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KENYA INVESTMENT MECHANISM
YEAR 3 ANNUAL WORK PLAN

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USAID's Kenya Investment Mechanism
Contract: 72061518C00004
October 2020

FEED THE FUTURE The U.S. Government's Global Hunger & Food Security Initiative
WGDP
Prosper Africa
POWER AFRICA A U.S. GOVERNMENT-LED PARTNERSHIP

KENYA INVESTMENT MECHANISM
UNLOCKING FINANCE AND INVESTMENT

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ACRONYMS AND ABBREVIATIONS

ADR	Alternative Dispute Resolution
AmCham	American Chamber of Commerce
AMELP	Activity Monitoring, Evaluation, and Learning Plan
AMP	Adaptive Management Plan
ASALs	Arid and Semi-Arid lands
AVC	Agriculture Value Chain
AVCD	Accelerated Value Chain Development Program
B2B	Business-to-Business
BAS	Business Advisory Services
BASP	Business Advisory Services Provider
BDS	Business Development Services
BOP	Base-of-the-Pyramid
CBK	Central Bank of Kenya
CIU	County Investment Unit
CLA	Collaborating, Learning, Adapting
CMA	Capital Market Authority
COP	Chief of Party
COR	Contracting Officer's Representative
DCA	Development Credit Authority
DCOP	Deputy Chief of Party
DFA	Director of Finance and Administration
DFC	Development Finance Corporation
DFI	Development Finance Institutions
DFS	Digital Financial Services
EAVCA	East Africa Venture Capital Association
EEA	Enabling Environment Advisor
EGS	Enterprise Growth Services
EMMP	Environmental Mitigation and Monitoring Plan
ERF	Environmental Review Form
FGD	Focus Group Discussion
FI	Financial Institution
FS&I	Financial Services and Investment
FTF	Feed the Future
GDP	Gross Domestic Product
GIS	Geographic Information System
GOA	Gender Opportunity Assessment
GOK	Government of Kenya
Ha	Hectare
ICT	Information and Communication Technology
IEE	Initial Environmental Examination
IFC	International Finance Corporation
IP	Implementing Partner
J2SR	Journey to self-reliance
KCB	Kenya Commercial Bank
KEPFIC	Kenyan Pension Funds Investment Consortium
KEPSA	Kenya Private Sector Alliance
KII	Key Informant Interview

KIM	Kenya Investment Mechanism
LOC	Letter of Commitment
LOP	Life of the Project
LTTA	Long-Term Technical Assistance
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MiDA	Mobilizing Institutional Investors to Develop Africa's Infrastructure
MIS	Management Information Systems
MOU	Memorandum of Understanding
MSMEs	Micro, Small, and Medium Enterprises
MW	Megawatt
NASP	National Association of Securities Professionals
NFS	Non-Financial Service
NPL	Non-Performing Loan
NSE	Nairobi Securities Exchange
P4P	Pay-for-Performance
PBS	Population Based Survey
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PTWG	Policy Technical Working Group
PPP	Public-Private Partnership
QASP	Quality Assurance Surveillance Plan
RFA	Request for Applications
RFI	Request for Information
RFP	Request for Proposals
RSA	Research Solutions Africa Inc.
SACCO	Savings and Credit Cooperative Organization
SMEs	Small and Medium Enterprises
SOW	Scope of Work
STTA	Short-Term Technical Assistant/Assistance
TA	Technical Assistance
USAID	United States Agency for International Development
USG	United States Government
VC	Value Chain
VPO	Variable Payment Obligation
WASH	Water, Sanitation, and Hygiene
W-GDP	Women's Global Development and Prosperity
W-MSMEs	Women-owned Micro, Small, and Medium Enterprises
ZOI	Zone of Influence

1. INTRODUCTION

This year three (Y3) Annual Work Plan (AWP) submission for the USAID/ Kenya Investment Mechanism (KIM) activity covers the period of October 1, 2020 to September 30, 2021. The KIM Activity was awarded for implementation from August 15, 2018 through August 14, 2023.

KIM's partners and stakeholders substantially informed the preparation of this AWP. Our CLA approach collects input through public forums, networking events, partnership reviews, and pause-and-reflect sessions to evaluate the successes and challenges of co-created stakeholder activities. KIM's work plan is a product of these collaborations, which allow us to reach alignment with our partners on strategic objectives and next steps for co-created and co-financed activities that support our partner's local leadership role.

KIM has prioritized resources in this Y3 AWP to respond to the market's most pressing needs: mobilizing capital and technical support to bridge the economic crisis resulting from COVID-19. KIM's technical response strategy involves:

a) scaling collaboration, learning, and adapting (CLA) to enable agile responses to changing market conditions,
b) fielding demand-driven technical assistance (TA) and support to business advisory service providers (BASPs) and financial institutions (FIs) to address pressing issues arising from the economic crisis,
c) modifying KIM's pay-for-performance (P4P) incentives to respond to changing FI behavior due to current market conditions, and
d) scaling access to capital through strategic partnerships with COVID-19 response funds.

CLA takes on new urgency as the depth and duration of the COVID-19 crisis remains unknown. During such times of crisis, it is important to increase communication with partners and co-create solutions to address the challenges. To inform adaptive responses, KIM is scaling touchpoints and feedback loops with partners and stakeholders to ensure we have up-to-date information on current conditions and challenges they face. For example, KIM will create a *brain trust* of partners (BASPs, FIs, strategic enterprises), and will host virtual roundtable meetings to discuss business and market challenges and bring the community together to identify solutions. KIM will also continue to leverage its social media platforms (and investment promotion website, once approved) as a clearinghouse of information to engage stakeholders and partners on current challenges, and to share solutions, resources, and information.

KIM formally reviews the performance of all BASP and FI subcontractors every six months. These reviews highlight market challenges and institutional weaknesses and, when combined with the virtual roundtables, identify demand-driven subject matter that KIM can support through targeted capacity building or training. A direct fall-out of COVID-19 is the deteriorating quality of—and increase in—loan defaults. FIs (and BASPs) need to scale their capacity to develop loan workouts and restructure solutions for enterprises. KIM will co-create with FIs a fundamental training program to increase their capacity to resolve troubled loans, enhance staff's skill level to use best practices in loan restructuring, and establish a *training-of-trainers* workshop that will embed a needed course curriculum into the FIs' training departments.

At the same time that existing borrowers need loan restructuring because of COVID-19, an economic crisis also brings new market opportunities. This is where KIM can adjust incentives to further encourage FIs, specifically commercial banks, to expand their lending. Development finance institutions (DFIs) are beginning to open access to loan capital for banks to engage in lending. However, an influx of cash does not directly translate into new loans. By increasing a bank's incentive fees, KIM can further encourage banks to make new loans available. KIM will also closely monitor the market's response to this strategic change to learn and adapt accordingly.

With FI lending significantly curtailed at this stage of the pandemic, and a substantial number of enterprises impacted by the economic downturn, more capital is needed in Kenya. FI lending has stalled as businesses suffer from lost revenue and are unable to repay existing loans. FIs are conserving cash to protect themselves as their non-performing loans skyrocket and the value of (loan) collateral held deteriorates. KIM is addressing this with strategic partnerships to attracting new investment funds to launch in Kenya. KIM has already supported the launch of two COVID-19 relief funds with an initial capital of $60M. The network of BASPs play an important role in this strategy with their pipeline of investable enterprises, which will now have access to additional investors/lenders specifically targeting COVID-19 impacted companies.

KIM has also adapted its operating model to accommodate COVID-19 physical distancing requirements. The entire KIM team has moved to virtual office (working from home) operations through Microsoft Teams. All training courses, networking events, and meetings with stakeholders have been re-tooled and moved to online platforms. No work plan activity has been put on hold and all consultancies have been moved to virtual spaces, as well. In addition, (monitoring and evaluation) M&E for investment verifications has switched to digital file sharing, and individual borrower verification is now moving to phone communication.

KIM Goals and Objectives

KIM is a five-year activity designed to unlock $400 million of investments for targeted areas of agriculture, energy, infrastructure, health, water, sanitation, and hygiene (WASH), the Women's Global Development & Prosperity (W-GDP) and Prosper Africa initiatives. Other targeted areas authorized (subject to funding) include education, workforce development, trade, and environmental tourism. In addition, KIM's geographic region has been expanded to include East Africa (defined as the East Africa Community plus Ethiopia). Over five years of project activity, KIM will achieve the following outcomes:

- $400M in new finance and investment for the target sectors
- 15 strategic partnerships in the target value chains
- 1,600 transactions closed by BASPs FIs
- 22 agriculture and financial sector enabling environment reforms to improve capital mobilization outcomes
- DCA utilization increased to 80%

KIM is a comprehensive activity that is addressing the supply-side, demand-side, and enabling environment-related constraints to investment. By mobilizing substantial capital from the public and private sectors and building partnerships among stakeholders within the financial ecosystem, KIM will contribute to USAID's overall goal of fostering broad-based, sustained, and inclusive economic growth in Kenya. KIM's market-based approach will harness the power of the public and private sector to accelerate Kenya's ownership for sustainable growth.

KIM activities address three principal market failures that have, up until now, discouraged investors from financing certain segments of the economy. These challenges are further compounded by the economic downturn of COVID-19. First, there is a lack of quality consulting services assisting agribusiness and SMEs to obtain financing or become investment ready. Second, there is a perception among FIs that the agriculture sector is risky and has prohibitively high transaction costs. And third, there is a lack of scalable financial products available that are tailored to agricultural value chains, including energy for agriculture.

KIM activities address these market failures to achieve the target outcomes by:

1) **Creating a sustainable, market-based ecosystem for finance and investment using smart incentives.** KIM offers a P4P incentive structure tailored for BASPs and FIs. These incentives reduce start-up costs to enter or deepen engagement in Feed the Future (FtF) counties and other underserved or targeted sectors. KIM also leverages existing market enhancements such as development finance corporation (DFC) credit guarantees. These incentives create more viable opportunities for both FIs and BASPs to engage market segments they have previously avoided, without creating dependency or market distortion.
2) **Improving FIs' and BASPs' knowledge of the agricultural value chains.** KIM is demystifying the risks of agricultural lending and increasing the capacity of FIs by introducing value chain financing as a tool to mitigate lending risks. This combined with performance incentives will encourage new lending and demonstrate the viability of the agricultural sector.
3) **Implementing a local partnership-based operating model.** KIM's Opportunities and Investment Teams co-create with and work through local partner intermediaries to unlock financing for enterprises in the targeted sectors. By establishing a diverse range of sustainable partnerships—among strategic lead firms, FIs, government counterparts, SMEs, and other development partners—KIM will (a) scale creative approaches to unlock capital; (b) test innovative business models and new lending products; (c) reduce perceived and real risks of financing SMEs in the agriculture and energy sectors; (d) reform policies that create a more open and transparent business operating environment, thereby unlocking capital; and, (d) create a self-sustaining market system that puts Kenya on a path of self-reliance.

KIM enters Y3 with additional USAID funding streams (i.e., new stakeholders) and an expanded geographic region. FtF remains the anchor stakeholder and KIM's activities address FtF's overarching framework for integrated food security and nutrition programming. The goal of United States Government's (USG) FtF program in Kenya is to sustainably *reduce hunger, malnutrition, and poverty* in the FtF zone of influence (ZOI) through sustainable increases in agricultural productivity, nutrition-sensitive production, and inclusive and competitive market systems. KIM address hunger, malnutrition, and poverty by mobilizing investment for enterprises engaged in the production, transformation, and marketing of high-nutrition foods.

KIM activities also support the objectives of its new funding stakeholders:

- Prosper Africa: mobilizing capital to increasing bilateral trade and investment between the US and Africa for opportunities with a US nexus within the broader East Africa region,
- East Africa (regional) FtF: mobilizing finance and investment within the broader East Africa region to increase regional and international trade of agricultural commodities,

- Power Africa: mobilizing investments to support energy and infrastructure projects through pension funds,
- W-GDP: mobilizing finance to enhance opportunities for women to participate meaningfully in the economy and advance both prosperity and national security,
- Health: mobilizing capital in response to COVID-19 and for health systems strengthening through preventing child and maternal deaths; controlling the HIV/AIDS epidemic; and combating infectious diseases, and
- WASH: mobilizing capital to improve services, innovations, and/or access to safe drinking water, sanitation solutions, and hygiene.

Geographic expansion: KIM's geographic region is expanded to include East Africa (EAC plus Ethiopia). This expanded region provides for the support of Prosper Africa and Feed the Future regional transactions. KIM has carefully considered how to best leverage the funding of these stakeholders to generate transactions in support of their broader objectives, while at the same time, support KIM's broader market transformation goals.

KIM will utilize its implementing partners CrossBoundary and Open Capital to lead KIM's geographic expansion, by sourcing, assisting, and closing investments for enterprises within the defined East Africa region. Both firms have experience in sourcing and facilitating transactions for enterprises throughout the region and are well positioned to support Prosper Africa transactions through their investor network and business connections within the US, as well as FtF regional transactions through their regional experience and networks. KIM will use its regional expansion as an opportunity to remain flexible to support transactions that are strategic to USAID/Kenya mission objectives. Four other USAID-supported activities currently operate in the region with the objective of mobilizing capital (INVEST, CATALYZE, Aceli Africa, and RAMS). To ensure resources and efforts are not duplicated among other similar activities, KIM will establish a verification network with other USAID IPs and other donors operating in the region.

Women's Global Development and Prosperity Initiative (W-GDP): A new objective in Y3 is the W-GDP initiative. Kenyan women continue to confront disproportionate barriers to full economic participation, despite the potential of the female economy to unlock significant growth. By financing women-owned micro, small, and medium enterprises (W-MSMEs), Kenyan FIs have the potential to expand their client base, increase profits and decrease credit risk, while also facilitating long-lasting economic growth and development. To tackle demand and supply-side challenges to financing W-MSMEs and needed capacity building to mainstream financing opportunities for women, KIM will incorporate an explicit gender lens in its Y3 activities. We will build upon KIM's existing relationships with BASPs and FIs to intentionally address the gender financing gap and catalyze sustainable and equitable development. Activities and tasks for the W-GDP are fundamentally incorporated in all activities of this Y3 work plan--in particular Objective 1: Mobilize Capital--but are presented separately after Objective 3.

Year 3 Implementation Strategy

The premise of Palladium's implementation strategy and partnership framework for KIM has proven successful with strong results delivered in Y1 and Y2. The network of local advisors who are actively seeking engagements with agribusinesses and innovative solutions, and the associated FIs who are launching new lending products for agricultural value chains will be further challenged in Y3 as a result of COVID-19. These are unprecedented times with no guidebook or historical examples to look to for course correcting during this economic downturn, which requires a focus on program flexibility through adaptive learning, increasing efforts to bring new sources of capital to Kenya, a continued emphasis on closing transactions, and doubling down on capacity building and networking relationships for BASPs and FIs.

KIM composed the Y3 work plan based on results achieved and lessons learned in Y1 and Y2, as well as from our experience co-leading activities with local partners and input received through stakeholder collaboration. For example, under the Prosper County Investment Review activity in Y2, KIM co-created individual written work plans with each county; the counties then took ownership of the associated interventions and presented their top investment priorities and needed policy reforms. The activity culminated with a discussion of next steps and an alignment of KIM and county priorities, which then informed the Prosper County activities presented in this Y3 work plan. The following highlights our strategic thinking for Y3 as informed by our partners and stakeholders through this collaborative approach:

Transformation through transactions: This Y3 work plan builds on KIM's results and moves deeper into *Transformation (through Transactions)* while recognizing that there is now a much greater need to mobilize transactions to help enterprises bridge the economic gap caused by the pandemic, to invigorate supply chains and distribution channels, to save or create new employment opportunities, and to stimulate food production. KIM will go beyond the simple nature of transactions and take a deeper approach that considers both what we do and how we do it, collaborating with BASPs and FIs on institutionalized financial structures that strengthen the market system (in terms of their innovation, partnerships, sustainability, replication and scale) and improve livelihoods in rural communities (particularly for smallholder farmers, women, and youth).

Building greater flexibility into KIM's programming: To increase flexibility and more equitably address KIM's topline objectives, a minimum target of $10 in mobilized capital is set for each dollar contributed by USAID's sector buy-in leads (i.e., for each funding stream). Funds above this target will be available to support transactions in any eligible sector as well as to contribute to core operational costs that can: (i) more efficiently and effectively mobilize capital for investment in target sectors; (ii) better address market financial system/enabling environment constraints in those sectors to unlock investments; and (iii) create flexibility to support mission priorities that are within KIM's scope to leverage the DCA/DFC risk mitigation mechanisms. KIM will incorporate in its quarterly report the amount of capital mobilized by each funding stream, while our capacity building and market development activities will be regularly published in weekly, quarterly, and annual reports, and through success stories and case studies.

