problem</b>	<ul style="list-style-type: none"> <li>FIs face liquidity constraints as their ability to raise cheap deposits may be limited</li> <li>FIs lack the ability to assess the creditworthiness of SHFs</li> </ul>
<b>The Solution</b>	<ul style="list-style-type: none"> <li>Extending affordable liquidity financing to financial institutions to extend financing to agriculture and support the increasing tailoring of financing products by FI</li> <li>By increasing the amount and diversity of lending to the agriculture sector, this is expected to support the sector and serve to address the food security goals of the GoK.</li> </ul>
<b>Proposal To Partners</b>	<b>(5 Year Funding Request)</b>
<b>I). Financials</b>	<ul style="list-style-type: none"> <li><b>KES 69.753 billion</b> in the form of debt financing</li> </ul>
<b>II). Any Other</b>	<ul style="list-style-type: none"> <li><b>KES 4.423 billion</b> in the form of grant financing to cater to the cost of business development services</li> </ul>
<b>Goal</b>	<ul style="list-style-type: none"> <li>Scaling Access windows to provide liquidity finance to FIs that lend to the target market</li> <li>Offer capacity building for FIs to enhance agri-lending offerings</li> <li>Promoting the use of bankability metrics</li> <li>Green Climate Fund (GCF) accreditation</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li><b>KES 69.753 billion</b> invested will reach ~ 2,000,000 SHs and agri-MSMEs in 5 years</li> <li>Average expected profit margin of approximately 52%</li> </ul>
<b>Outcome</b>	<p><b>To farmers &amp; agribusinesses</b></p> <ul style="list-style-type: none"> <li>Increased lending to small-scale farmers</li> <li>Increased lending to marginalised segments</li> </ul> <p><b>To financial institutions</b></p> <ul style="list-style-type: none"> <li>Increased liquidity</li> </ul>

### b) About the Wholesale financing Model

**This model aims to catalyse financing into the agricultural sector through deployment of funds to financial institutions, asset financing companies and anchor clients that can increase lending to segments not traditionally catered to by FIs.** The model involves extending affordable liquidity financing through financial institutions to agriculture and supporting the increasing tailoring of financing products by FIs. The targeted excluded groups include women, youth, smallholder farmers, and agri-MSMEs. To reach these segments, AFC will primarily focus on SACCOs, MFBs and MFIs & fintechs that have greater reach in rural areas and among the target market. With the projected funding, the wholesale lending would constitute 69% of AFC loan

book by year 5 significantly shifting the risk drivers to a less risky and high impact model. Through this model, AFC can expect to scale amount and diversity of lending to the agriculture sector. This will serve to support the agricultural sector and its production which ultimately seeks to address the government goals of achieving food security, reducing food imports and export promotion. The summary of the wholesale financing model is presented below.



## c) The 5 year projected Financials – Wholesale Lending Model

**Table 2 : Wholesale financing model projections (5 years)**

Category	Year 1		Year 2		Year 3		Year 4		Year 5		TOTAL	
	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD
Funding Requirement (Millions KES)	12,622	115	13,254	120	13,918	127	14,614	133	15,345	139	69,753	634
Revenues (Millions KES)	5,866	53	6,548	60	7,186	65	7,832	71	8,556	78	35,988	327
Expenses (Millions KES)	3,803	35	4,086	37	3,504	32	2,930	27	2,364	21	16,687	152
Gross Profit (Millions KES)	2,063	19	2,462	22	3,682	33	4,902	45	6,192	56	19,301	175
<b>Gross Profit Margins</b>	<b>35%</b>		<b>38%</b>		<b>51%</b>		<b>63%</b>		<b>72%</b>		<b>ROI</b>	<b>28%</b>

Source: AFC implementation models research by Genesis Analytics [\*\*Detailed financial model can be availed on request]

**Table 3: Wholesale financing model partners categorisation 2023 - 2027**

Category	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL	%
Banks	1,993	2,092	2,197	2,307	2,423	11,012	16%
SACCOs	4,395	4,615	4,846	5,089	5,343	24,288	35%
MFIs/ Fintech	3,718	3,904	4,100	4,305	4,520	20,548	29%
Mechanisation	1,277	1,341	1,408	1,478	1,552	7,056	10%
Anchor client	1,239	1,301	1,367	1,435	1,507	6,849	10%
<b>TOTAL</b>	<b>12,622</b>	<b>13,254</b>	<b>13,918</b>	<b>14,614</b>	<b>15,345</b>	<b>69,753</b>	<b>100%</b>
						<b>Leverage Ratio</b>	<b>2.8%</b>

Source: AFC implementation models research by Genesis Analytics

## d) Projected Outreach of Wholesale Financing Model.

AFC will aim to reach 2,000,000 smallholder farmers and agripreneurs by year 5 by disbursing KES 69.7 billion over five years. The total leveraged reach will be 400,000 in year 1 and grow to 1,668,086 SHFs and agripreneurs in year 5, largely due to the benefits of leveraging the initial loan amount. This

would equate to a total of 2,000,000 SHFs and agripreneurs financed over the 5-year period with SACCOs and MFIs/ fintechs receiving the bulk of the funding, reflecting their ability to reach the target segments.

**Table : Summary of the wholesale financing model projected reach**

Output / Projected Reach	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Direct Reach</b>	400,000	400,000	400,000	400,000	400,000
<b>Leveraged Reach</b>	0.0	352,916.0	680,685.0	985,213.0	1,268,086.0
<b>Total Reach</b>	400,000.0	752,916.0	1,080,685.0	1,385,213.0	1,668,086.0
<b>Leverage Ratio</b>					2.8
<b>Receive BDS</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>Value of BDS (KES 'm')</b>	<b>37.8</b>	<b>39.7</b>	<b>41.7</b>	<b>43.8</b>	<b>46.0</b>

Note: 1. The numbers quoted represent SHFs | 2. A total of 2,000,000 SHFs will benefit from wholesale lending | 3. A total of 20,000 SHFs will benefit from BDS.

**e) Potential Challenges and Mitigation for the wholesale financing model**

Key Challenges	Potential Mitigations
Lack of a relationship manager who would offer ongoing training and capacity building on agricultural lending	<ul style="list-style-type: none"><li>Upskill one of the current members of staff working in the credit and loan recoveries department to serve as a relationship manager</li></ul>
Limited marketing capabilities of loan products by the FIs	<ul style="list-style-type: none"><li>AFC to support the marketing of the agricultural loan products through its large distribution network</li></ul>

**f) Risk Management Instruments****Table 5: Summary of the wholesale financing model - risk management instruments**

Potential Risk	Proposed Risk Management Instrument
There is a growing shift towards helping communities improve their resilience against the negative effects of climate change and to ensure activities do not negatively impact the environment. As such there is a growing shift towards green financing in place of "traditional" agriculture finance.	To prevent missing the shift, AFC will seek to align its organisation with the Green Climate Fund (GCF) or other green finance accreditation institutions. Through this the Corporation will maintain its useful conduit of offering liquidity financing to FIs in the market. Efforts would also be required to capacitate FIs to ensure that they are aware of and lending towards green finance organisations or projects to utilise the financing.





## I) WAREHOUSE RECEIPT (WR) FINANCING MODEL

### a) Overview of the warehouse Receipt Financing Model

Table 6: Summary of the WR financing model.

Business Model Name	Warehouse Receipts Financing Model
<b>The Context</b>	<ul style="list-style-type: none"> <li>Financial institutions (FIs) continue to rely heavily on traditional collateral backed lending</li> <li>The Warehouse Receipt System (WRS) Act was enacted by in June 2019 and recognises a warehouse receipt as a document of title enabling financing to be extended against them.</li> <li>Past experience of FIs developing WR backed financing products ended poorly.</li> <li>This is an opportunity for AFC to play the role of market maker for WR backed financial products.</li> </ul>
<b>The Problem</b>	<ul style="list-style-type: none"> <li>Limited access to markets</li> <li>High post-harvest losses</li> <li>Limited access to finance due to overreliance on traditional collateral</li> <li>There is limited supply of bonded warehouses.</li> <li>There is limited track record or trust in the use of these warehouses by farmers and financiers.</li> </ul>
<b>The Solution</b>	<ul style="list-style-type: none"> <li>AFC will play the role of market maker to begin developing WR backed financial products</li> <li>This would further serve to support the Government of Kenya's (GoK's) efforts to ensure food security for the nation</li> </ul>
<b>Proposal To Partners</b>	<b>5 Year Projections</b>
<b>I). Financials</b>	<ul style="list-style-type: none"> <li><b>KES 4.517 billion</b> in the form of debt financing</li> </ul>
<b>Ii). Technical</b>	<ul style="list-style-type: none"> <li>Technical assistance in developing WR backed products, that is, in the design and structuring (e.g., the loan-to-value - LTV per commodity and pricing). This is estimated to be 15% of the value of debt financing i.e., KES 677.55 million.</li> </ul>
<b>Iii). Any Other</b>	<ul style="list-style-type: none"> <li><b>KES 14 Million</b> in the form of grant financing to cater to the cost of business development services</li> </ul>
<b>Goal</b>	<ul style="list-style-type: none"> <li>To be the market maker for WR backed financing</li> <li>Improved vetting procedures of warehouse operators to boost market confidence</li> <li>To develop an aggregation network for SHFs within a region</li> </ul>
<b>Impact</b>	<p><b>Sector</b></p> <ul style="list-style-type: none"> <li><b>KES 4.517 billion</b> invested could reach ~ 376,885 SHFs and aggregators in five years</li> </ul> <p><b>AFC</b></p> <ul style="list-style-type: none"> <li>Leverage borrowing 1.6 times</li> <li>Average expected profit margin of ~ 41.5%</li> </ul>
<b>Outcome</b>	<p><b>To farmers</b></p> <ul style="list-style-type: none"> <li>Increased access to finance using their commodities</li> <li>Increase price for produce</li> <li>Reduced post-harvest losses</li> <li>Increasing structuring of value chains</li> <li>Increased agricultural lending to marginalised groups i.e. women and youth</li> </ul> <p><b>To the ecosystem</b></p> <ul style="list-style-type: none"> <li>Diversification of financial products from FIs</li> </ul>