Journey to self-reliance (J2SR): KIM will continue to aggressively support USAID's J2SR Policy Framework: Ending the Need for Foreign Assistance, and we apply it through our work with local partners, strategic partners, national and county stakeholders, civil society and associations, and other implementing partners. Moving stakeholders and partners to embrace a Kenya-led, -owned, and -managed approach to development is a multi-dimensional activity that differs depending on the stakeholder. It is guided by stakeholder capacity, the complexity of the activity, the level of effort and/or resources, timelines, and expected outcome, and the formality of collaboration needed to engage. With the objective to move stakeholders to embrace a J2SR approach, this work plan is informed by KIM's partners and stakeholders. First, it is important to bring stakeholder objectives into alignment. Second, clarity of each party's commitment of time, staff, and budget for a co-activity is needed in a written document. This could be as informal as a co-created work plan or as formal as a milestone- and deliverables-based MOU, partnership agreement, or contract. KIM prefers the more formal document approach that identifies party responsibilities, milestones, and/or deliverables. And third, the implementation of activities requires monitoring and a feedback loop of information for evaluation of progress.

In the case of local partners such as BASPs, FIs, Kenyan Pension Funds Investment Consortium (KEPFIC), Strategic Partners, and IPs such as CrossBoundary, Open Capital, and Lattice Training, these performance-based (milestone-driven) agreements have been individually negotiated to address each party's obligations, contributions, and deliverables. It is the milestone deliverables that are co-designed to reach an identified objective. These agreements also spell out KIM's support (e.g., training and capacity building). KIM helps these partners understand both the market opportunities as well as ways to address them sustainably. Our co-active approach serves our partners with demand-driven guidance that is based on regular feedback, open forum networking events, and company-specific performance reviews. A good example of this is the agreement with KEPFIC, whereby milestone deliverables were derived from a set of activities agreed upon to reach a desired outcome. KIM is supporting KEPFIC to scale up its secretariat to mobilize infrastructure investments. The secretariat executes key milestones, for which they are paid based on successful completion.

In the case of the government of Kenya (GoK) and civil society stakeholders, achieving local ownership is challenging because for decades they have been accustomed to donors providing work products without collaboration. In addition, placing the outcome of an IP's contracted and performance-based activity in the hands of a stakeholder who has limited capability or resources and who has not yet accepted J2SR can jeopardize the contract performance obligation of an IP. KIM recognizes the importance of shifting local stakeholders' perceptions so they can lead, own, and manage activities and take a targeted approach that is grounded in the core activities of mobilizing capital and improving the business enabling environment while building the capacity of county officials.

KIM's investment mobilization approach, in collaboration with county officials, first identifies key investment opportunities, private sector stakeholders, and other implementing partners. Second, through a county-led engagement with the private sector, regulations and policies are reviewed to identify barriers that can unlock investments. Finally, with these first two steps, KIM is able to assesses the commitment and capability of the county to lead, own, and manage an initiative. This includes the consideration of skill capabilities, their commitment to employ resources (of time, talent, and operating budgets), and their motivation to implement policy reforms that support and promote private sector investments. At this stage, a ***targeted-investment activity*** is agreed upon and each party's contribution and expected results are outlined in an *Investment Activity Collaboration* (including a co-created work plan). This allows for the flexibility to collaborate with the GoK in a way that aligns targeted objectives, identifies outcomes, and ensures buy-in for a co-financed activity. It also provides for performance-based learning and adapting to support capacity building objectives. Should a stakeholder be under-supporting an activity or not making a reasonable effort, we are able to adjust our approach or, if needed, redirect resources to more pro-active stakeholders. This is the approach used with Makueni county on the Kalamba Fruit Factory, which resulted in the county's leadership passing two policy reforms, establishing the County Investment Unit (CIU) (the only one out of the eight Prosper Counties), and building stakeholder alignment around the investment strategy for the Kalamba Fruit Factory—all within 10 months. This is also the approach we are applying to other Prosper County Investment opportunities and policy reforms identified. The same would hold true for the Treasury Activity (subject to available funding) or any other government, association, or private sector initiatives. KIM's direct experience with stakeholders, the review and evaluation of those activities, and the open dialog about future activities have greatly informed this work plan. With this targeted approach and level of buy-in, KIM can build the capacity of county officials to conduct future investment opportunities with less dependence on donor-supported programs.

Inclusion: KIM applies rigorous screening criteria for investment projects and strategic partnerships. Our criteria ensure that all supported initiatives are targeting women, youth, as well as the priorities of each funding stream (sector or initiative). Our focus remains on shifting the financial ecosystem to break down the barriers faced by women and youth for opportunities in accessing credit, supporting entrepreneurship, and creating jobs through SME growth. In Y3, KIM will capitalize on its early success to reach women and youth and provide a more intensive support through the W-GDP initiative as outlined within this work plan.

Collaborating, learning, and adapting: KIM will continue using feedback and reviews from BASPs, FIs, and other stakeholders to inform training priorities, capacity building needs, and other market factors that might be preventing their inclination to take a leadership role in Kenya's development or lend to targeted sectors, women, and/or youth. This evidence-based decision-making approach will further improve KIM's activities and market incentive structures to produce the best results.

Each year KIM undertakes a major learning event that brings together our BASPs, FIs, stakeholders, IPs, and other partners to showcase various best practices in expanding access to finance and the mobilization of investment. We bring lessons learned and the experiences of our partners' shared lessons to networking events for BASPs and FIs and package the knowledgebase for a wider audience. Sharing our lessons further supports the transformation toward improving the investment ecosystem in the country. KIM collaborates with the right stakeholders to monitor project results and to identify the context of the different environment in which our BASPs and FIs operate. These measures are described in more detail in our Adaptive Management Plan.

Adaptive management takes on new urgency as KIM operates during the COVID-19 pandemic, which has substantially impacted Kenya's economy and is broadly disrupting livelihoods and income. Lending behavior has already shifted, with participating FIs reporting a 60% decline in overall monthly lending since April 2020. We can expect that businesses and FIs will face liquidity constraints, and enterprises will lack revenue to cover ongoing operating expenses and will likely begin shedding jobs. However, the depth and duration of the crisis is uncertain, and the long-term effects of both the pandemic and the economic fallout of containment responses are unknown. Given the rapidly evolving context in which KIM is operating, adaptive management is an important focus for our M&E team. KIM is strengthening feedback loops and touchpoints with project partners and enterprises to ensure we have up-to-date information on current conditions and problems they are facing so we can help solve them quickly. These communications channels are described in more detail under "Communications." KIM will also serve as an information clearinghouse, aggregating and sharing information with BASPs, FIs, and enterprises on resources at their disposal, such as emergency relief funding mechanisms, bridge funds, and concessional or blended finance opportunities. To support adaptive management, we have added a new activity for flexible demand-side interventions required to respond to changing conditions and will pursue similar supply-side responses under Objective 1 Task 3 to respond to FI needs through training and technical assistance.

Implementing partners collaboration: KIM has developed an excellent working relationship with Kenya Crop and Dairy Market Systems (KCDMS) and Livestock Market Systems (LMS), as these programs were designed to work in collaboration. Each of the IPs considers the layering or sequence of activities to yield strong cross-project collaborative outcomes. KIM's commitment to support the mobilization of capital applies to any IP operating within the scope and funding stream objectives of KIM. During the work planning season, the Collaborative Circle of COPs (CCC) came together to exchange work plans and identify collaborative activities that will better leverage the use of resources and expertise and avoid duplication (see section on collaboration with IPs).

Key Assumptions and Risks to Implementation

COVID-19 is significantly impacting enterprises and their ability to conduct business. The financial and investment community has already pulled back substantially, and while the full extent of the economic impact is not yet known, early reports indicate a global recession with acute hunger doubling from 120 to 250 million people. KIM is working diligently to mobilize new sources of capital for Kenya, as indicated within the work plan; the challenge is that global economic factors directly impact the amounts and availability of funding. We continue to maintain our ambitious target of $400M in capital mobilized, which was developed based on a series of assumptions (e.g. GDP growth per annum, trends in FI lending behavior) that no longer hold, but recognize that economic circumstance may require an adjustment in targets downward in the future. Given that we are still in the relatively early stages of an unprecedented and rapidly evolving global crisis, we will continue to monitor indications of the full impact of this crisis on Kenya's economy and how investor and FI behavior is changing. At this time, not changes are recommended.

Unforeseen changes to political and/or macroeconomic stability also pose a risk to KIM achieving its goals for business enabling environment reforms and capital mobilization. Policy reform priorities may shift over time in response to changing conditions, and project implementation will require flexibility to accommodate changes. In line with our overall CLA approach, KIM will regularly monitor changes to the enabling environment and adjust policy priorities as necessary. We will mitigate the risk to capital mobilization efforts by cultivating a diverse range of funding sources for enterprises, including banks, non-bank financial institutions (NBFIs), equity providers, development finance institutions, capital markets, and private (equity, impact, and social) investors, all of which are affected differently by changing conditions.

A collateral-based lending approach by FIs is a major obstacle for SMEs to access financing and contributes to the risk of reaching capital mobilized objectives. This is even further compounded by COVID-19 as lenders look to shore up the weakening of their existing portfolios. There are many SMEs that are viable but unable to meet the high value of collateral requirements. DFC credit guarantees may play an important role to support the expansion of lending from partner banks, however these programs often take 12-18 months to be implemented. KIM will continue to provide value chain financing training and promote risk mitigation tools (e.g. insurance, warehouse receipts, Alternative Dispute Resolution (ADRs), and credit bureau's code of conduct) for FIs to expand beyond collateral-based lending.

Achieving KIM's ambitious results is equally dependent on timely interactions with a COR and CO who are flexible and supportive of Palladium's innovations described in this work plan. We recognize that program strategy and subaward contracts may require frequent adjustments and modifications to drive the desired outcome/results. Delayed approvals for travel, personnel, or deliverables could jeopardize KIM's ability to meet its aggressive timelines for Y3 activities. KIM will ensure regular and ongoing communication with USAID/KEA on challenges encountered and opportunities identified, so that USAID is aware of the reasons behind course corrections or modifications to the project strategy. To mitigate the risk of delayed approvals, KIM will submit approval requests to USAID with as much advance notice as possible and will ensure that those requests are complete and backed by sound reasoning.

Finally, fully embracing J2SR creates some risk for the timely achievement of results. Placing new requirements on government counterparts to invest more of their time, talent, and budgets when they have not done so in the past presents a new challenge to bringing them onboard. For example, in Y1 all of the policy assistance requested from the government was to pay for a product (study/assessment) or service (meeting venue/transportation). The government has become dependent on donor projects' ability to rapidly procure goods and services compared to their own internal procurement process. Also, because KIM's J2SR strategy links capacity building to policy reforms under specific investment opportunities, there is a risk of delay in both deliverables. KIM will work to mitigate these risks through co-created *Investment Activity Collaboration* agreements with enough advance planning to secure resources within government budget cycles.

2. SUMMARY OF PLANNED YEAR 3 ACTIVITIES

Objective 1: Mobilize Capital

Context and approach: KIM will mobilize capital by creating a network of high quality BASPs and a competitive network of FIs ready to support and invest in enterprises operating within the authorized targeted areas of agriculture, energy, infrastructure, health, WASH, and the W-GDP and Prosper Africa initiatives. Other targeted areas authorized, subject to funding, include education, workforce development, trade, and environmental tourism. KIM's P4P incentive and market capacity building approach to mobilizing capital is flexible and can be adapted to any sector as authorized.

A disaggregation of value chain financing identifies two key components: *sources* of funds (e.g., banks, private equity, impact investors, and other financial intermediaries), and *uses* of funds (e.g., working capital, agro-inputs, equipment, and capital expansion). Our capital mobilization activities target both the supply ('sources') and demand ('uses') sides and link them together with BASPs to create a finance ecosystem that mobilizes capital more efficiently. BASPs will actively source and package viable financing transactions so that FIs can more easily and cost effectively analyze a borrowers' viability and transactional risks. By stimulating opportunities through BASPs and incentivizing FI portfolio expansion, KIM's capacity building and P4P incentives are stimulating a more competitive and expansive financial services environment for accessing financing and investments.

Year 3 expected results:

- $82M total capital mobilized
- 3 public-private partnerships formed
- 112 MSMEs including farmers receiving business development services (BDS) from USG-assisted sources
- 20 BASPs trained in transaction making
- 56 MSMEs paying for BAS
- $170M of investment opportunities identified

KIM's expanded funding streams and geographic focus for capital mobilization: KIM will mobilize capital in line with new funding stream objectives and within the identified target areas. We have carefully considered which partners are best positioned to generate transactions in support of these objectives, and how sub-award resources can be used optimally in support of KIM's broader market transformation goals. In line with KIM's adaptive management approach, we will evaluate the results of this partner utilization strategy semi-annually, and as we test and learn we will adjust as needed. KIM will report quarterly for each funding stream the cumulative capital mobilized by funding stream, sub-award incentive fee paid to achieve those transaction results, and leverage ratio of each funding stream (capital mobilized/funds provided). The table below details the projected capital mobilized per funding stream for Y3 and the associated projected incentive fee:

TABLE 1. Y3 PROJECTED CAPITAL MOBILIZED AND INCENTIVE FEE PER FUNDING STREAM

Funding Stream	Y3 Projected $ Mobilized	Y3 Projected Incentive Fee	Criteria for Transaction Support	Partner to Mobilize Capital
FtF Kenya	$52,000,000	$1,200,000	Transactions supporting FtF Kenya value chains (dairy, horticulture, and livestock) within or with a market connection to one or more of the FtF-Kenya, 17 Counties. Transactions with high-impact investments that meet one but not all criteria, may be presented to USAID for consideration.	BASP Network, FI Network, Open Capital, CrossBoundary
Power Africa	3,000,000	$90,000	Energy and infrastructure projects in which the KEPFIC members and/or related institutional investors invest.	KEPFIC, Spearhead, BASPs
Prosper Africa	10,000,000	$300,000	Any sector in Kenya and East Africa that meets any one of the following: • Transactions that will directly involve or are likely to involve an investment (debt or equity) by a U.S.-owned entity into any eligible Kenyan or East Africa entity. • Transactions where the Kenyan or East African entity has 20% or more U.S. ownership. • Transactions that directly support a measurable and ideally an ongoing increase in Kenya and East Africa's exports and imports with the United States. This includes exports of services, such as tourism.	CrossBoundary (Kenya and regional transactions), Open Capital (Kenya and regional transactions), BASP Network (Kenya transactions)
FtF Regional	$5,000,000	$150,000	Transactions in Kenya or East Africa in any agricultural value chain that is traded regionally or internationally.	Open Capital (regional transactions), FI Network (Kenya transactions)
W-GDP	$4,500,000	$180,000	Transactions in Kenya that support women-owned micro, small, and medium enterprises (W-MSMEs)	BASP and FI network
Health	$5,000,000	$150,000	Transactions in Kenya that provide a COVID-19 response or support health systems strengthening and breakthrough innovation that are focused around three strategic priorities: preventing child and maternal deaths; controlling the HIV/AIDS epidemic; and combating infectious diseases.	BASP and FI network
WASH	$2,500,000	$75,000	Transactions in Kenya that contribute to, which could include sustainable progress across health, food, education, HIV, gender equality, and climate change.	BASP and FI network
Total	**$82,000,000**	**$2,475,000**		

KIM receives new funding obligations at various points throughout the fiscal year. Since these do not align with annual work plans, the table below shows the cumulative funding obligation per funding stream as well as the Y1-Y2 actual plus Y3 projected capital mobilized against those funding sources, and the actual plus projected leverage ratio by the end of Y3. Since KIM has only just begun to incorporate work against funding streams added toward the end of Y2--and since long lead times are typically required to bring transactions to closure--it will take some time for the capital mobilized figures to align with the obligated funding. KIM expects to achieve at least a 10:1 ratio for each funding stream by the end of the project.

TABLE 2. Y1-2 PLUS Y3 PROJECTED CAPITAL MOBILIZED AND LEVERAGE BY FUNDING STREAM

Funding Stream	Cumulative $ Obligated	Actual + Projected $ Mobilized	Actual + Projected Leverage
FtF Kenya	$9,756,618	$148,175,414	15x
Power Africa	$300,000	$10,000,000	33x
Prosper Africa	$1,000,000	$14,350,010	14x
FtF Regional	$500,000	$5,000,000	10x
W-GDP	$2,000,000	$5,000,000	3x
Health	$500,000	$5,656,969	11x
WASH	$250,000	$2,650,000	11x
Total	**$14,306,618**	**$190,832,393**	**13x**

Task 1: Identify and Qualify Investments and Partnerships

Activity: Increase investment opportunities in underserved counties and market segments

KIM has done a good job building an investment opportunities pipeline, now valued at over $500 million, mostly in FtF Kenya and Prosper Africa-qualified transactions. However, an M&E analysis of the pipeline indicates that 7 of the 17 FtF counties are underrepresented with little to no pipeline. In addition, only 5% of the total value of investments are in the dairy value chain, despite a target of 20%.