### a) About the Warehouse Receipt Financing Model

**Smallholder Farmers (SHFs) face a number of challenges which limits their profitability.**

Examples of these key challenges include limited access to markets, high post-harvest losses due to limited availability of adequate storage facilities and limited access to finance as financial institutions continue to rely heavily on traditional collateral backed lending. SHFs are therefore often necessitated to sell their produce at low prices after harvest and often struggle

to gain access to finance that would allow them to scale their operations. Under the WRS, owners of commodities deposit produce in certified warehouses and are issued a title document called a Warehouse Receipt (WR) as proof of ownership. By implementing the WRS, AFC will be a key implementer of GoK's policy on ensuring food security for all, reducing post-harvest losses as well as increasing and stabilizing farmers' incomes. The summary of the WR financing model is presented below.



### c) The 5 year projected Financials - Warehouse Receipt Financing Model

**Table 7: Warehouse Receipt Financing projections 2022-2026**

Category	Year 1		Year 2		Year 3		Year 4		Year 5		TOTAL	
	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD
Funds Requirement (Millions KES)	50	0	234	2	624	6	1,293	12	2,317	21	4,517	41
Revenues (Millions KES)	339	3	358	3	394	4	460	4	567	5	2,117	19
Expenses (Millions KES)	230	2	245	2	224	2	233	2	276	3	1,207	11
Gross Profit (Millions KES)	109	1	113	1	169	2	227	2	292	3	910	8
<b>Gross Profit Margins</b>	<b>32%</b>		<b>32%</b>		<b>43%</b>		<b>49%</b>		<b>51%</b>		<b>ROI</b>	<b>20%</b>

Source: AFC implementation models research by Genesis Analytics. [\*\*Detailed financial model can be availed on request]

### d) 5 Year Projected Outreach

It is estimated that through this model ~ **376,885 SHFs would benefit from accessing finance over the next five-year period; starting at 2,520 SHFs in year 1 and growing to 211,466 SHFs in year 5.** With this form of alternative collateral AFC will further upscale its efforts on financing marginalised groups such as smallholder farmers, women and youth who often lack title deeds. The

success of the WRS would also allow farmers to store produce until prices are more favourable which would have the result of achieving better returns to them. Additionally, the system can reduce post-harvest losses as the storage and care of the commodity is transferred to certified warehouses equipped with appropriate facilities and expertise to ensure quality and quantity. The projected five-year outreach is as presented below

**Table 8: Summary of the WRS financing model - reach**

Output / Projected Reach	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Direct Reach</b>	2,520.0	11,905.0	31,747.0	65,824.0	117,917.0
<b>Leveraged Reach</b>	0.0	2,179.0	12,313.0	38,931.0	93,549.0
<b>Total Reach</b>	2,520.0	14,084.0	44,060.0	104,755.0	211,466.0
<b>Total allocation and circulated/ leveraged amounts (KES 'm')</b>	49.5	276.7	865.6	2,058.0	4,154.5
<b>Leveraged Ratio</b>					1.6
<b>Receive BDS</b>	4.0	18.0	48.0	99.0	177.0
<b>Value of BDS (KES 'm')</b>	0.6	3.0	8.3	18.1	33.9

Note: 1. The numbers quoted represent SHFs | 2. A total of 376,885 SHFs will benefit from WRS | 3. A total of 346 SHFs will benefit from BDS

### e) Potential Challenges and Mitigation for the Warehouse Receipt Financing Model

**Table 9: Summary of the WRS financing model - challenges and mitigations**

Key Challenges	Potential Mitigations
Accurate identification, securitisation and contractual enforcement of the WRS	<ul style="list-style-type: none"> <li>To ensure accurate identification, securitisation and contractual enforcement of the warehouse receipts, the Warehouse Receipt System Council (WRSC) established a digital Central Registry system</li> <li>The efficacy of the operators will be determined by factors such as quality and storage assurance, insurance of the produce and clear visibility on the ownership of the commodity.</li> </ul>
Price volatility of produce	<ul style="list-style-type: none"> <li>In order to mitigate price volatility, the government has formed the Kenya National Multi-Commodity Exchange (Comex)</li> </ul>
Incorporation of private owned warehouses	<ul style="list-style-type: none"> <li>Currently, five warehouse stores have been licensed and certified by the WRSC. This activity is expected to attract both public and private sector investments in the warehousing sector</li> </ul>



## f) Risk Mitigation Instruments

**Table 10: Summary of the WRS financing model - risk management instruments**

Potential Risk	Proposed Risk Management Instrument
<p>The WRSC digital central registry does not function well thereby exposing financiers to potential risks</p>	<p>At present AFC is the sole institution that has signed an MOU with the WRSC to explore WR backed financing product development. AFC will therefore utilise its partnership to ensure the WRSC develops an electronic registry that is based on international best practices and that further learns from the lessons from the eCitizen movable collateral registry. This could leverage Financial Sector Deepening Trust (FSD) Kenya's experience with the collateral registry.</p>
<p>National Cereals and Produce Board (NCPB) run warehouses face the historic challenges of poor storage quality and releasing produce that has outstanding loans against it. This could expose AFC to high risk exposures</p>	<ul style="list-style-type: none"> <li>□ The Corporation will explore seeking a partial credit guarantee scheme (PCGS) from an international development financing institution (DFI) considering the importance of the market maker role that AFC is playing. The Corporation will likely need to extend the same PCGS to other FIs that begin offering WR backed financing for equity.</li> <li>□ AFC, working with the WRSC, will further aim to promote the development of private warehouse operators (WO) to compete with the NCPB stores.</li> <li>□ The Corporation will need to ensure that the underlying WO (both NCPB and private providers) have sufficient credit worthiness to cover any potential loss that may occur. This would be in addition to the WRSC licensing and accreditation requirements.</li> </ul>
<p>Aggregators, cooperatives and farmers either do not know about the WRS or shy away from depositing their produce in certified warehouses due to past experiences with the NCPB</p>	<p>AFC will play a dual role of not only offering WR backed financing to customers but further educating its clients on the workings of the WRS. The Corporation will seek support from the WRSC to aid this public education through receiving relevant documentation or by using the Corporation's branch channels in the relevant counties as a base for the national education drives.</p>





## C) AGRICULTURAL CREDIT GUARANTEE SCHEME FINANCING MODEL

### a) Overview of the Agricultural Credit Guarantee Financing Model

Table 11: Summary of the ACGS financing model.

Business Model Name	Agricultural Credit Guarantee Scheme
<b>The Context</b>	<ul style="list-style-type: none"> <li>• Very few CGS in the country explicitly focus on assisting the agricultural sector. More so, these guarantee schemes were largely directed towards banks alone.</li> <li>• The need for an ACGS stems from the fact that agriculture only accounted for a mere 3.3% of total gross banking loans in 2019 against its GDP contribution of over 30%.</li> </ul>
<b>The Problem</b>	<ul style="list-style-type: none"> <li>• SHFs are perceived as high-risk customers</li> <li>• FIs lack the ability to assess the creditworthiness of SHFs</li> </ul>
<b>The Solution</b>	<ul style="list-style-type: none"> <li>• The ACGS will provide a mechanism for risk transfer/ de-risking and diversification increasing the appetite for agricultural lending.</li> <li>• By increasing the amount and diversity of lending to the agriculture sector, this is expected to support the sector and serve to address the food security agenda of the GoK.</li> </ul>
<b>Proposal To Partners</b>	<b>5 years funding requirement</b>
<b>i). Financials</b>	<ul style="list-style-type: none"> <li>• <b>KES 6.297</b> billion in the form of debt financing</li> </ul>
<b>ii). Technical</b>	<ul style="list-style-type: none"> <li>• Technical assistance in developing, structuring and managing the ACGS. This is estimated to be 15% of the value of debt financing i.e. <b>KES 945 million.</b></li> </ul>
<b>iii). Any Other</b>	<ul style="list-style-type: none"> <li>• <b>KES 53.1 million</b> in the form of grant financing to cater to the cost of business development services</li> </ul>
<b>Goal</b>	<ul style="list-style-type: none"> <li>• Set focus on key segments that are not traditionally served</li> <li>• Risk sharing to cover part of default risk from FIs</li> <li>• Formation of treasury department</li> <li>• Green Climate Fund (GCF) accreditation</li> </ul>
<b>Impact</b>	<p><b>Sector</b></p> <ul style="list-style-type: none"> <li>• <b>KES 6.297 billion</b> invested could reach approximately 270,733 SHFs</li> <li>• ACGS reportedly have a 30% additionality impact on the value of loans</li> </ul> <p><b>AFC</b></p> <ul style="list-style-type: none"> <li>• Average profit margin of 27%</li> <li>• Expected ROI is 8%</li> </ul>
<b>Outcome</b>	<ul style="list-style-type: none"> <li>• Increased lending to the agricultural sector</li> <li>• Increased diversity in lending activities at the FI level to marginalised segments i.e. women, youth etc.</li> <li>• Avenue of increasing green financing</li> </ul>