Y3 pipeline growth opportunities will focus on balancing capital across the targeted areas (geographic and sector). KIM is onboarding 20 new BASPs, eight of which operate in the underserved northern and western regions of Kenya. Our Regional Coordinators will support these BASPs to identify investment opportunities leveraging collaboration through KCDMS and LMS as well as networking events and webinars engaging the private sector that will create a more equitable mobilization of capital across the FtF counties and value chains, both now and in the future. KIM's Regional Coordinator offices are jointly located with KCDMS in Kisumu and LMS in Isiolo to facilitate active collaboration and transform enterprises from *grant-funded activities* to traditionally financed businesses. We will also leverage our social media platforms to target underserved areas through success stories of enterprises that have received finance in these regions. In addition, KIM will seek opportunities in WASH, Health, and FtF regional trade through social media posts and stakeholder engagement webinars. The scoring matrices presented below ensure that KIM-supported investments target our objectives. As KIM learns and adapts, we may shift scoring category weights to better address targeted outcomes and objectives.

TABLE 3. KENYA FTF INVESTMENT AND PARTNERSHIP SCORING MATRIX

Necessary Conditions: Commercially Viable; Relevance to KIM Target Sectors											
Potential Invest-ment	Benefits to Youth	Benefits to women	Small-holder impact	Benefits to FtF Counties	Opportun-ities for follow-on financing/ replication	Environ-mental Impact	Enhances Inclusive Growth	Potential/ real collabora-tive results with FtF IPs	Technology Acquisition	Relationships with US transactions /partners	Impact on USAID resilience zones[1]
Trans action	0–5	0–5	0–12	0–20	0–15	0–6	0–10	0–8	0–6	0–8	0-5

TABLE 4. REGIONAL FTF INVESTMENT AND PARTNERSHIP SCORING MATRIX

Necessary Conditions: Commercially Viable, Transaction in Kenya or East Africa for Agricultural Value Chain Traded Regionally or Internationally												
Potent ial Invest-ment	Benefit s to Youth	Benefits to women	Small-holder impact	Contribution to value-added exports	Contribut es to regional food security	Opportuniti es for follow-on financing/ replication	Environ-mental Impact	Enhances Inclusive Growth	Potential/ real collaborativ e results with FtF IPs	Technology Acquisition	Relatio nship with US Partner s	Impact on Regional Trade
Tran sacti on	0–5	0–5	0–12	0–10	0-10	0–10	0–6	0–10	0–8	0–6	0-8	0-10

TABLE 5. PROSPER AFRICA INVESTMENT AND PARTNERSHIP SCORING MATRIX

Necessary Conditions: Commercially Viable; US Nexus; Must meet one of three conditions: 1. Involves or is likely to involve an investment by a US-owned entity to any Kenyan or East African entity; 2. Involves or is likely to involve an investment by a Kenyan/East African entity that has 20% or more US ownership into another Kenyan or East African entity; 3. Will directly support a measurable increase in trade with the US relevant to Prosper Africa Transactions										
Potential Invest-ment	Benefits to Youth	Benefits to women	Supports ongoing increase in exports /imports with US	US Shareholding Investment	Opportunities for follow-on financing/ replication	Environ-mental Impact	Enhances Inclusive Growth	Technology Acquisition	Commercial Relationships with US partners	Benefits to Prosper County
Trans action	0–5	0–5	0–15	0–15	0–12	0–7	0–15	0–6	0–15	0–5

TABLE 6. WASH INVESTMENT AND PARTNERSHIP SCORING MATRIX

Necessary Conditions: Commercially Viable; Relevance to KIM Target Sectors										
Potential Invest-ment	Benefits to Youth	Benefits to women	Commercial Viability	Contribution to improved health	Opportunities for follow-on financing and/or replication	Environm ental Impact	Enhances Inclusive Growth	Potential/ real collaborative results with FtF Ips	Technology Acquisition	Relationship with US deals/partner (US Nexus)
Trans-action	0–5	0–5	0–15	0–20	0–10	0–6	0–10	0–10	0–6	0-13

TABLE 7. HEALTH INVESTMENT AND PARTNERSHIP SCORING MATRIX

Necessary Conditions: Commercially Viable; Relevance to KIM Target Sectors

[1] This criterion was added at USAID's request. We understand the USAID resilience zone to reference the following five counties in the FtF ZOI: Isiolo, Marsabit, Garissa, Turkana and Wajir.

Potential Invest-ment	Benefits to Youth	Benefits to women	Commercial Viability	Contribution to improved health	Opportunities for follow-on financing and/or replication	Environ-mental Impact	Enhances Inclusive Growth	Potential/ real collaborative results with FtF Ips	Technology Acquisition	Relationship with US deals/partner (US Nexus)
Trans-action	0–5	0–5	0–15	0–20	0–10	0–6	0–10	0–10	0–6	0-13

Activity: Hold networking events for BASPs and FIs

Creating a financial eco-system whereby BASPs and FIs are working together seamlessly is the inflection point where agribusinesses and SMEs will more readily access financing. To achieve this level of transformation requires a strategic approach to connecting and networking, relationship building, securing transaction success, and most of all, building trust.

KIM learned in Y1 & Y2 that our value chain training is an excellent entry point to engage BASPs and FIs on a common topic. In addition to valuable training for agricultural financing it is a launching point to expanded networking through introductions and engagements. Bringing together BASPs and FIs has provided a cross-pollination of ideas that have broken down perception barriers. BASPs become more familiar with the financing requirements of FIs and FIs become more trusting of BASPs. However, to-date this relationship building alone has not resulted in a high conversion rate from transactions under engagement to transactions closed. Based on the success of Y2 pilot initiatives, in Y3 KIM will use targeted STTA advisors to strategically support relationship building between BASPs and FIs with the specific purpose of closing transactions. We will also expand capacity building support of FIs and BASPs to work more closely together on closing transactions, with a special emphasis on BASPs and FIs operating in western and northern Kenya.

In Y3, KIM will continue to leverage networking events to further expand capacity building for BASPs and FIs with industry-relevant keynote speakers and thought leaders for innovative solutions to lending challenges (e.g. insurance and other risk mitigation options, collateral and recovery issues or value chain lessons learned). Among these events will be two networking forums in underserved areas: one in the northern region (covering businesses also from the eastern region) and one in western Kenya. All forums will be conducted online until the safety concerns of COVID-19 are mitigated. In line with our J2SR approach, KIM is seeking a local partner to host such events; one possibility could be the BASPs. Although we continue to encourage leadership among the BASPs, this nascent sub-sector is not yet ready to loosely form into a working group or association, but this could be a target for future assistance.

Activity: Participate in investment forums to promote SMEs, BASPs, and FIs to close investment opportunities

KIM targets up to three investment forums and events per year and has found great success in particularly with the AmCham Summit and Sankalp. Last year's strategy at Sankalp provided a platform where enterprises were given five minutes to present their companies to a room of *invite-only* investors. In just six months, more than $5.5M of investments were closed for four of the 12 companies that presented. With the curtailment of conferences due to COVID-19, it is likely these events will move to a virtual platform. KIM expects to participate, depending on the form and format. There is value for KIM to participate or lead panel discussions and to share our experience, particularly around COVID-19. Showcasing our successes in panel discussions and connecting enterprises, BASPs, FIs, and investors will help to create an awareness that will further stimulate partnerships and bring financial opportunities to close. Social media platforms will further support and promote this activity.

As an additional effort to expose enterprises to funding opportunities in response to COVID-19, KIM will host 3 virtual pitch sessions where strategic enterprises (those who provide economic impact to their community) will be invited to present their company to an audience of *invite-only* investors. These web-based live events will also be recorded and made available to key investors and FIs. At least one of these events will feature only W-MSMEs. KIM will support the enterprises with pitch deck development and pitch coaching.

Task 2: Provide Transaction Assistance to SMEs

Activity: Conduct a six-month and one-year review of BASP performance and incentive structure

In Y2, KIM reviewed the performance of the original 22 BASPs contracted. Based on that review, only 15 BASP were renewed. A new tender was completed in Y2 and an additional 18 BASPs were onboarded. Conducting a review every 6 months provides valuable learning and feedback on the effectiveness of capacity building, trainings, and P4P incentives. As poor or non-performing BASPs are identified, KIM will either reduce a BASP's ceiling or not renew their contract, reallocating that funding to a BASP with a better performance record. KIM may also onboard additional BASPs in Y3, with a target of 40 actively under contract. As KIM deepens its objective of transactions to transformation, the Y3 review will also assess enterprises' willingness to pay for services, the turnaround time in closing transactions, the effect of COVID-19 on the BASPs' business, and the effectiveness of requiring financial projections from BASPs as a pre-contractual requirement. We will also consider the effectiveness of BASPs' engagement with enterprises and FIs under the expanded scope of sectors, geographic region, and the Prosper Africa and W-GDP initiatives.

The data from this review will reveal which areas are achieving the best programmatic results and how we can adapt and improve by adjusting payment fee structures and special incentives, and/or providing targeted capacity building.

Activity: Shortlist, select, and issue subcontracts/modifications to BASPs to facilitate pension fund investment transactions

In Y3, KIM will continue its capital markets initiative to mobilize capital through pension fund investments. The design of this work plan activity is a result of co-active leadership between KEPFIC founders, USAID, and KIM experts, along with input from other sources such as MiDA and the World Bank. Institutional investors, including pension funds, represent a significant but under-leveraged source of financing for Kenya's energy, infrastructure, and agribusiness sectors. By supporting KEPFIC's institutional development and capacity to invest in energy and other infrastructure projects, and assisting KEPFIC to develop its own fund or capitalize a fund with other investors that will generate a number of landmark transactions, KIM will help mobilize a new channel of local currency-denominated private sector funding for long-term energy, infrastructure, and agribusiness investments.

KIM will provide supply-side transaction support to KEPFIC to identify and develop pension fund investment opportunities, leveraging BASPs with expertise in energy, infrastructure, and agriculture. A number of KIM's current network of BASPs have a wealth of experience in structured financing, capital markets, and fund management. Several have a long track record in facilitating energy transactions, including CrossBoundary, Open Capital, PWC, Dyer and Blair Investment Bank and Genghis Capital. Assisting KEPFIC to structure large, complex transactions is more labor- and time-intensive than most KIM-supported investments. KIM will engage BASPs on a milestone deliverable fee basis to: i) identify appropriate investment opportunities; ii) advise on the viability of potential investments; and iii) support transaction-structuring and the utilization of existing safeguards and guarantees.

KIM will also leverage its BASP network to educate potential investees on the benefits of tapping pension fund investment for long-term financing. This will be integrated into KIM's broader capital markets outreach for potential issuers/investees at project trainings and events (retooled for on-line, virtual platform). KEPFIC, as a new organization, will require some assistance in developing investment opportunities.

Activity: Provide capacity building and training to BASPs and support COVID-19 relief/response

Through this activity, KIM will implement rapid demand-side responses as our CLA interventions reveal the specific challenges faced by the enterprises we support as a result of the evolving COVID-19 situation. For instance, KIM will aggregate and share market information with BASPs and identify resources they can tap for their clients. KIM will use STTA from Palladium's capital advisory team to provide rapid support to SMEs to access concessional finance, relief funding, or bridge funds. This activity will be done in partnership with KIM's local BASPs, to help them open doors to potential new funders and build their capabilities in structuring more complex transactions with international funders. Given that loan restructuring will likely become a priority for FIs and enterprises, KIM will adapt its training and capacity building support for BASPs accordingly and will adjust subcontract incentive structures to accommodate loan restructuring support. We will also integrate a gender lens into all BASP capacity building and trainings, as described in more detail in the W-GDP section of the work plan.

Task 3: Incentivize FIs to Close Investments

Activity: Identify, subcontract and onboard additional FIs

In response to COVID-19 and to open more financial resources for Kenya, KIM will actively engage with impact investors, venture capitalists, commercial banks, angel investors, and private equity funds who use different investment approaches. KIM will conduct an additional open tender in Y3 to onboard 5 to 10 new FIs. All newly onboarded FIs will receive KIM's introductory half-day training that familiarizes them with subcontract management, the use of the scoring matrix, gender mainstreaming, tools and templates, and contract reporting requirements.

KIM is looking to further distribute financing in the agriculture value chain with a greater number of FIs funding middle-market players in the $200,000 to $1M range. These FIs' core clients are aggregators, processors, transporters, and exporters who stimulate and absorb expanded production investment, in large part because farmers have confidence that there is an available market. This is a complementary activity that can sequence support from KCDMS and LMS to support agribusinesses to access more traditional sources of financing.

Activity: Provide FIs with demand-driven capacity building and training

In Y3, KIM will focus on specialized training to FIs to address effects that COVID-19 is having on FIs' portfolios, particularly non-performing loans and restructuring. FIs are facing a massive effort to restructure loans, in an attempt to bridge the economic gap to recovery and keep their non-performing loans to a minimum. While this situation is unprecedented, KIM will engage senior technical experts on loan work outs and restructuring.

In addition, based on feedback from our partners, we will target lending criteria that address value chain financing techniques, loan product design, and underwriting criteria for women, youth, and smallholder farmers. This in-depth value chain approach will lead to a better understanding of the financial processes, procedures and requirements of the multiple players within the chain, and how risks can be mitigated. This will lead to more informed credit decisions that will help to transform agricultural lending in the long term.

KIM will also provide in-depth capacity building and training to 1-2 FIs to facilitate greater access to finance for women-owned MSMEs, as described in more detail in the W-GDP section of the work plan.

Activity: Conduct a six-month and one-year review of the subcontracted FIs

KIM will continue to conduct a review of FIs every 6 months to evaluate their individual performance, the effectiveness of the incentive pricing structures, the results of entering into agricultural value chain financing within the FtF counties and the affects that the interest rate cap repeal will have on commercial banks.

As was the case with the initial FI review in Y2, KIM will be looking to identify those features that are working well or create new ways that move capital, at scale, to our targeted sectors. Key questions to consider will be: what factors are motivating institutional behavior change leading to portfolio expansion that will continue beyond the life of KIM? How can we further scale the capacity of FIs? And, how can we scale access to alternative forms of investment (capital markets, Private Equity Funds and pension fund investment)?

Activity: Support KEPFIC to launch a $50 million investment fund for energy, infrastructure, and agriculture

The goal of this activity is to expand and diversify the investment opportunities for pension funds that support the Kenyan economy through investment in critical sectors, in particular energy, infrastructure, and agriculture. Y3 engagement with KEPFIC is targeting pension fund investments into long term cash flow-generating alternative assets. Investments will be structured to anticipate further capitalization by KEPFIC and may include co-investments from development institutions or other institutional investors. Additionally, KIM will look to facilitate potential co-investments at both the transaction level and fund level, for example from DFIs, including Power Africa development partners, U.S. and other international asset managers, or other local investors, to assist KEPFIC in capitalizing its infrastructure fund.

The co-created work plan with KEPFIC, which includes a minimum $25,000 annual cost share from KEPFIC toward the Secretariat's operating expenses, involves the following activities:

- Co-develop a pipeline of fund investments
- Hold workshops and industry forums to increase awareness and increase membership to 20
- Secure at least USD $20 million of total KEPFIC member allocations into the investments
- Present to KEPFIC fund manager or existing pension fund managers 2 vetted investments within the fiscal year

Activity: Support capacity building through training and technical assistance to fund managers in Kenya and to KEPFIC's board of trustees

In Y3 KIM will provide an educational and capacity building training to KEPFIC members as well as other pension fund operators and pension fund managers who can be brought into KEPFIC's consortium. Each pension fund has a ten-member board of trustees, which totals over 300 trustees among all pension funds in Kenya. Priority training and technical assistance areas that have been identified in consultation with our partners include the following:

- Training to pension fund managers to better understand and quantify the risks/rewards associated with investment in priority sectors (e.g. energy, infrastructure, agriculture) and in alternative assets more broadly, in order to help KEPFIC build momentum and encourage pension funds to join and contribute. Training will include the presentation of actual local investment opportunities in the energy sector, with a preference for both operational and greenfield assets, as case studies; as well as case studies from the global context on how institutional investors have invested in energy and infrastructure.