### b) About the Agricultural Credit Guarantee Financing Model

The agricultural credit guarantee model seeks to address the market gaps in the Credit Guarantee schemes (CGS) developed for the Kenyan market, where very few explicitly focus on assisting the agricultural sector and these credit guarantee schemes are largely directed toward banks alone. The need stems from the fact that agriculture only accounted for a mere 4.2% of total gross commercial banking loans in 2021 against its GDP contribution of over 30%, a significant under representation in lending activities. Gross non-performing loans (NPLs) for the banking sector stood at 12.5% with the agriculture sector reporting only 5% implying that majority of the loans were advanced to large established agribusinesses. Smallholder farmers

are largely perceived as high-risk customers and the fact that lenders lack the ability to properly assess SHFs creditworthiness reduces the credit advancement to this segment.

Through the financing model, AFC will deal directly with the problem of low agricultural lending by providing a mechanism for risk transfer/de-risking and diversification by covering part of the default risk hence lowering the lenders' risks and increasing their appetite for agricultural lending. This will serve to support the agricultural sector production which ultimately address the national food security goals.

The summary of the Agriculture Credit Guarantee Scheme financing model is presented below.



The summary of the Agriculture Credit Guarantee Scheme financing model is presented below.

**c) The 5 year projected Financials - Agricultural Credit Guarantee Model.**

**Table 12: Agricultural Credit Guarantee financing model projections.**

Category	Year 1		Year 2		Year 3		Year 4		Year 5		TOTAL	
	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD
Funds Requirement (Millions KES)	1,139	10	1,196	11	1,256	11	1,319	12	1,385	13	6,297	57
Revenues (Millions KES)	509	5	521	5	414	4	305	3	196	2	1,946	18
Expenses (Millions KES)	387	4	384	3	303	3	221	2	138	1	1,432	13
Gross Profit (Millions KES)	122	1	137	1	112	1	85	1	58	1	514	5
<b>Gross Profit Margins</b>	<b>24%</b>		<b>26%</b>		<b>27%</b>		<b>28%</b>		<b>30%</b>		<b>ROI</b>	<b>8%</b>

Source: AFC implementation models research by Genesis Analytics. [\*\*Detailed financial model can be availed on request]

**d) 5 Year Projected Outreach – Agricultural Credit Guarantee Scheme Financing Model**

Through this model, it is estimated that a total of 42,302 SHFs and agri-MSMEs will access financing each year, totalling up to 211,502 SHFs over the span of five years. A KES. 6.3 billion funds would enable the Corporation issue out 270,733 guarantee backed loans over five-year period. Through this model, Banks, MFIs/ Fintechs and SACCOs will receive 50% guarantee of the risk from AFC for ACGS worth KES 1.4 billion, KES 2.2 billion and KES 2.5 billion

respectively. SACCOs and MFIs & fintechs will advance loans of approximately KES 24,000 and will have the greatest reach while banks will issue loans of approximately KES 90,000 and will target more established smallholder farmers.

**Table 13: Summary of the ACGS financing model - reach**

Output / Projected Reach	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Total Reach</b>	54,149	54,143	54,143	54,149	54,149
<b>Banks</b>	3,070	3,070	3,070	3,070	3,070
<b>SACCOs</b>	20,710	20,708	20,708	20,710	20,710
<b>MFIs/Fintechs</b>	18,522	18,520	18,520	18,522	18,522
<b>Receive BDS</b>	53	52	52	53	53
<b>Value of BDS (KES 'm')</b>	8.3	8.6	9.0	9.7	10.1

Note: 1. The numbers quoted represent SHFs | 2. A total of 270,733 SHFs will benefit from ACGS | 3. A total of 505 SHFs will benefit from BDS

**e) Potential Challenges and Mitigation for the Agricultural Credit Guarantee Scheme Financing Model**

**Table 14: Summary of the ACGS financing model - challenges and mitigations**

Key Challenges	Potential Mitigations
SHFs lack sufficient transactional data or credit history and are perceived to have limited business skills and financial literacy.	Collaboration with Fintechs, Integration with current farmers’ database, Integration of the AGRA Agri-MSME Ecosystem Database and Kenya National Farmers Federation (KENAFF) Farmers’ database into the FI lending process will assist in reducing FIs aversion towards SHF.
Lack of an assured/ formal market for agricultural produce increases the aversion of FIs.	
Limited market linkage between value chains erodes the benefits that accrue to farmers as it is often eroded through middlemen reducing their ability to service loans.	



Key Challenges	Potential Mitigations
FIs are yet to tailor their products and services to accommodate the requirements for lending to various value chains.	Learnings from the PROFIT programme can be incorporated
The cost of financing smaller loans is expensive from an administrative point of view.	AFC should look to focus on SACCOs and MFIs & Fintechs as the key FIs to provide the AGCS to
The Monitoring and Evaluation (M&E) requirements expected to claim the guarantee can at times be onerous to the FI in terms of cost and time.	Ensure that the reporting requirements for the guarantee scheme seek to accurately monitor the reach of the scheme are women, youth and other marginalised groups that would otherwise face difficulties accessing finance, but that does not require an undue level of effort from the FI.

#### a) Risk Mitigation Instruments

**Table 15: Summary of the ACGS financing model - risk management instruments**

Potential Risk	Proposed Risk Management Instrument
Poorly structured ACGS that exposes AFC to a high level of risk or that fails to have the type of impact that is expected	Seeking support from institutions that have previously developed CGS such as the African Development Bank (AfDB), International Fund for Agricultural Development (IFAD) and AGRA
Poor uptake of ACGS by financial institutions	AFC will need to ensure the market as much legitimacy behind the ACGS. This will involve leveraging the institutional support that they have attained, demonstrating that efforts have been made to attain operational excellence (e.g. through the setting up of a qualified treasury department), and by working with FI regulators and associations to promote uptake.
The ongoing COVID-19 pandemic and its impacts persists into the medium term which negatively impacts business environment leading to high levels of non-performing loans (NPLs)	AFC may need to explore partnering with other DFIs to cover a large proportion of loss.
Moral hazard of underlying clients rising as they perceive the financing to be coming from AFC and by extension the Government of Kenya (GoK)	AFC should first monitor the role out of the Micro and Small Enterprises Authority (MSEA) National CGS to understand end consumers reaction to a GoK CGS. Where necessary, AFC can aim to inform participating FIs not to communicate AFC's involvement in the CGS so as to prevent issues of moral Hazard.  Additionally, AFC should establish a NPL ratio ceiling for the total agricultural loan portfolio. Should the NPLs of the participating financial institution exceed the stipulated threshold, the credit guarantee scheme will be discontinued.





## D) AGRICULTURAL MECHANIZATION FINANCING MODEL

### a) Overview of the Agricultural Credit Guarantee Financing Model

Table 16: Summary of the direct mechanisation financing model.

Business Model Name	Direct Mechanisation
<b>The Context</b>	<ul style="list-style-type: none"> <li>The level of mechanisation among SHFs is extremely low at 28%</li> <li>Improving farmers' access to machinery will in turn increase their output, efficiency and consequently their revenue which will improve their ability to access financing.</li> <li>Additionally, when farmers invest in machinery such as irrigation equipment, they are better placed to mitigate climate challenges that would otherwise result in harvest losses</li> </ul>
<b>The Problem</b>	<ul style="list-style-type: none"> <li>SMEs (involved in agro-business) are perceived as risky by machinery and leasing companies</li> </ul>
<b>The Solution</b>	<ul style="list-style-type: none"> <li>AFC seeks to provide financing for large, medium and small agricultural machinery (such as tractors, water pumps and other farm or processing equipment) to SHFs and agri-businesses.</li> <li>This supplements the wholesale financing window to saccos &amp; asset financing companies.</li> <li>This should serve to increase the efficiency of agricultural production in Kenya, thereby working towards achieving food security for all in Kenya</li> </ul>
<b>Proposal To Partners</b>	<b>5-Year Projections</b>
<b>I). Financials</b>	<ul style="list-style-type: none"> <li>KES 20.296 billion in the form of debt financing</li> </ul>
<b>ii). Technical</b>	<ul style="list-style-type: none"> <li>Technical assistance in structuring the SPV and the finance lease. This is estimated to be 15% of the value of debt financing i.e. KES 3.0443 billion.</li> </ul>
<b>Goal</b>	<ul style="list-style-type: none"> <li>Enhancing mechanisation offering to become a leasing product</li> <li>Form partnership with equipment suppliers</li> <li>AFC will act to promote mechanisation by offering access to finance to SHFs</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>KES 20.296 billion invested will allow for the purchase of ~ 66,720 tractors and implements to serve ~ 66,720 farmers</li> <li>Average expected profit margin of ~ 42%</li> </ul>
<b>Outcome</b>	<b>To farmers &amp; agribusinesses</b> <ul style="list-style-type: none"> <li>Increased access to farming inputs by small scale farmers</li> <li>Improved agricultural productivity</li> </ul>