- Training on risk mitigation, best practices, and structuring investor "safeguards" to ease risk avoidance issues of the pension fund operators and KEPFIC trustees.
- Training on asset valuations and developing processes and procedures to evaluate energy, infrastructure, and agriculture investments.
- Assistance in reviewing current investment allocations to facilitate KEPFIC members and their decision makers understanding how to include an explicit allocation for infrastructure and alternative assets.
- Capacity building through peer-to-peer partnerships linking US and international pension fund managers with Kenyan counterparts and other technical assistance that further builds linkages between US investments fund managers with Kenya investment opportunities (including mobilizing US pension fund investments into Kenya), to be conducted jointly with the National Association of Securities Professionals (NASP).

Task 4: Implement Strategic Partnerships

Activity: Identify and facilitate strategic partnerships

The goal of strategic partnerships is to leverage the private sector with inclusive growth tactics that will mobilize financing at scale for their customers. The broader objective of these strategic partnerships is to begin to transform the corporate partners' focus from one of implementing social responsibility projects, to one where inclusive growth is synonymous with their bottom line and broader business objectives. Successful strategic partnerships mean that the larger corporate actors will continue to adapt and operate in ways that lead to development impact at greater scale. This approach of private sector engagement will outlast both KIM's and USAID's assistance in Kenya, a critical element of USAID's Journey to Self-Reliance.

KIM has executed six strategic partnerships in Y2 and each partner brings an innovative solution that can mobilize capital at scale. KIM is supporting each of these business models with a technical expertise missing to scale the activity. For example, in the case of Victory Farms, KIM is assisting co-creating loan products with Equity bank that will allow hundreds of farmers to access financing for lake-based fish cages or land-based pond construction for out-growers. Or, in the case of Hello Tractor, KIM is assisting the company to establish a $2M special purpose financing vehicle needed for entrepreneurs to access financing for tractors.

In Y3, KIM will also establish 3 new strategic partnerships. The premise of strategic partnerships is that they are driven by the stakeholders (public/private) with KIM serving as a support service to coach, guide and help find market solutions that are bold, at scale, and sustainable. In some cases, KIM may provide technical assistance to unlock bottlenecks, however in alignment with J2SR KIM acts as a steward of the partnership, bringing together the right actors that can solve challenges to mutual benefit, rather than the driver.

Task 5: Support Innovations Boosting Inclusion and Sustainability

Activity: Partner with an additional 1 or 2 innovative COVID-19 response funds that launch economic recovery funds.

KIM will identify and partner with 1-2 impact investment, debt, and/or private equity funds (currently under development) that can rapidly scale up a quick-response COVID-19 fund to support Kenyan SMEs. This activity will help to provide capital to sustain SMEs that contribute to Kenyan's food security (production, processing, and distribution) and support enterprises that contribute to high levels of employment (retention or expansion). KIM's support will be limited to the country of Kenya. The goal of this activity is to mitigate the sharp economic contraction and credit shocks caused by COVID-19, which has led to the virtual suspension of bank lending in Kenya.

KIM offers COVID-19 emergency relief funds the following market opportunities:

1. A targeted pipeline of investment opportunities that meet the funds' investment criteria.
2. A network of professional BASPs to provide the fund with transactions in the advanced stage of due diligence. In collaboration with the funds, KIM will provide capacity building and training on investment committee loan packaging to support a rapid due diligence and approval process.
3. Market linkages and introductions to concessionary capital, first loss capital, DFIs, and other funding opportunities to scale the emergency relief funds.

Objective 2: Facilitate an Enabling Environment Conducive to Investment

Context and Approach: The quality of investment policies directly influences the decisions of investors. Clear policies, transparent regulations, and non-discrimination can boost investor confidence and attract investments. Open access to resources, well-functioning input and output markets, and effective mechanisms for enforcing contracts are also critical to unlocking capital. Policies must support and attract a diverse set of private sector investors and foster investment activities that do no harm to the environment, support a competitive market system, and promote economic stability and growth.

Because investment barriers are many and resources few, KIM takes a strategic approach by selecting reforms that are most closely tied to unlocking capital and mobilizing specific investments. At the county level, policy initiatives must be 1) county-led with sufficient ownership that commits county resources (staff and budget), and 2) prioritized based on their most immediate impact and ability to unlock capital in support of specific investments. KIM's county approach for technical assistance is a *learn-by-doing* support that ties policy reform assistance to a results-based investment activity. Beginning with a co-created initiative and work plan, KIM will support the counties to build their capacity to manage future investment opportunities.

Policies that are national in nature may not have a direct connection to an immediate result or identifiable investment to unlock capital, yet may still be vital to the transformation of the financial sector to deepen its financing engagements with SMEs and the agriculture sector. In this case, KIM will co-create with the private sector to support their ownership of a policy reform initiative, with KIM bringing international best practices technical assistance to the initiative. While not tied to a specific investment, the criteria for selection is based on expected impact of market transformation.

Year 3 Expected Results:

- 2 agricultural and nutritional enabling environment policies analyzed, consulted on, drafted or revised, approved and implemented with USG assistance.
- 2 financial sector policy reforms analyzed, consulted on, proposed, drafted/revised, approved, or implemented with USG assistance.
- 35 county officials trained on agricultural value chain finance

Task 1: Build Capacity of County-level Officials to Promote Investments

Activity: Develop case study and methodology on KIM's J2SR approach to county-level investment and capacity building

KIM's approach to county-level capacity building activities is based on the premise that when an anchor investment opportunity is being developed and promoted, the need for enabling environment reforms and the importance of private sector engagement becomes clearer, leading to greater learning for county officials. We believe that a *hands-on* practical approach deepens the experience of the county officials and ultimately prepares them to handle future policy reforms and investment mobilization without assistance.

In Y2, we piloted this approach with Makueni County officials, providing targeted assistance for policy reforms to facilitate private sector investment in the Kalamba Fruit Processing Plant. KIM's direct investment mobilization approach first identifies key investment opportunities, in collaboration with the county officials, private sector stakeholders, and other implementing partners. Second, through a county-led engagement with the private sector, regulations and policies are reviewed to identify barriers that may be limiting the mobilization of capital and how a policy (or policies or other mitigants) might simultaneously unlock this and other investments. Finally, we look at the commitment of the county to lead, own, and manage an initiative, including their commitment to employ resources of time, talent, and operating budget, and willingness to implement policy reforms that support and promote private sector investments. Based on positive reception of these considerations, KIM can co-design with the county an implementation plan that supports county official capacity building and policy reforms while simultaneously mobilizing resources through STTA, or our network of BASPs and FIs to mobilize private sector investments.

In Y3, KIM will develop a case study to examine and document our co-creation approach and collaboration with Makueni County to produce a methodology for how to replicate and scale future engagements with other counties, including co-creating work plans and co-financing, for a legacy of Kenya-led, Kenya-owned, and Kenya-managed policy reforms that stimulate private investments.

Activity: Support county-level officials' capacity to address policy reforms that stimulate investments

Building on the County Investment Review conducted in Y2 and the J2SR study detailed above, KIM will support county-led enabling environment initiatives needed to unlock capital for targeted investments. This co-created activity begins with a joint work plan to support policies or regulations reforms that will result in an investment mobilized.

In Y2, each of the Prosper Counties identified their top three *quick-win* investment opportunities, creating a pipeline of 31 transactions totaling $183M. In Y3, KIM will apply the above approach across eight Prosper Counties to support county officials' capacity to address policy reforms that directly stimulate investments.

Activity: Increase knowledge of county officials on investment promotion

In Y1 and Y2 KIM provided agricultural value chain financing training to a total of 97 county officials. This training provides participants with an understanding of agricultural value chains and how they are a useful tool in investments. It provides examples of how to identify investment or financing opportunities along the value chains; techniques on how to engage private investment players; how to structure public/private partnerships with investors; risk mitigation tools; and, the benefits of integrating gender mainstreaming.

In Y3, KIM will build on its agricultural value chain financing training and provide county officials with Investment Development and Promotion training, across the eight Prosper Counties. This training will help to develop their County Investment Unit (CIU), improve its private sector engagements, and learn basic skills in development, promotion, marketing, and closing investments. Currently, Makueni is the only Prosper

County that has a fully functioning CIU, because of KIM's support in Y2. Training will include project financing and PPP models. This training will further support the hands-on learning derived from promoting activity investment opportunities.

Task 2: Identify and Prioritize Enabling Environment Barriers

Activity: Unlock investment by addressing enabling environment policy barriers

In Y3, KIM will continue to actively support the private sector to promote key government reforms that impact investor confidence. KIM leverages the knowledge base of its network of BASPs, FIs, and enterprises and collaborates with the Kenya Private Sector Alliance (KEPSA), Kenya Bankers Association, Credit Information Sharing Association of Kenya, and the Institute of Certified Public Accountants of Kenya (ICPAK) to lobby for the desired changes.

In Y3, KIM will continue to identify and select reforms that will unlock substantial amounts of capital, with an emphasis on those policies that will increase lending and investments within the least amount of time. Active initiatives that we plan to continue include supporting the private sector to recommend improvements to government policy makers on the Finance Bill 2020; Tax Laws Amendment Act 2020; Excise Duty Act 2015; Excise Duty Regulations 2020 (Remission of Excise Duty, amendment); Capital Markets Act; CMA Listing Regulations; and, the Makueni County Investment Act 2020. In addition, KIM will continue to support the Nairobi Centre for International Arbitration in the private sector vetting of the final drafted Alternative Dispute Resolution regulations, and the Credit Information Sharing Association to officially launch the new Code of Conduct policy for credit bureaus.

Activity: Support EAVCA and CMA with policy reforms

In 2019, East Africa Venture Capital Association (EAVCA) was approached by the Capital Markets Authority (CMA) of Kenya, the regulating authority of Kenya's financial markets, to collaborate with them in the design and enforcement of oversight rules for the private equity (PE) and venture capital (VC) industry. After the Finance Act 2020 was enacted, the CMA amended its Act of the constitution and secured the legal mandate to oversee private equity and venture capital firms' access to Kenyan public funds. However, the CMA has not yet developed any regulation to enforce this and it is on this premise that they sought EAVCA's cooperation: to design industry oversight rules that incorporate the input of the practitioners.

Both CMA and EAVCA have approached KIM to partner with them in defining the policies and rules governing venture capital, looking toward creating a larger pool of private PE/VC resident in Kenya. In Y3, KIM will provide STTA to help CMA and EAVCA establish the required legal framework and also will engage the PE/VC community to lobby for additional forms of company structures that will create options for private investors to establish funds resident in Kenya. This will enhance GoK's policies on PE/VC and increase the number of legal vehicles to include a more appropriate form of registration for a PE fund. PE/VC directly impacts small and medium enterprises in the agriculture and clean energy sectors by providing an important alternative source of financing besides traditional bank lending. Indirectly, micro enterprises and smallholders within the same value chain can benefit from the increased economic activity that comes with an infusion of capital.

Another key source of financing often overlooked outside of the banking sector is the capital markets, where enterprises can list their securities or otherwise issue a capital market instrument to gain needed financing. In Y2, KIM and the CMA co-created a work plan initiative to improve the Nairobi Securities Exchange (NSE) listing rules. The working relationship between KIM and the CMA is a model of a co-created initiative. The CMA has proactively taken ownership of the initiative, while KIM has provided international and local technical assistance to augment CMA's leadership team. The CMA has identified four additional initiatives where KIM could collaborate. As the listing rules initiative ends (estimated second quarter 2021), KIM will re-evaluate CMA's priorities and co-create a work plan to improve regulations in one of the following areas:

- Collective Investment Schemes;
- Risk-Based Supervision;
- Enhancing the enactment of best practices for corporate governance standards, protocol, and implementation;
- Training to the NSE on becoming a Self-Regulated Organization

Task 3: Develop Strategy Maps, Score Cards, Milestones and Action Plans

This task was dropped in Y2.

Task 4: Monitor Implementation of Enabling Environment Reform Efforts

Activity: Develop and update a policy reform dashboard and host monthly/quarterly meetings to measure and track policy reform progress

Once enabling environment reforms are identified and committed to by our partners/stakeholders as described above, we will jointly prepare a monitoring plan that identifies milestones, results, and timelines for each policy and/or investment activity. The Business Enabling Environment Advisor will conduct at least quarterly (monthly in more active cases) meetings. These meetings will be opportunities to monitor progress and identify and address additional needs or concerns. KIM uses a CLA process to learn from each meeting in collaboration with the M&E Advisor, who will develop a dashboard to report on policy reform progress.

Objective 3: Proactive DCA Management

Context and Approach: Low utilization of guarantee agreements among DCA-partner FIs in Kenya stems from a variety of factors – including a disconnect between DCA design, FI commitment, and reality; inadequate reporting into the centralized DCA database; and the difficulties FIs face in establishing a solid pipeline of potential DCA clients due to loan officers' unfamiliarity with the target sectors. KIM will increase utilization of guarantees among DCA partners by building the capacities of partners and offering tools to reinvigorate their DCA programs.

Year 3 Expected Results:

- 1 new FI with DCA receiving USG assistance (total of 6)
- 54% DCA utilization rate

Task 1: Rapid Review of FIs with DCA Guarantees

This task was completed in Y1.

Task 2: Increase Transaction Pipeline for DCA-Guaranteed Lenders

Activity: Support BASPs and DCA-FIs to identify viable pipeline transactions

KIM will support DCA-FIs to increase utilization through pipeline development. In Y1 and Y2, KIM, KCDMS, and LMS were the primary drivers of new pipeline. In Y3, KIM will shift this approach to help the DCA-FIs learn to source their own transactions through community outreach and market events. The agricultural sector in particular is not well known to the DCA-FIs. KIM will assist these FIs to build a network of agribusinesses that provide an opportunity to reach thousands of farmers. KIM will continue collaborating with KCDMS, LMS, and other stakeholders to show these FIs how to identify investment opportunities.

KIM will also support BASPs on identifying viable SME transactions that meet lending criteria and DCA eligibility requirements. KIM will link BASPs to DCA-FIs through networking events and one-on-one direct introductions described above in Objective 1 to establish relationships that will continue beyond the life of the project. KIM's Regional Coordinators will be instrumental in building relationships between BASPs and DCA-FIs located in the rural areas.

Task 3: Design and Provide Demand-Driven Training and TA to FIs

Activity: Provide product development technical assistance

KIM will continue to support FIs to evaluate whether existing products require modifications or if new products would better enable deeper lending opportunities. For example, KIM is currently assisting Cooperative Bank to develop a new asset-based loan product for smallholder farmers to acquire water tanks for rain collection and storage, Tuk-tuks for agricultural transport, chaff cutters, and feed pulverizers to process fodder for dairy cows. Targeted product development can have a substantial impact on DCA utilization. For example, in Y2 KIM supported Musoni Microfinance to develop a Warehouse Receipts loan product. This innovative product offers post-harvest financing to smallholder farmers, processors, and other agribusinesses. Musoni has since fully utilized their credit guarantee.

Activity: Capacity building and training to DCA-FIs

KIM re-tooled its flagship Value Chain Financing training program to help DCA-FIs adapt to agricultural lending. In Y3, we will further modify this training to support a Training-of-Trainers for FIs to embed these programs into their in-house curriculum. Training supports sector-specific credit underwriting criteria (e.g. agriculture and health), loan structuring, and risk mitigation. In addition, training modules include capacity building in how and when to use the guarantee to support a loan.

Activity: Expand DCA Opportunities to new FIs

KIM continues to identify market opportunities and innovative lending structures that will further support private sector investments, including new credit guarantee facilities. In Y3, we will add the existing $10M health sector guarantee, implemented by KCB, into our portfolio. The current utilization is 39%. In addition, the International Development Finance Corporation (DFC) is considering an additional $14M health guarantee in response to COVID-19. The guarantee facility would possibly support the health sector, including manufacturing, distribution and procurement of personal protective equipment (PPE). KIM is prepared to extend its capacity building and network of BASPs for pipeline development in support any new credit guarantee FI that is within the scope of KIM's activities.

Task 4: Monitor DCA Utilization Semi-Annually

Activity: Prepare semi-annual reviews

KIM will continue to actively monitor and review the performance of DCA-FIs through its monthly mentoring, coaching, and capacity building. In Y3, KIM will switch from a quarterly review to a semi-annual summary of challenges and recommendations to improve utilization. Semi-annual reviews will coincide with the DCA semi-annual reports, that can be benchmarked to activities and data reporting. Data collected through DCA-FI reporting provides information on both guarantee utilization rates, as well as percentage of loans to women and youth (ages 18-29) that allows for portfolio performance analysis. KIM will prepare a review of activities to identify persistent constraints and weaknesses and assess the results of interventions. These semi-annual reviews will look at both individual DCA-FIs and the collective group to identify and address common issues and adapt technical assistance to address the learning from the report.