### b) About the Agricultural Mechanization Financing Model

**The use of motorized power in agriculture sector in Kenya stands at 30 percent as at 2017 against the Kenya Vision 2030 target of 50 percent of motorized power.** Additionally, SMEs (involved in agro-business) are often omitted from the current providers focus as they are perceived as risky. Improving farmers' access to machinery will in turn increase their output, efficiency and consequently their revenue which will improve their ability to access financing. Additionally, when farmers invest in machinery such as irrigation equipment, they are better placed to mitigate climate challenges that would otherwise result in harvest losses. Initially, this will take the approach of asset financing but through a special arrangement with the machinery suppliers to avail

small, medium and large machinery to the target group. In the long term, AFC will create a viable independent leasing special purpose vehicle (SPV) that will enter into a tripartite arrangement with the equipment suppliers, smallholder farmers and the financier (which will be itself in this case) to offer leasing services to SHFs.

AFC seeks to provide financing for large scale agricultural machinery (such as tractors, water pumps and other farm or processing equipment) to SHFs and agri-businesses. This model supplements the wholesale financing window to asset financing companies. Through this role, AFC will further stimulate other market players to offer SHFs the necessary equipment. The summary of the direct mechanisation financing model is presented below

<sup>3</sup> Kenya National Agriculture Mechanization Policy, 2021



### c) The Direct Mechanization Financing Model Financials – 5 year projected

**Table 17: Direct Mechanisation financing model projections 2022-2026**

Direct Mechanisation Financing Model (in millions)												
Category	Year 1		Year 2		Year 3		Year 4		Year 5		TOTAL	
	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD	KES	USD
Funds Requirement (Millions KES)	2,632	24	3,140	29	3,753	34	4,683	43	6,089	55	20,296	185
Revenues (Millions KES)	1,661	15	1,854	17	1,636	15	1,370	12	1,163	11	7,685	70
Expenses (Millions KES)	1,177	11	1,187	11	952	9	726	7	511	5	4,552	41
Gross Profit (Millions KES)	484	4	667	6	684	6	645	6	652	6	3,132	28
Gross Profit Margins	29%		36%		42%		47%		56%		ROI	15%

Source: AFC implementation models research by Genesis Analytics

### d) 5 Year Projected Outreach – Agricultural Mechanization Financing Model

Through this model AFC will support approximately 66,720 farmers to access various machinery (approximately 66,720) over the five-year period. Ultimately, this model will serve to increase the

mechanisation levels in Kenya so as to increase overall agricultural production. This is expected to support SHFs role in securing food security for all in the country.

**Table 18 : Summary of the direct mechanisation financing model - reach**

Output / Projected Reach	Year 1	Year 2	Year 3	Year 4	Year 5
Direct Reach	9,840	10,824	12,448	14,937	18,671
Number of equipment purchased (e.g. tractors)	9,840	10,824	12,448	14,937	18,671

Note: 1. The numbers quoted represent SHFs | 2. A total of 66,720 SHFs will benefit from direct mechanisation

### e) Potential Challenges and Mitigation for the Agricultural Mechanization Financing Model

**Table 19: Summary of the agricultural mechanization financing model - challenges and mitigations**

Key Challenges	Potential Mitigations
Consideration should be given to the distribution logistics of the equipment from the suppliers to the end users	<ul style="list-style-type: none"> <li>Once the operational structure of the model is refined, AFC can consider increasing distribution to branches located further away from the equipment vendors</li> </ul>
Leasing to individual farmers may prove difficult from an administrative and cost perspective	<ul style="list-style-type: none"> <li>AFC can lease the equipment to farmer cooperatives should the equipment serve the interests of the group as a whole</li> </ul>

### f) Risk Mitigation Instruments

**Table 20: Summary of the direct mechanisation financing model - risk management instruments**

Potential Risk	Proposed Risk Management Instrument
As a GoK agency AFC faces strict public procurement requirements that would make AFC's ability to register assets under its name a challenge as a direct leasing agent	To this end the Corporation will explore developing a SPV in partnership with private sector distributor or manufacturer.