Women's Global Development and Prosperity Initiative (W-GDP)

Introduction

W-GDP recognizes the potential for women to drive economic growth. Launched in 2019, the whole-of-government effort aims to advance women's economic empowerment with a focus on three key pillars: (i) women prospering in the workforce; (ii) women succeeding as entrepreneurs; and (iii) women enabled in the economy. USAID has partnered with W-GDP to leverage the existing KIM activity to facilitate access to finance for Kenyan women-owned micro, small, and medium enterprises (W-MSMEs).[2] Kenyan W-MSMEs cite access to finance as one of the most formidable barriers to growth in Kenya, resulting in an estimated $2.7 billion credit gap.[3] This number is likely an underestimate as it does not account for W-MSMEs in the 'missing middle' that meet their financing needs through sub-optimal sources such as family and friends or over-priced microfinance loans that are too small for growth-oriented investment given the lack of financial products targeting this segment.

Not only does limited access to finance impede women's ability to manage and grow their businesses, but it also may reduce their capacity to create jobs. As Kenyan W-MSMEs consistently employ a higher proportion of women than businesses led by men, lack of access to finance broadly reduces economic opportunity for women.4 Moreover, a growing body of evidence underscores that a woman is more likely than a man to invest her earnings in her family's health, nutrition, and education, thereby generating a multiplier effect that will further bolster economic growth in the community.

The barriers hampering access to finance for Kenya W-MSMEs are multifaceted. On the demand-side, Kenyan W-MSMEs often have a poor understanding of the requirements to access products on the market, in addition to limited capacity to comply with them. Across sub-Saharan Africa, more than 60% of W-MSMEs do not apply for financing from formal FIs as they do not believe that their businesses are creditworthy.[5] KIM hypothesizes that Kenyan W-MSMEs have similar perceptions regarding their enterprises and aims to enhance W-MSMEs' understanding of the financing products on the market and how they may—or may not—meet their financing needs. In addition to undervaluing their businesses, W-MSMEs often have more limited access to the resources and training necessary to access financing from formal sources. Women's networks are often smaller and include fewer professional service providers, creating barriers to accessing business support services including accountants and lawyers that can drive transactions. Likewise, W-MSMEs often have more limited access to training and other capacity building initiatives to hone

[2] Women-owned enterprises are defined as enterprises with > 50% female ownership or > 20% female ownership and at least one women in an executive level position and 30% women on the board, where a board exists.
[3] IFC SME Finance Forum. 2019. Credit Gap Database.
[4] Kariuki, James. 2020. "Women-led Businesses in Kenya have a Bigger Investment Impact." https://www.businessdailyafrica.com/datahub/Women-led-businesses-in-Kenya-have-bigger-investment-impact/3815418-5477228-wy3ysn/index.html
[5] Biegel, Suzanne. 2017. "Five Ways to Advance Gender Lens Investing in Africa." Wharton Social Impact Initiative. https://socialimpact.wharton.upenn.edu/news/five-ways-advance-gender-lens-investing-africa/

their business acumen and entrepreneurial skillset. Therefore, they often find it more difficult to comply with FIs' and investors' requirements and remain excluded from the formal financial system.

On the supply-side, the robust financial sector in Kenya continues to lack products and processes enabling FIs to identify, attract, and serve W-MSMEs. However, pioneering FIs are beginning to introduce women-centric products. KCB, for example, recently announced a partnership with the International Finance Corporation (IFC) to develop credit products for women and Gulf Africa Bank offers a collateral-lite loan product for women known as Annisaa. Yet W-MSMEs continue to confront a $2.7 billion credit gap, which underscores the tremendous market opportunity for early-movers that can roll-out competitive and women-centric products and services. These may include products leveraging underwriting methodologies based on cash flow or data as a means of reducing the need for hard collateral, since Kenyan women only hold titles to about 1% of land in the country.[6] Other FIs may capture the women's market by incorporating new channels for reaching female clients, as their current reliance on referrals and male-dominated networks may implicitly discriminate against W-MSMEs.

Gender Goals and Objectives

This initiative aims to enhance Kenyan W-MSMEs' access to finance through complementary demand and supply-side interventions that strategically align with KIM's Objective 1: Mobilize Capital. By the end of Y3, KIM will achieve the following outcomes:

- $5 million in finance and investment in W-MSMEs
- 10 transactions closed by BASPs
- 1-2 FIs explicitly including gender in their growth strategies

Gender Implementation Strategy

KIM's strategy to promote access to finance for W-MSMEs is developed around three core pillars:

1) **Data-Driven:** KIM will leverage data to identify the most impactful market opportunities and underscore the business case for serving W-MSMEs. Through the first two years of implementation, KIM has generated substantial information on gender dynamics in target value chains. These insights can be triangulated with a growing body of research exploring the role of W-MSMEs in the Kenyan economy, as well as the business case for serving the segment to highlight the most robust business opportunities. By grounding all gender activities in data, as opposed to perception, KIM aims to overcome implicit biases that continue to stymie access to finance for W-MSMEs and ensure that identified market opportunities are commercially viable.
2) **Private-Sector Led:** KIM will align products and services developed for W-MSMEs with participating FIs' existing strategies and core business activities. New and adapted products and processes must be profitable and align with the FI's broader goals to be sustainable, thus creating enduring access to finance for W-MSMEs and advancing Kenya's Journey to Self-Reliance (J2SR). Corporate social responsibilities activities, on the other hand, may be quicker to implement, but they are often viewed as a cost center and likely will not move the needle on W-MSMEs' access to finance.
3) **Agile:** KIM will take an agile approach to respond to changing economic circumstances resulting from the COVID-19 pandemic. Kenyan W-MSMEs will likely feel the sharpest edge of the pandemic and the resulting economic downturn. A recent study from Bankable Frontier Associates revealed that 52%

[6] Intellecap. 2015. "Closing the Gap – Kenya: Updates on Key Challenges for the Missing Middle in Kenya." http://intellecap.com/wp-content/themes/intellecap/pdf/26.10.15.pdf

of Kenyan MSMEs have closed as a result of the pandemic.[7] While gender-disaggregated data is not available, W-MSMEs are likely disproportionately impacted as they have less access to formal financing, as well as government support programs by virtue of higher-levels of informality, required to surviving the lockdown. Therefore, KIM will take an agile approach to integrating gender, allowing for an immediate focus on business model pivots and emergency capital mobilization in the near-term and a shift towards enterprise growth during the latter part of Year 3.

Key Assumptions and Risks to Implementation

- **FIs may be unable to provide gender disaggregated data on their portfolios.** Palladium's Gender Opportunity Assessment (GOA) takes a data-driven approach to benchmarking an FI's performance and identifying opportunities for them to better reach W-MSMEs. However, many FIs continue to rely on legacy management information systems (MIS) that do not maintain gender-disaggregated records for MSME loans. If FIs are unable to produce the data, KIM will draw upon workarounds that Palladium has developed in prior engagements to proxy and model this data and include the requisite caveats in the strategy document. In this case, the first recommendation will always be to collect and analyze gender-disaggregated data as FIs that collect this information are more likely to reach targets for female borrowers.
- **W-MSMEs may prefer using informal sources of financing and choose not to borrow from formal FIs.** With limited access to formal FIs, many Kenyan women rely on informal social networks to finance their businesses. Some rely on chamas or rotating savings and credit associations, whereas others borrow from friends and family. KIM hypothesizes that many will be eager to shift to formal financing from a bank to increase the quantum of financing available, extend loan tenure, and otherwise avoid risks associated with borrowing from personal acquaintances. However, some W-MSMEs may prefer these structures for various reasons including a preference to remain informal, the need to maintain social networks in their communities, among others. To understand if/why women may choose not to finance their businesses using formal financial service providers, KIM will undertake focus group discussions (FGDs) and/or key informant interviews (KIIs) and leverage these insights in creating recommendations for FIs as part of the Gender Opportunity Assessment (GOA).
- **FIs may be unwilling to lend to new segments often perceived as risky in the aftermath of the COVID-19 pandemic and associated economic downturn.** Globally, FIs have substantially curbed lending to MSMEs since the onset of the COVID-19 pandemic and resulting economic downturn. While there are some promising signs that banks may resume lending in the near-term, reluctance to target segments that are considered riskier such as W-MSMEs will likely persist. Reduced lending may also be driven by growing numbers of non-performing loans and sizable financial losses are being reported by leaders within the Kenyan financial services industry. While KIM is hopeful that the Kenyan financial sector will be resilient, there will likely be an overall decrease in lending that may impact the quantum of financing that can by mobilized for W-MSMEs.
- **W-MSMEs may be unwilling to cover a portion of costs associated with business advisory services following a substantial decrease in revenue due to COVID-19.** The COVID-19 pandemic has significantly impacted Kenyan W-MSMEs**.** W-MSMEs are widely confronting an unanticipated and severe drop in revenue, with many firms temporarily closing; in fact, Kenyan W-MSMEs are nearly four times more prevalent in sectors that were (temporarily) required to cease operations completely than their male counterparts.[8] While many may need to pivot their business

[7] Dong, Coco and Michelle Hassan. 2020. "Short-Term Fixes are Not Enough if SMEs are to Survive COVID-19." Bankable Frontier Associates. https://bfaglobal.com/covid-19/insights/sme-shutdown-impact-survival/
[8] CENFRI. 2020. "COVID-19 Tracker: Sex-Disaggregated Data on Main Income Earners" https://cenfri.org/wp-content/uploads/2020.05_Kenya-Covid-19-tracker.pdf

models to flourish in the new context or identify new sources of capital, some may be reluctant to expend diminishing resources on business advisory services given the prevailing economic uncertainty, especially if they have not been effectively support by BASPs in the past.

- **Increasing gender disparities in unpaid care and domestic work resulting from the COVID-19 pandemic may reduce the time that women entrepreneurs can dedicate to their businesses.** Globally, women and girls perform upwards of 75% of the total hours dedicated to unpaid household tasks ranging from cooking to cleaning to child rearing, often requiring W-MSMEs to reduce time spent growing their businesses.[9] The COVID-19 pandemic has exacerbated these gendered challenges by increasing the quantum of unpaid care work. For example, the closure of schools and childcare facilities has resulted in increased childcare responsibilities. Thus, the overall number of hours dedicated to unpaid tasks traditionally performed by women is further increased in these contexts and it usurps a greater portion of the day. KIM anticipates that gender disparities in the distribution of unpaid care and domestic work may make it difficult for women to fully engage with BASPs or access certain programs offered by FIs. KIM will attempt to offset this risk my leveraging digital channels and offering flexible schedules for programming.

Mobilizing Financing for Women-Owned MSMEs in Kenya

Context: KIM mobilizes capital by creating a network of high-quality BASPs and a competitive network of FIs ready to support and invest in Kenyan enterprises. The BASPs actively source and package viable financing deals which FIs can then more easily and cost effectively analyze for borrower viability and transactional risks. By stimulating opportunities through BASPs and incentivizing FIs' portfolio expansion, KIM is sparking a more competitive and expansive financial services environment.

In Year 3, KIM aims to integrate a gender lens into some of its tasks and the associated activities under this Objective. As noted, Kenyan W-MSMEs confront a $2.7 billion credit gap and consider access to finance amongst the most formidable obstacles limiting their growth.[10] Currently, W-MSMEs only access 9% of available SME financing in the market.[11] Many W-MSMEs are often unaware of their options and need to further enhance business management practices in order to access financing. Likewise, evidence in similar markets suggests that many leaders in FIs recognize the scale of the latent demand; however, they are often unclear as to how they can better source and serve the segment.

KIM aims to complement its existing activities under Objective 1 by incentivizing BASPs to better serve W-MSMEs to facilitate increased investment, in addition to enabling FIs to develop products and services aligned with W-MSMEs. During Year 3, the focus will be on mainstreaming gender into Objective 1, Tasks 2 and 3.

Task 1: Provide Transaction Assistance to W-MSMEs

Activity: Conduct a rapid review of the BASP performance and incentive structure and how it either incentivizes or disincentivizes lending to W-MSMEs

Throughout the first two years of implementation, KIM demonstrated the efficacy of the Pay-for-Performance (P4P) incentive program by encouraging BASPs to reach underserved markets and demonstrating the value of

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[9] ILO. 2018. "Women do 4 times more unpaid care work than men in Asia and the Pacific." https://www.ilo.org/asia/media-centre/news/WCMS_633284/lang--en/index.htm
[10] IFC SME Finance Forum. 2019. Credit Gap Database.
[11] Intellecap. 2015. "Closing the Gap – Kenya: Updates on Key Challenges for the Missing Middle in Kenya." http://intellecap.com/wp-content/themes/intellecap/pdf/26.10.15.pdf

these services to MSMEs. To better understand the results and make course corrections as needed, KIM conducted six month and one-year reviews of the program to understand willingness to pay for services, the timing for closing transactions, and the reasons why some deals remained unfunded. While the assessment did not have an explicit focus on gender, it yielded several findings relating to gender, underscoring that W-MSMEs prefer to work with female BASPs, among others.

During Year 3, KIM will conduct a rapid review to validate and update all findings related to gender, in addition to further illuminate how existing P4P structures may need to be adapted to better incentivize supporting W-MSMEs and offset challenges specific to serving the segment. For example, W-MSMEs tend to be more risk-attuned than their male colleagues; they often ask more questions and require more time before making financing commitments. As such, gender-neutral incentive schemes may disincentivize supporting them as the time cost of working with W-MSMEs may be higher. Moreover, W-MSMEs may require differentiated types of capacity building than their male colleagues that may be valued differently in the market (as outlined under the next activity). KIM will assess these factors, among others, in this rapid assessment to ascertain if financing W-MSMEs merits a larger incentive and the extent to which incentives need to be increased to effectively drive capital into W-MSMEs.

Activity: Integrate a gender lens into ongoing capacity building and training for BASPs

KIM provides demand-driven and evidence-based training to BASPs to ensure that they can effectively facilitate access to capital. Past training topics have included deal identification, value chain financing and related deal structuring, risk mitigation tools for agriculture and alternative types of financing. Since the onset of the COVID-19 pandemic, training and capacity building initiatives have largely been re-tooled and shifted onto virtual platforms.

In Year 3, KIM will upskill existing BASPs to ensure that they have the capacity to identify viable W-MSMEs and overcome challenges specific to serving them. The first component of the training will focus on unpacking unconscious biases that may reduce the likelihood that BASPs engage with W-MSMEs and generate strategies for how they can more equitably approach the segment. It will draw on Palladium's existing training content for tackling unconscious biases in FIs and it will be provided by local STTA.

The second—and more comprehensive component of the training—will focus on gendered differences impeding access to finance (both debt and equity) and strategies to overcome them. For example, W-MSMEs are often more risk attuned than their male counterparts as previously discussed. As a result, they emphasize both the upside and downside when making a pitch, whereas men tend to be more positive per recent IFC research. As a result, they are often less successful accessing equity than men after completing similar hard skills training, even after controlling for sector, revenue, and age of business.[12] Effectively supporting W-MSMEs, therefore, may require further emphasizing soft skills including negotiation in order to successfully close deals, whereas male firms may benefit from a focus on other skillsets.

Activity: Provide Business Advisory Services to W-MSMEs

BASPs will be encouraged to identify and prepare W-MSMEs for investment. Given that W-MSMEs are often perceived as being less creditworthy, BASPs may be reluctant to engage with the segment as they will incur more risk given the P4P incentive structure. Therefore, in Y3 KIM will provide a 1% bonus incentive fee for transactions involving W-MSMEs, pending the findings of the rapid review discussed above. KIM will continue to evaluate the success and need for the bonus fee during semi-annual reviews of the BASP

[12] IFC. 2020. "Venture Capital and the Gender Financing Gap: The Role of Accelerators." https://www.ifc.org/wps/wcm/connect/f62312ad-7ef5-4b90-b57d-6b793ae20a17/20200216-VC-WeFi-Research-Snapshot.pdf?MOD=AJPERES&CVID=n15lznn

incentive structure and BASP performance. By Year 5, it is anticipated that fees for serving W-MSMEs will be equal to fees for serving M-MSMEs, as a demonstration effect will have underscored the business case to BASPs.

Task 2: Enable FIs to Close Investments in W-MSMEs

Activity: Select FIs to participate in a Gender Opportunity Assessment to benchmark their current services to W-MSMEs against peer institutions and identify opportunities

To ensure that KIM has the resources required to provide the depth of services that many FIs require to roll out new or adapted products or processes required to better serve W-MSMEs, KIM will limit the initial rollout of this program to 1-2 FIs in Y3 by releasing an open request for proposals (RFP). Initial focus will be on targeting FIs with products (or interest in developing products) in the 'missing middle,' loosely defined as a gap between the largest microfinance loans and the smallest commercial bank loans in the market. Additional criteria will include alignment with KIM's priority sectors and value chains, use of USAID DCAs to serve MSMEs (per KIM's Objective 3), as well as presence in KIM's zones of influence (ZOIs).

Shortlisted FIs will be invited to participate in an inception meeting with the KIM team to better understand their drivers for engaging in the assessment. It will focus on their baseline understanding of W-MSMEs' unique financial needs, their motivations for participation (e.g. fulfilling a development finance institution's requirements under the 2X initiative or tapping a large unmet market), as well as their willingness to innovate and roll out new products and services. This will further inform the final list of participating banks and, in the event that an FI has been selected to participate, inform the subsequent GOA.

Once selected, KIM and participating institutions will codify their agreement in a memorandum of understanding (MOU) outlining the required inputs from the FI as well as the expected inputs from the KIM team. Expected inputs from the FI include an appointed gender champion to coordinate the assessment, portfolio data, meetings with senior leadership and decision-makers, the strategy workshop, and help identifying participants for the FGDs and KIIs with existing and potential clients. KIM will provide expertise in gender lens investing to lead the interviews, FGDs, and KIIs; coordinate and prepare the strategy workshop; and develop the final strategy document.

Activity: Collect key data points from participating FIs to benchmark their performance against their peers

Palladium's GOA is a data-driven tool assessing the business case for an expanded focus on W-MSMEs. It is rooted in a market benchmarking exercise that evaluates each FI's gender performance against the broader Kenyan market. Each participating FI will be asked to provide portfolio data including, but not limited to, the number of male and female borrowers in their micro and SME portfolios respectively; the quantum of lending to male and female borrowers in their micro and SME portfolios respectively, and the sectoral breakdown of their W-MSME clients. Additionally, they will be asked to provide data on the gender composition of staff at various levels of the institutions as tackling gender disparities in their own staff is a prerequisite for an FI to truly embed gender equity into its DNA. KIM anticipates that some participating FIs will be unable to provide requested data; for many FIs, the assessment will be the first step on their 'gender journey' and they may not even have a working definition for a W-MSME nor collect gender disaggregated data. However, the GOA team will work with any data available and develop workarounds if it cannot be obtained.

All data will be benchmarked against "big data" from reputable market sources including the World Bank, International Monetary Fund (IMF), and International Labor Organization (ILO) to determine where FIs currently outperform their peers' gender performances, as well as opportunities for improvement.[13] This assessment will lay the foundation for subsequent phases of technical assistance, developing a strategy and operationalizing recommendations to increase the number of W-MSMEs in their portfolio.

Activity: Conduct a rapid assessment with each participating FI leveraging Palladium's Gender Opportunity Assessment tool

In addition to benchmarking participating FIs using quantitative data, KIM will also qualitatively assess each FI. The benchmarking exercise will be complemented by a series of virtual KIIs with the following members of the leadership team or individuals in similar roles over a two-day period. Titles may vary based on the participating institution and the KIM team will work with the Gender Champion to identify appropriate participants for each meeting.

- Chief Executive Officer
- Chief Operations Officer
- Chief Finance Officer
- Chief Marketing Officer
- Chief Risk Officer
- Human Resources Lead
- Product Design Lead
- Loan Officer / Relationship Manager

Each 60-minute KII will be designed to gather qualitative insights on the FIs' strategy, products and services, human resources, and the opportunities and challenges that it confronts in serving W-MSMEs to inform the development of its gender strategy.

Activity: Hold focus group discussions and/or key informant interviews with existing W-MSME clients, as well as women in target segments

To generate a deeper understanding of real and perceived barriers limiting uptake of the FI's products and services, the GOA will also include FGDs and KIIs with existing and prospective W-MSME clients. The qualitative research will aim to understand current financial behaviors, barriers to accessing finance, if applicable, and desired characteristics in both financial products and services, as well as FIs. While there is a loose guide, engagement will be intentionally designed to foment dialogue to identify barriers that may not traditionally be included in a gender assessment.

In addition to informing recommendations for the participating FIs, the FGDs/KIIs will add additional value by providing a view to specific support the W-MSMEs may require from the BASPs (e.g. negotiation, pitching, networking, etc.), as referenced under Task 1.

Activity: Lead a gender strategy workshop with FI leadership to preview recommendations and elicit preliminary feedback and suggestions

KIM will rapidly amalgamate findings from the gender assessment to design and lead a 2-hour gender strategy workshop with FIs' leadership to build consensus around the initial recommendations. The highly interactive session will address the benchmarking assessment as well as all recommendations to enable the FIs to better serve W-MSMEs. Participants will be encouraged to provide constructive feedback to allow for co-creation and collaborative iteration to generate buy-in that facilitates operationalization of the recommendations. Emphasis

[13] Benchmarking will be against the broader market as opposed to just institutions participating in the assessment to provide more comprehensive data, ensure that KIM maintains financial institution confidentiality given the small sample size, and is more broadly applicable.

will be on prioritizing recommendations based on profitability, impact (number of prospective clients and quantum of financing mobilized), and alignment with existing core business activities to promote long-term sustainability.

Activity: Elaborate a comprehensive recommendations report including a road map for implementing key recommendations

KIM will integrate all proposed recommendations in a 15- to 25-page strategy document that includes both quick wins and more comprehensive changes that can be made over the medium to long term. The report may be delivered in either PowerPoint or Word depending on the preferences of the participating FI and the format will be agreed upon in the MOU. Based on the recommendations, FIs will be encouraged to apply for technical assistance via the KIM Gender Opportunity Facility (GOF) to facilitate implementation of priority recommendations.

Activity: Invite FIs to apply for technical assistance financed via the Gender Opportunity Facility and select winning FIs

Recommendations stemming from the GOA will vary by FI. FIs seeking support operationalizing the recommendations will be invited to submit expressions of interest for technical assistance. Evaluation criteria will be finalized at a later stage in collaboration with USAID, but will likely including the following components:

- **Number of W-MSMEs targeted:** Number of W-MSMEs that will have access to additional and/or more appropriately adapted financial products and services as a result of the intervention.
- **Target value of financing mobilized for W-MSMEs:** Value of financing mobilized for W-MSMEs as a result of the intervention.
- **Return on investment:** KIM has a limited pool of resources for these interventions and it will assess the cost of each intervention and targets to ascertain value-for-money. Specifically, KIM will consider how to leverage resources to maximize impact in terms of both capital mobilized and enhanced access to capital in underserved segments of the women's market.
- **FI commitment:** FI partners will ostensibly profit by reaching and serving more W-MSMEs as the GOA is designed to identify opportunities to embed gender into core business activities as opposed to burdening existing cost centers such as social corporate responsibility (to further its sustainability). As such, they will be required to commit resources to operationalizing the recommendations. In-kind resources including staff time and space will be required, as well as direct financial cost-sharing at a rate to be determined.
- **Systemic Impact:** Addressing Kenyan W-MSMEs' varied financing needs will require a diverse set of interventions. The KIM team will endeavor to select proposals designed to address various barriers to accessing finance to ensure that these initiatives are complementary and promote the development of a robust and sustainable ecosystem of financing options for W-MSMEs. KIM does not aim to finance one intervention across multiple FIs. Rather, it seeks to support diverse initiatives to reduce multiple barriers, while also providing insights into the most effective strategies for unlocking financing for W-MSMEs.

Activity: Provide technical assistance to FIs to enable them to operationalize recommendations stemming from the Gender Opportunity Assessment.

KIM will provide technical assistance to FIs requiring support operationalizing select interventions using a blend of core staff and STTA. The specific objectives of the technical assistance will be defined in conjunction with participating FIs based on findings from the GOA. This agile approach will ensure that there is adequate buy-in for the long-term sustainability of the interventions. KIM has identified an indicative list of women-centric products, processes, and initiatives that seem like strong possibilities given the Kenyan context and Palladium's experience catalyzing access to finance for W-MSMEs in other markets.

- **Sub-Activity 1: Variable Payment Obligation (VPO) Program.** The VPO Program simultaneously addresses supply- and demand-side barriers to access to finance for W-MSMEs with too few assets to pledge as collateral, uneven cash flows, and underdeveloped business and financial planning skills. It consists of three elements:
  - *Enterprise Growth Services (EGS):* BASPs lead provision of the EGS curriculum to enhance women entrepreneurs' business acumen and financial literacy to accelerate business growth. Partner FIs will benefit from improved loan monitoring to reduce the risk of default and increase impact and sustainability.
  - *VPO Loan Product*: The partner FI will rollout out a medium-term loan product designed for capex investment that aligns underwriting and repayment to the businesses' cash flow, rather than collateral.
  - *(Optional) Loan Syndication Model*: An optional loan syndication model will enable international third-party investors to co-lend alongside the partner bank, thereby reducing the bank's risk of testing a new product and segment, while also providing third-party investors with a way to invest in Kenyan enterprises, thereby mobilizing additional finance.

  To enable an FI to roll out the Program, KIM may provide six months of intensive technical assistance to the partner FI to co-design a cash flow-based loan product. Activities may include tailoring the financial and non-financial components to the needs of the target segment, adapting loan underwriting processes (including the MIS system), building capacity in relationship managers/loan officers, identifying an EGS provider and training them in the VPO methodology, and building pipeline. After the intensive six-month technical assistance period, KIM may provide bespoke and ad hoc technical assistance on an as-needed basis.

- **Sub-Activity 2: Data-Driven Credit Scoring.** Kenya has the most robust digital financial services (DFS) ecosystems in sub-Saharan Africa, with an estimated 73% of women making at least one personal or business financial transaction via digital channels over the past year.[14] Uptake has been slower among MSMEs, but an estimated 40% of MSMEs use DFS to make at least one type of transaction (e.g. bill pay, mobile point-of-sale, etc.).[15] The use of digital channels has generated substantial data that can be integrated into alternative credit scoring models for FIs, facilitating a shift away from traditional collateral-based underwriting, which is implicitly biased against W-MSMEs with limited access to land and real estate. KIM may leverage STTA to guide an FI through the design and implementation of a new credit scoring algorithm that leverages big data to unlock access to financing for W-MSMEs without assets to pledge.

- **Sub-Activity 3: Non-Financial Service (NFS) Provision.** Kenyan W-MSMEs often lack an understanding of existing financial products and services in the market, as well as the requirements to access them. In addition to training and incentivizing BASPs to engage with W-MSMEs, KIM will also partner with FIs to explore how they can offer non-financial services to drive uptake of their financial

[14] World Bank. 2018. "Findex Data." https://databank.worldbank.org/reports.aspx?source=global-financial-inclusion
[15] Nairobi Garage. 2018. "SME Adoption of Commercial Fintech is Driving Market Growth." https://nairobigarage.com/sme-adoption-fintech-drive-growth/

products and services. For example, IFC spearheaded the integration of a Mini-MBA program for a FI's investees that offered training on business model development, marketing, customer service, human resources, and financial management to W-MSMEs. Not only did more than 50% of participants subsequently qualify for loans from the FI, but the FI also could lend to W-MSMEs that they had previously rejected as risk decreased as the entrepreneurs' business acumen improved.[16]

While the Mini-MBA program provided in-person training, there are several firms offering similar training via digital channels across East Africa. In addition to providing more flexibility and protecting participant health in the midst of the COVID pandemic, these initiatives can also lower cost per borrower, making it more tenable for an FI to either subsidize it or pass the cost onto the borrower.

KIM may collaborate with an FI to design a sustainable and profitable NFS program for W-MSMEs. This may include identifying third-party providers, shaping content, assessing delivery channels, or identifying participants.

- **Sub-Activity 4: Unconscious Bias Training.** Negative perceptions of W-MSMEs and the risk associated with serving the segment may decrease relationship managers'/loan officers' willingness to provide desirable credit packages to the segment. KIM may provide unconscious bias training to staff in a target FI to enable them to generate a larger pipeline of W-MSMEs and provide them with adequate and comprehensive support. The training program will draw on previous Palladium training programs in sub-Saharan Africa and modules will be tailored for staff in various roles within the FI.
- **Sub-Activity 5: Building Alliances to Generate Pipeline.** Many FIs attribute their low concentration of female clients to challenges finding viable and bankable W-MSMEs. Yet, women own an estimated 33% of formal MSMEs in Kenya[17] and 23% of all formal SMEs, despite only receiving 9% of bank credit.[18] To identify and attract W-MSMEs that remain underserved, FIs could activate new channels and alliances with organizations including W-MSMEs. In addition to fostering direct linkages with W-MSMEs, this strategy may help drive referrals, as women consistently demonstrate loyalty to financial service providers meeting their needs and recommend their provider to an average of nine peers.[19]

  KIM may collaborate with FIs in the program to identify associations, alliances, or even commercial actors with linkages to W-MSMEs in the target segments. Once identified, KIM will facilitate matchmaking events, networking opportunities, or even explore opportunities for structured financing to accelerate customer acquisition. While early efforts will be supported by KIM, it is anticipated that these initiatives will trigger the development of a more robust pipeline of W-MSMEs relatively quickly as women share their experiences with their peers. These will build on KIM's existing matchmaking events hosted under Objective 1.
- **Sub-Activity 6: To Be Determined.** The GOA aims to enable FIs to identify opportunities to serve more W-MSMEs that align with their core business activities and complement their existing strategy. While the KIM Gender Advisor may identify and propose new strategies, leaders in FIs often suggest additional opportunities that surface during the inception meeting, KIIs, and strategy workshop. The GOF may provide funding for additional initiatives depending on the quality of the discussion in the strategy workshop and/or the quality of the proposal.

[16] IFC. 2018. "Bank of Palestine English Case Study." https://www.ifc.org/wps/wcm/connect/15aac7bd-de60-44fb-884a-02eb30d11743/Bank_of_Palestine_English_Case_Study_FINAL.pdf?MOD=AJPERES&CVID=m6mdkGE
[17] IFC SME Finance Forum. 2019. Credit Gap Database.
[18] IFC SME Finance Forum. 2019. Credit Gap Database.
[19] Financial Alliance for Women. 2020. "A Win-Win Business Opportunity." https://financialallianceforwomen.org/the-opportunity/#businessopportunity

Cross-Cutting Priority Areas

Communications

Communications serves as the face and voice of KIM's activities as well as a technical tool to enable us to achieve our capital mobilization and market transformation objectives. Successfully communicating KIM's collective "wins" is therefore paramount to developing a sustainable ecosystem where FIs and other investors engage with SMEs in the target areas. Our principal message that will continue to infuse all communication activities and tools is: *Providing finance and transaction advisory services to Kenyan SMEs in key sectors of the economy is a profitable business that contributes to Kenya's sustainable growth.* KIM's messaging capitalizes on sharing partner successes through social media outlets, the investment portal (website), in newsletters, at investment events, and published reports. KIM targets its messages to partners and valuable stakeholders that serve to stimulate both supply and demand for financing, the sharing of best practices in large-scale capital mobilization, and transaction closure.

KIM functions as an investment platform that facilitates interactions and partnerships between multiple stakeholders, mobilizing capital into SMEs in the target sectors. Our overall activity is crosscutting through many of USAID/Kenya IPs, therefore our communication messaging and events will focus on two objectives: (1) sharing valuable information and ideas with partners and collaborators that facilitate market linkages and stimulate innovations; and (2) highlighting the activities and successes of the stakeholders to scale innovations. KIM's Y3 communications strategy involves six key activities:

Activity: Establish the Institutional Identity of KIM

This is an ongoing activity to ensure that USAID, partners, stakeholders, and other relevant parties, including KIM team members, have the project materials they need to successfully implement their jobs. Communications staff will develop press releases and investment promotion materials as well as prepare talking points and presentations as required.

Activity: Develop and Implement the Investment Platform Website

KIM's "Investment Portal" website will direct investors toward concrete investment opportunities, help borrowers access the services they need to obtain new injections of capital, and facilitate connections and partnerships between actors leading to investment transactions closure. The website will include a geospatial investment mapping system, to be designed by local subcontractor RSA. In Y2, KIM completed and submitted to USAID a website application for approval. KIM also advertised for a web developer who will be contracted in Y3 to create the site and integrate the investment mapping system, pending USAID approval. Once the website is developed and operational, KIM Communications staff will develop, upload, and maintain investment profiles and other content.

Activity: Use social media to promote KIM's activities and results

Important for staying connected in the current digital environment, KIM established a solid presence on relevant social media platforms in Y2, including Facebook, Twitter, LinkedIn, and YouTube. Communications staff will provide thought leadership in the investment mobilization space using these platforms. A dynamic and active social media presence will encourage the engagement and the networking of both investors and investees; motivate stakeholders through success stories; and provide a bridge that stretches between youth in rural Kenya and international investors. KIM will also continue to produce and provide content for USAID/KEA's social media accounts.