## 4. PROGRESS MADE TO ACTUALIZE THE MODELS IMPLEMENTATION

**A**FC successfully piloted and rolled-out **wholesale lending model – the Cooperative Ride-on Access Window (CRAW) and Microfinance Ride-on Access Window (MRAW)**, through support of International Fund for Agriculture Development (IFAD), The National Treasury and Planning, The Alliance for Green Revolution in Africa (AGRA) and under technical guidance of BDO-East Africa. Through these lending models, corporation's annual outreach has grown from 89,265 to 194,117 customers annually over a short period of time, demonstrating the potential impact that AFC can have by reaching to excluded agri-players through collaboration with other financial institutions. Equally, AFC loan book has grown from KES. 6.9 billion to the current KES. 9.9 billion with a historical arrears of less than 1%.

**In addition, The Corporation successfully tested the implementation of agriculture credit guarantee component under PROFIT Programme implemented by The National Treasury and Planning.** The credit guarantee enabled smallholder farmers and SMEs with limited collaterals access credit through use credit guarantee to fulfil partial collateral requirement. The level of coverage is graduated with smallholder access higher coverage compared to SME borrowed higher amounts. AFC was ranked the best performing financial institution under the programme.

**The implementation of Warehouse Receipt Financing Model is also on progress.** The necessary legislation, and institutions have been put in place to address collateral management challenges that were cited by financial institutions. The

Warehouse Receipt System Act, the WRS Regulations and the Warehouse Receipt System Council (WRSC) are in place and has set the ground for warehouse receipt financing. The warehouse receipt is recognized as a document of title, it's negotiable and transferable, thereby enabling financing to be extended against them. **AFC has entered MoU with WRS-C, and is currently developing a WR financing product with support from AGRA and BDO-East Africa.** The product development phase is at the tail end and FSD has committed to support the piloting of the warehouse financing product.

To actualize the roll-out of the proposed financing models and through support of the National Treasury and Planning and the Ministry of Agriculture and Livestock Development, AFC is engaging several partners to support roll-out of the proposed and transformative financing models. These partners include;

**World Bank** - SAFER Programme

**International Fund for Agriculture**

**Development (IFAD)** - RK-FINFA Programme

**Africa Development Bank (AfDB)** - ENABLE Youth Programme

**USAID** - INK Fund Programme

**World Bank** - DRIVE Programme.



## 4. CONCLUSION

**The climate risks and markets risks pose an inherent risk for agricultural sector lending.** Communities need to improve their resilience against the negative effects of climate change and ensure their activities do not negatively impact the environment. AFC will ensure that all proposed financing and investment models aligns with the Environmental, Social and Governance (ESG) requirements.

**Through technical support from leading financial inclusion facilitators and partners, the AFC transformation journey has taken-off and the impact is evident.** This proves that right and sustainable partnerships can transform agricultural sector and impact the players along the value chain as well as the excluded groups. It is clear now that the wholesale lending has proved to be a game changer in driving financial inclusion and access in the agriculture sector. Likewise, proposed models which are developed from a market research perspective, once rolled will ultimately address the agriculture sector transformation through financial inclusion and access.

**With the little focus that the agriculture sector has received from the commercial banks over the years, a lot needs to be done to ensure the desired transformation is achieved.** To realize the aspirations of the government commitments in agriculture and financial inclusion, all players must work to sustainably address the aforementioned barriers.

**Availability of technical assistance will be critical in supporting AFC to rapidly implement the targeted models successfully.** More financial and technical partners are invited to partner and /or

continue working with AFC to build the necessary implementation capabilities and capacity. Some partners will also bring along the necessary technical support to AFC and implementing partners.

**AFC is optimistic that the new lending model will catapult Agricultural Finance Corporation to sustainability levels.** Growing the Corporation through retained earnings is not an efficient model to achieve the desired national impact. Whereas, the Corporation is currently profitable, the annual allocations from National Treasury has been erratic and cannot grow AFC to the levels with desired national impact.

Ultimately, and through concerted efforts with partners and other government entities, the aspiration of agricultural sector transformation can be achieved and address the issue of; food security for all, reduction of food imports, growing of agri-exports, improving and stabilizing farmers.

**Let's walk this journey together**

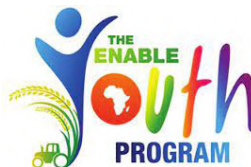
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Ministry of Agriculture & Livestock Development



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**AGRICULTURAL FINANCE CORPORATION  
DEVELOPMENT HOUSE - MOI AVENUE  
PO BOX 30367 - 00100  
NAIROBI  
TEL: +254-020-3317199  
MOBILE: 0724253522, 0725-579769  
EMAIL: [info@agrifinance.org](mailto:info@agrifinance.org)**



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