Activity: Develop Communications Tools

In addition to an active social media presence, KIM Communications staff will proactively develop and publish success stories and case studies for dissemination and use by other KIM staff, our project partners (e.g. BASPs and FIs), and USAID.

Activity: Manage Training Delivery and Other Project Events

Communications will design and manage event agendas with relevant technical team members, conduct procurement of event spaces and other venues (once in-person interactions are feasible), and provide on-site or online logistics, ensuring professional settings, smooth meetings, and proper training facilities. Communications staff will also manage the design and implementation of networking events that connect KIM's BASPs, FIs, MSMEs, stakeholders, and potential investors.

Activity: Scale Partner Engagement, CLA, and Communications for Rapid Response (*Crosscutting with Monitoring, Evaluation and Learning).*

Given a context where conditions are rapidly changing as a result of COVID-19, it is important for KIM to enhance feedback loops and communications channels with project partners, including BASPs, FIs, investors, enterprises, government stakeholders, and other IPs. These communications channels can provide real-time information on current conditions and challenges faced, so that KIM can be agile enough to design and re-design solutions as conditions change, and so market actors can also respond quickly to new information. KIM is scaling partner engagements in a few ways:

1. *Establishing touchpoints with key partners.* Listening to the needs and challenges of the market actors (BASPs, FIs, investors, and enterprises) and creating a platform that invites them to connect, exchange experiences, and find solutions in an environment of changing priorities will help businesses transition through the economic challenges of COVID-19, and help KIM adapt response strategies to meet their needs. In Y3, KIM will launch a "brain trust" of partners and hold virtual touchpoint-roundtable meetings every quarter, inviting a revolving subset of KIM's network of BASPs, FIs, selected investors and strategic enterprises. This brain trust will discuss business and market challenges actors are facing and connect a community for identifying solutions. These will be lightly curated one-hour sessions that are topic-based. Meetings may include 10-minute guest speakers or interviews with experts on "hot" topics, Q&As, highlights of the week in business news or latest developments, upcoming events, and an open forum session for interactive discussions.

To gather timely insights on changing conditions and to support the brain trust and further connect with the market, KIM will also create a "rapid touchpoint" group that is comprised of a representative group of partners that can provide diverse insights on market conditions and challenges – including enterprises in different value chains (e.g. a dairy firm, a livestock firm, a processor, a logistics provider, an exporter) and geographic locations, and a few BASPS and FIs. KIM will conduct quick 15- to 30-minute phone calls with each actor in the group and aggregate updates to share in KIM's weekly technical team meetings, to inform adaptive responses, as well as feed into the topics for the full "brain trust" virtual meetings.

2. *Serving as an information clearinghouse and using social media for two-way information flow.* As outlined in KIM's social media strategy, our social media platforms will continue to target messaging to our core audience and provide an interactive connection to key market actors. KIM will leverage its investment portal website and social media accounts to have a clear platform for aggregating and sharing information with stakeholders.

Environmental Best Practices

Given that KIM was designed across intervention categories (based on USAID Kenya's Initial Environmental Examination (IEE)), it is important to consider that investment activities promoted through KIM's activities could potentially damage the environment if they are not appropriately screened and mitigated. Therefore, KIM has incorporated environmental criteria into its scoring matrix to avoid pursuing any investments with negative environmental impacts. KIM's Partnership Manager and M&E Manager, with support from an environmental expert, continuously monitor the Environmental Mitigation and Monitoring Plan (EMMP) developed in Y2. This plan outlines appropriate screening and mitigation processes to evaluate potential investments.

To ensure environmental compliance, KIM's BASP subcontracts mandate that an environmental review report be filled for investments being considered under KIM. In Y2, KIM with feedback from USAID revised its environmental pre-screening and review form to align it with the USAID/Africa Bureau Environmental Review Form (ERF) template. In Y3, KIM will conduct refresher trainings to existing BASPs on the revised form. Fresh training will also be conducted for new BASPs added to the network since the last training. Completed Environmental Review Forms will be submitted quarterly for USAID's review.

Activity: Develop Year Three EMMP

The KIM team will complete the EMMP and submit it to USAID for approval.

Activity: Implement EMMP Recommendations

KIM continues to assess the FIs' processes to ensure their Environmental Due Diligence is sufficient before lending or investment facilitation. This is done with technical guidance from expert STTA and supported by the Partnerships Manager and M&E Manager, who routinely conduct spot checks and structured field verification visits to the FIs. The team collects and submits ERFs to USAID for approval quarterly and will ensure that they incorporate improved EMMP requirements within new sub-contracts and any contract modifications.

To ensure the BASPs carry out the environmental reviews properly and consistently, KIM conducts training for all BASPs on the use of the revised ERF and will conduct refresher courses as needed (annually at a minimum).

Incorporating a Gender and Youth Lens

Achieving Kenya's Vision 2030 requires an aggressive approach to supporting entrepreneurial growth, most of which will come from historically disenfranchised women and youth. Women in Kenya earn and profit less than men from their efforts, due to multiple socio-economic gender constraints. Yet when women have equal access to income and opportunity it is shown that they are more likely to invest in their families, benefitting their communities and improving economic growth. In addition, joblessness among youth (age 15-29) in Kenya is nearly 40%; meanwhile, rural depopulation is on the rise and agriculture is characterized by an increasingly ageing workforce. Employment and economic inclusion for young people drives innovation, entrepreneurship and prosperity and is essential to secure sufficient food for a growing population.

KIM will mainstream gender and youth into program management, TA to FIs, and sub-award allocation. Incorporating this lens begins with KIM's COP, who believes that we will achieve greater and more lasting results if our BASPs and FIs appropriately target these market segments with services and consider the specific needs and situations of women and youth requiring finance and TA in the VCs. By the end of the project, our goal is to have shifted the misperception currently held by many FIs that women- and youth-owned SMEs are higher risk and less profitable customers than those with older, male owners.

Task 1: Program Management

Palladium is an equal opportunity employer that recognizes the need for a balanced team of LTTA and STTA. The COP and DCOP review all SOWs with a gender mainstreaming lens and ensure that all STTA includes gender and youth considerations. For youth outreach, KIM offers internships to recent university graduates and provides them with meaningful tasks that offer practical work experience.

Task 2: FI/BASP/BEE Training and TA

Incorporating a gender and youth lens in program activities begins with the senior management. Both the COP and the DCOP are committed to ensuring equitable access to finance and investment, and have set an expectation among the team that KIM must continue to explore and test strategies to support women and youth access to business advisory services, finance, and investment tailored to their specific needs. By the end of the project, our goal is to have shifted misperception currently held by many FIs and that women and youth-owned SMEs are no higher risk or less profitable than others.

When onboarding new BASPs and FIs, the final step in orientation is a mandatory training session on programmatic implementation and gender mainstreaming techniques. Our local partners are trained on the use of data templates and we require information to be segregated by gender and youth. In addition, training conducted by (subcontractor) Lattice Training for FIs, BASPs, government officials, and other stakeholders includes a section on the importance of gender mainstreaming and opportunities for youth employment, particularly in rural communities.

KIM will proactively seek more opportunities to provide technical assistance via STTA and through BASPs to our local partners to support the development of new lending products or financial services strategies that are specifically tailored to the needs of women (as detailed in the W-GDP section of the work plan) and youth. KIM will build the capacity of women and youth entrepreneurs through value chain training conducted by Lattice Consulting in order to enable women and youth to better understand value chain dynamics and position their businesses to be able to attract investments without necessarily having collateral.

Task 3: Sub-Award Management

As part of KIM's activity qualifications, BASPs and FIs must complete a scoring matrix that gives weight for transactions that include or women and youth. All gender and youth requirements under Palladium's contract with USAID flow down to all sub-agreements. In addition, when evaluating new BASPs or FIs, special consideration is given to women SMEs or women-led organizations. KIM has begun to see how women-led organizations tend to favor women entrepreneurs; accordingly, as described in Objective 1, Task 2, KIM will conduct outreach to bring more women-owned/led BASPs into our network. As outlined in Objective 1, Task 1, the program will also place an emphasis on identifying women- and youth-owned businesses seeking capital and add them to our pipeline.

Monitoring, Evaluation, and Learning

The overall goal of the M&E function is to support evidence-based programming, performance measurement/management, reporting and learning through continuous collection and analysis of timely, accurate and reliable data on KIM's key areas of intervention. This is expected to facilitate effective performance management, accountability, organizational learning and adaptive planning and/or management. In view of this, KIM takes seriously the need for rigor in interpreting and attributing financing and investment results as an outcome of the TA, training, or sub-awards provided to SMEs or FIs under KIM. Without access to transaction closure documentation, borrower lists, geographic location data, loan terms, or information on the results of financing on the business or farm, KIM will not be able to demonstrate 100% attribution or additionality. KIM will manage this by structuring P4P sub-awards with BASPs and FIs to integrate key reporting requirements, ensuring we have the data to prove 100% attribution. Solid proof of a connection between the project and investment results will be reinforced by spot-checking monitoring systems; employing management tools to manage transaction pipeline data; and conducting a robust impact assessment at strategic points of the project. Through CLA, we will leverage M&E to continuously refine implementation in response to lessons learned and changing circumstances.

Key emphasis in Y3 will be to consolidate the results that have been generated over the last 2 years and document lessons that will catalyze increased learning, adaptive management, and development impact across all the technical areas of the program.

Activity: Conduct monthly and quarterly program results review with KIM staff

This activity entails a detailed review of the progress in achieving set targets and the addressing of any bottlenecks that impede smooth implementation of activities and accomplishment of results. The reviews will include members of the Technical and Operations teams. The reviews will serve as a mechanism for validating performance data, reviewing timeliness in project implementation and accomplishments of agreed upon milestones and deliverables, identifying any data gaps, and developing solutions. The reviews will be scheduled for the second week after the quarter's end, with a total of four program reviews during the year (January 2021, April 2021, July 2021 and October 2021).

Monthly review meetings will also be undertaken at the component level. These reviews will only include the M&E team and individual members of each component. The purpose of the reviews will be similar to the quarterly reviews but with a less comprehensive scope.

Activity: Conduct quarterly M&E field visits and data verification

KIM remains committed to ensure continuous collection and analysis of timely, accurate and reliable data on all our key areas of intervention during this period of COVID-19 pandemic. We will maintain the existing rigor in interpreting and attributing financing and investment results as an outcome of the TA, training, or sub-awards provided to SMEs or FIs under KIM through innovative approaches of engaging our partners and recipients of our investment facilitation support. While face-to-face interaction through field verification visits to recipients of finance is not feasible until the risks of social interaction are mitigated, we will utilize online platforms, virtual meetings, and electronic documents to collect, monitor, and verify results. When needed, we will provide trainings assistance for digital connectivity to our partners to facilitate both our connectivity and operational efficiency. KIM partners have been receptive and collaborative as we learn and adapt to COVID-19 working conditions.

One of the foundational aspects of high data quality is the capacity of the personnel that are engaged in the data management process. KIM will continue providing technical assistance capacity building to the frontline FI staff, BASPs and other partners to ensure that they have a clear understanding of the data requirements. Through regular desk reviews and random data quality checks, we will identify gaps to be addressed. Digital learning will be employed to convey this information and ensure that all partners are supported on the KIM data requirements and the need to demonstrate attribution for reported outcomes.

Activity: Conduct internal data quality control assessment

In order to improve the data management systems and the overall quality of data reported to USAID, KIM will undertake internal data quality assessment (DQA) and data quality control (DQC) at least once each year. These assessments will ensure that KIM is aware of the strengths and weaknesses of the data collected, as described by USAID's five data quality standards: 1) validity, 2) precision, 3) reliability, 4) integrity, and 5) timeliness. The M&E Manager with support from a qualified and experienced STTA will follow the standard USAID DQA checklist and ensure data quality through close monitoring and verification of supporting documents on a quarterly basis. These internal DQA/DQC assessment results will be evaluated and resulting recommendations will be made to the KIM staff to ensure that corrective measures are put into place to ensure high level of data quality for the KIM activity. In addition to internal DQAs/DQCs, USAID/KEA may conduct periodic external data quality assessments to ensure that the project performance indicators meet USAID's data quality standards.

Activity: Conduct training for KIM sub-award partners on M&E reporting requirements

Capacity building for all project staff and partners (sub-contractors, BASPs and FIs) involved in data collection and reporting will be an integral part of data quality management. With the anticipated engagement of additional BASPs and FIs in Year 3, we will provide training on M&E data collection and reporting to ensure consistency in the data collection process and to facilitate timely and accurate data collection and analysis. The induction will also emphasize the need for integrating M&E in the project cycle and aligning this with the J2SR both for the FIs and BASPs. This is key for compliance, managing results, and promoting accountability, organizational learning and adaptive planning. One-on-one trainings will also be carried out to existing BASPs and FIs on an ongoing basis based on the observed needs.

Activity: Conduct at least one learning event for Enterprises, BASPs and FIs

As part of KIM's overall strategy of promoting learning as outlined in the AMP, we will conduct one dedicated learning event that brings together all the BASPs, FIs, and other partners. The purpose of the learning event is to share lessons on what is working well and what is not working well in mobilizing capital in the targeted sectors, and to showcase best practices in facilitating access to finance. The learning event will complement the planned networking sessions that will be carried out under Objective 1 of KIM's activities.

Activity: Review and update AMELP

Based on the principles of learning and adaptive management, KIM will review the current AMELP to incorporate lessons learned from the first two years of project implementation. The purpose of the review will be to ensure that the performance measurement tools and targets are aligned with the realities on the ground and the evolving implementation context and operating environment. New performance targets will be set in areas where actual achievement is above what was initially planned. In cases where the original targets are not feasible, KIM will propose new targets with clear justification for the changes. The indicator definitions and data management procedures will also be refined to facilitate improved data collection, analysis and reporting.

Activity: Conduct mid-line impact assessment

The effects of COVID-19 pandemic and the practicability of carrying out a baseline assessment as planned, especially collecting field data safely, is not currently feasible. To adapt, KIM will conduct a midline assessment with an end line survey to demonstrate the overall impact of KIM in transforming the investment ecosystem for businesses in the targeted sectors.

During the midline assessment, KIM will employ the before and after approach to construct data at the baseline point while at the same time allowing for measurement of the overall change in the investment ecosystem. The midline and end line assessments will target actual beneficiaries, including FIs, BASPs, and beneficiary enterprises, over the life of the project, measuring the impact of KIM interventions in increasing access to finance and creating more opportunities for growth in the targeted sectors and value chains. This will ensure that KIM is achieving FtF and Prosper Africa objectives.

Activity: Develop and launch the investment mapping system

One of the main features of KIM's Investment Portal (website) will be an interactive, geospatial investment mapping system that will direct investors toward concrete investment opportunities in the 17 Feed the Future counties in Kenya. The investment mapping system will allow potential investors to model varying investment scenarios, and manipulate layers of data (for example, production data, soil fertility, and access to infrastructure within specific localities in KIM's target counties) to enable investors to make informed investment decisions. In Y3, KIM's subcontractor RSA will be engaged to develop and launch this system. Once launched, KIM will monitor usage and develop marketing strategies to increase utilization of this tool among our key target audiences.

Activity: Conduct at least one special study to document project results and lessons learned

Over the first two years of activity implementation, KIM has generated enormous results and lessons that need to be documented to facilitate further learning and accelerate the expected project impact. In Y3 we will commission at least one special study targeting one of the technical areas of the program to capture key outcomes and impact arising from the implemented interventions.

INDICATOR TABLE (BASELINES AND YEAR 3 TARGETS)

#	Indicator Name	Disaggregation	Reporting Frequency	Baseline	Year 3 Target
1.	Value of finance and investment mobilized	Level 1: Type of financing Level 2: Size, Gender, Age	Quarterly	0	$82M
2.	Value of agriculture related financing accessed as a result of USG assistance	Level 1: Type of financing Level 2: Size, Gender, Age	Quarterly	0	$52M
3.	Number of public-private partnerships formed as a result of USG assistance	Partnership focus	Quarterly	0	3
4.	Value of new USG commitments and private sector investment leveraged by the USG to support food security and nutrition	Funding Source	Quarterly	0	$52M
5.	Amount of investment mobilized for private firms in eligible East African sectors	Size, Gender, Age	Quarterly	0	$30M
6.	Number of MSMEs, including farmers, receiving business development services from USG-assisted sources	Size, Gender, Age	Quarterly	0	112
7.	Number of BAS providers trained in transaction making	Gender, Age	Quarterly	0	40
8.	Number of MSMEs paying for BAS	Size, Value Chain	Quarterly	0	56
9.	Number of FIs receiving capacity/competency strengthening as a result of USG assistance	N/A	Quarterly	0	20
10.	Value of agricultural loans by USG-supported FIs (on a percentage portfolio basis)	N/A	Quarterly	8%	10%
11.	Value of investment opportunities identified	Value chain, County	Quarterly	0	$170M
Component 2: Enabling Environment					
12.	Number of agricultural and nutritional enabling environment policies analyzed, consulted on, drafted or revised, approved and implemented with USG assistance	Policy Area; Process/Step	Quarterly	0	2

13.	Number of financial sector policy reforms analyzed, consulted on, proposed, drafted/revised, approved, or implemented with USG assistance	Policy Area; Process/Step	Quarterly	0	**2**
14.	Number of public officials trained in value chains	Gender, Age	Quarterly	0	**35**
Component 3: DCA Management					
15.	Number of FIs with DCAs receiving USG assistance	N/A	Quarterly	0	**5**
16.	DCA utilization rate	Financial Institution	Quarterly	12%	**54%**

3. COLLABORATION WITH IMPLEMENTING PARTNERS

KIM was designed to complement and support existing FtF Programs. USAID/KEA's two other FtF programs, LMS and KCDMS, have limited scope related to finance and investment, whereas KIM supports the broader financial market system for horticulture, dairy, and livestock. As KIM cultivates a more competitive financial services environment for agriculture, it will actively seek to unlock financing for FtF beneficiaries, thereby ensuring greater collective impact of USAID interventions. Y3 collaboration with USAID IPs will be aimed at layering and sequencing of activities to ensure greater transformation in the market, while avoiding duplication of effort and investment.

Coordination Mechanisms

KIM will rely on a number of coordination mechanisms to engage closely with other USAID IPs and magnify the impact of our individual activities. KIM established the Finance Sector Working Group in Y1 and will continue to actively participate in the Partnership for Resilience and Economic Growth (PREG). KIM also is an active participate of the Policy Technical Working Group (PTWG). These efforts support a cross fertilization of ideas that mutually reinforce activities and leverage partnership support of resilience and economic growth objectives in Northern Kenya.

KIM created the Collaborative Circle of COPs (CCC) in Y1 that brings together USAID IPs working on FtF programs, including LMS and KCDMS, to leverage synergies and share learning. The CCC engages in joint work planning and holds collaborative sessions at least quarterly; in between quarterly meetings, it convenes program team members to forecast activities, identify responsible parties to collaborate on field activities, and maintain open communication between program staff. The CCC members agreed to give special attention to those areas of potential, including: M&E/CLA; grants/subcontracts; finance, communications; social inclusion; natural resource management; financing; nutrition; policy; marketing; and productivity. Most importantly, the CCC will enable a referral process whereby KIM is able to provide financing support for other IPs and refer financing beneficiaries to IPs who can provide complementary support in areas outside KIM's purview.

Consensus of the CCC

- Coordinating on pipeline development: LMS and KCDMS activities build the capacity of enterprises, who in time can be introduce to KIM's network of BASPs or FIs. Similarly, those enterprises who may need assistance beyond the capacity of KIM's financing network will be referred to LMS and KCDMS for additional technical assistance.

- Relationship management for FIs working with multiple activities: LMS and KCDMS will continue to lead relationships with FIs under their scope. However, when the enterprise is passed to one of KIM's BASPs or FIs, KIM will then take over the relationship for the financing and communication back to the referring IP. In Y3, the IP will identify those FIs where joint relationships exist and hold joint IP and FI meetings to clarify each IP's activities and collaboration. For example, this strategy would apply to the several DCA-FIs participating in the P4P program or receiving KIM TA, but who are also receiving support/partnering with LMS or KCDMs.
- All three IPs support various forms of training. The CCC shares its trainings quarterly and whenever possible make space available for 3-5 other IP staff to attend. In particular, KIM offers both KCDMS and LMS a time slot within the value chain training so they can present material specific to their activities.

Clarifying approaches to reporting and documenting attribution on transactions jointly developed/supported by two or more activities: It was determined that results should be attributed to each IP that has jointly supported a transaction. For example, if an enterprise receives support from both KIM and LMS that results in financing, both projects should be able to report this financing. In this instance, both projects will disaggregate results in quarterly reporting naming the other IP(s) who also contributed to the financing of the enterprise. USAID will then be able to remove redundancies when reporting the results to FtF. It is important that IPs are able to capture results accruing from collaborative efforts, otherwise it will create a disincentive for cooperation between projects.

Areas for IP Collaboration in Year 3

FtF Livestock Market Systems (LMS) Project

KIM will collaborate extensively with the LMS project, designed to build a more competitive and inclusive livestock value chain in the FtF zone of Kenya's arid lands. Initial areas of collaboration identified for the next year include the following:

- ***Sharing sector diagnostics and reports.*** KIM and LMS will continue to share technical reports and analyses to leverage synergies, avoid duplication of effort, and increase the collective impact of FtF interventions.
- ***Financing and technical assistance referrals.*** KIM and LMS will continue to share pipelines and make referrals of enterprises that require financing to best leverage USAID resources (e.g. extension support for livestock and fodder production practices, processing and production standards and regulations, animal health).
- ***FI Capacity Building.*** KIM and LMS will share lending results and identified weaknesses of FI efforts to support the respective value chains, women, and youth. Collectively, LMS and KIM will prioritize needed capacity building or credit training, or agricultural lending product development.
- ***Enabling Environment Reforms.*** KIM will consult with LMS to identify and prioritize enabling environment reforms needed to unlock capital for the livestock value chain, and coordinate efforts for stakeholder engagement and policy reform at the national and county-levels. LMS has already presented investment opportunities in Turkana, Isiolo, and Garissa county. In Y3, KIM and LMS will

select a priority investment opportunity and jointly engage the county to co-create a work plan that links both capacity building and policy reform with an identified investment.

FtF Kenya Crops and Dairy Market Systems (KCDMS) Project:

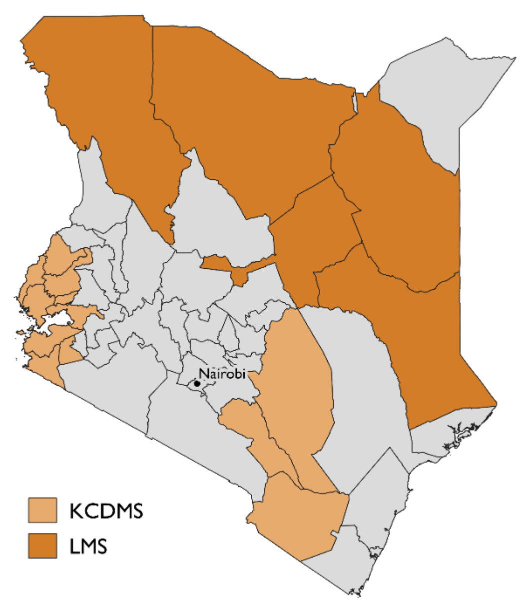
KIM will similarly collaborate with the KCDMS project, lending financial system support to further KCDMS' aims to spur competitive, resilient market systems in Kenya's horticulture and dairy sectors.

- ***Financing and technical assistance referrals.*** KIM will link beneficiaries referred by KCDMS to KIM's network of BASPs for financial facilitation services In Y3, KCDMS will provide a short-list of those grantees demonstrating further growth potential after one year of experience. KIM will assign a BASP or FI in effort to graduate those recipients to access more traditional capital. Note that BASPs who engage a client for services and secure a source of blended capital (debt and grant) where the grant is provided by KCDMS will not be eligible to earn a fee on the grant portion of the financing.

- ***FI Capacity Building.*** KCDMS plans to provide TA to a select number of financial services providers working with upstream actors (e.g. MFIs, mobile finance providers). KIM will coordinate with KCDMS to avoid duplication of effort, share insights, and evaluate opportunities for joint interventions on mobile financing. KIM will communicate FI rollouts of new financial products tailored to the needs of KCDMS target VCs, so that KCDMS can make horticulture and dairy firms aware of new products and services available to them.

- ***DCA Utilization.*** KIM will work with KCDMS to identify opportunities to pursue new DCAs, modify existing DCA agreements to better suit the needs of dairy and horticulture actors, and encourage increased utilization of DCA by providing transaction pipeline to DCA banks.

- ***Enabling Environment Reforms.*** KIM will work closely with KCDMS to identify priority policy reforms needed to unlock capital for the dairy and horticulture sectors. KIM, enabling environment activities will be tied to an identified investment opportunity.



- ***Geographic Coverage of KIM, LMS and KCDMS Interventions*:** As KIM unlocks financing for actors in the target sectors, it will ensure that investments have direct linkages to the FtF ZOI. Collaborative interventions with KCDMS and LMS on capital mobilization, enabling environment reform, and DCA utilization will take place within the following 17 FtF focus counties:
    - *KCDMS:* Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia, Vihiga, Kitui, Makueni and Taita Taveta
    - *LMS:* Turkana, Isiolo, Marsabit, Wajir, and Garissa.

YEAR 3 WORK PLAN ACTIVITIES

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Objective 1: Mobilize Capital															
Task 1: Identify and Qualify Investments and Partnerships															
Increase investment opportunities in underserved counties & market segments	SMEs, Ftf IPs, LMS, KCDMS	DCOP, Regional coordinators, BAS providers	25 opportunities identified including 5 women-owned and 5 youth-owned businesses												
Hold networking events for BASPs and FIs	BASPs, FIs, SMEs	DCOP, FS&I Advisor, Regional Coordinators	2 Networking events held												
Participate in investment forums to promote SMEs, BASPs, FIs and investment opportunities in Kenya	Sankalp, Amcham	COP, DCOP, FS&I Advisor	Investment forums/summits attended – SMEs, BASPs and FIs, participated. B2B meetings held and financing opportunities generated												
Task 2: Provide Transaction Assistance to SMEs															
Conduct six-month and one-year review of BASP performance and incentive structure	BASPs, FIs	DCOP & Partnerships Manager, STTA	Six-month review report. Recommendations for consideration in modifications highlighted.												
Shortlist, select and issue subcontracts/modifications to BASPs to facilitate pension fund investment transactions	KEPFIC, BASPs	Partnerships Manager, DCOP	Performance-based payment structure for select BASPs to facilitate pension fund investment transactions finalized; 2-3 BASPs receive contract modifications with additional payment mechanism												
Provide capacity building and training to BASPs to	BASPs, IPs	DCOP, Regional Coordinators, Lattice Training	40 BASPs trained in closing transactions and COVID-19												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
support COVID-19 relief/response			response: restructuring and bridge financing												
Task 3: Incentivize FIs to Close Investments															
Identify, subcontract, and onboard additional FIs	FIs	Subawards Mgr, FS&I Advisor	5 FIs contracted and onboarded												
Provide FIs with demand-driven capacity building and training	FIs	FS&I Advisor, Subawards Manager, M&E Manager, Lattice	20 FIs supported with capacity building												
Conduct six-month and one-year reviews of the subcontracted FIs	FIs	Subawards Manager, DCOP, M&E Advisor	Six-month and one-year reviews conducted. Subawards renewed or modified.												
Support KEPFIC to launch a $50M investment fund for energy, infrastructure, and agriculture	KEPFIC, BASPs	FS&I Advisor, DCOP	Co-developed pipeline; membership increased to 20, with a combined commitment to invest $50M												
Support capacity building through training and TA to fund managers in Kenya and to KEPFIC's board	KEPFIC, BASPs	FS&I Advisor, STTA	1 training held for 20 KEPFIC members/KEPFIC board of trustees/ other potential pension fund contributors												
Task 4: Implement Strategic Partnerships															
Identify and facilitate strategic partnerships	BASPs, FIs, lead firms	COP, DCOP, FS&I Advisor, STTA	3 strategic partnerships formed - STTA mobilized to facilitate partnership objectives and capital mobilized												
Task 5: Support Innovations Boosting Inclusion and Sustainability															
Partner with 1-2 innovative COVID-19 response funds that launch economic recovery funds	Private Equity	COP, DCOP, FS&I Advisor	1 impact investor, debt, and/or private equity fund launched												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1 O	N	D	Quarter 2 J	F	M	Quarter 3 A	M	J	Quarter 4 J	A	S
Objective 2: Facilitating an Enabling Environment Conducive to Investment															
Task 1: Build Capacity of County-level Officials to Attract Investment															
Develop case study and methodology on KIM's J2SR approach to county-level investment and capacity building	County-level govt	BEE Advisor, STTA, DCOP	Policy framework that can be replicated across other counties												
Support county-level officials' capacity to address policy reforms that stimulate investments	County-level govt, BASPs	BEE Advisor, Regional Coordinators, DCOP, STTA	Analysis and review of 1 policy per each prosper county												
Increase knowledge of county officials on investment promotion	County POCs	BEE Advisor, DCOP, Lattice	35 county officials from both FtF and prosper counties trained in value chain finance, engaging with investors, structuring public/private partnership, risk mitigation tools, gender mainstreaming												
Task 2: Identify and Prioritize Enabling Environment Barriers															
Unlock investment by addressing enabling environment policy barriers	BASPs, KEPSA, KBA, CISAK, ICPAK	BEE Advisor, Regional Coordinators, DCOP	2 agricultural investment and 2 financial sector enabling environment barriers analyzed, consulted on, drafted or revised												
Support EAVCA and CMA on policy reforms	CMA, EAVCA, STTA	BEE Advisor, DCOP, FS&I Advisor	1 policy analyzed, consulted on, proposed, drafted/ revised, approved, and/or implemented with USG assistance												
Task 3: Develop Strategy Maps, Score Cards, Milestone and Action Plan: This task was dropped in Y2															
Task 4: Monitor Implementation of Enabling Environment Reform Efforts															
Develop and update a policy reform dashboard to	County govts, BASPs	BEE Advisor, M&E Advisor	Policy dashboard established and policy reform progress tracked												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
measure and track policy reform progress															
Objective 3: Proactive DCA Management															
Task 1: Rapid Review of FIs with DCA Guarantees This task was completed in Y1															
Task 2: Increase transaction pipeline for DCA-guaranteed lenders															
Support BASPs and DCA-FIs to identify viable pipeline transactions	DCA FIs, BASPs	DCA and FS&I Advisors, DCOP, Regional Coordinators	Increased transactions pipeline delivered to DCA FIs.												
Task 3: Design and Provide Demand-Driven Training and TA to FIs															
Provide product development technical assistance	DCA FIs	DCA Advisor, FS&I Advisor & STTA	2 DCA FIs receive targeted assistance												
Capacity building and training to DCA-FIs	DCA FIs	DCA Advisor, FS&I Advisor, STTA, Lattice Training	5 DCA FIs receive targeted assistance (2 Trainings)												
Expand DCA opportunities to new FIs	DCA FIs, BASPs	DCA Advisor, FS&I Advisor	2 DCA concept notes prepared and submitted to USAID												
Task 4: Monitor DCA Utilization Each Quarter															
Prepare semi-annual reviews	FI DCA Partners	DCA Advisor, FS&I Advisor	Semi-annual reviews completed												
W-GDP: Mobilizing Financing for Women-Owned MSMEs in Kenya															
Task 1: Provide Transaction Assistance to W-MSMEs															
Conduct a rapid review of the BASP performance and incentive structure	BASPs	DCOP, M&E Advisor	Rapid assessment conducted to inform												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Integrate a gender lens into ongoing capacity building and training for BASPs	BASPs	Gender Advisor	At least 50% of BASPs tailor or adapt methods when supporting W-MSMEs												
Provide Business Advisory Services to W-MSMEs	BASPs	DCOP	10 transactions closed by BASPs for W-MSMEs												
Task 2: Incentivize FIs to Close Investments															
Select FIs to participate in a GOA to benchmark their current services to W-MSMEs against peer institutions and identify opportunities to better serve the segment	FIs	DCOP, FS&I Advisor, Gender Advisor, Partnerships Manager	1-2 FIs selected to participate in Gender Opportunities Assessment												
Collect key data points from participating FIs to benchmark their performance against peers	FIs	Gender Advisor	Gender-disaggregated portfolio data collected and analyzed from 1-2 FIs												
Conduct a rapid assessment with each participating FI leveraging Palladium's Gender Opportunity Assessment tool	FIs	Gender Advisor, HO Support	Understanding of current services for W-MSMEs and barriers to serving the segment												
Hold FGDs and/or KIIs with existing W-MSME clients, as well as women in target segments	FIs	Gender Advisor, HO Support	Insights into barriers limiting access to financial services												
Lead a gender strategy workshop with FI leadership	FIs	Gender Advisor, HO Support	Feedback on and buy-in for the strategy to better reach W-MSMEs												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Elaborate a comprehensive recommendations report including a road map for implementing key recommendations	N/A	Gender Advisor, HO Support	1-2 detailed reports outlining a clear strategy and roadmap for each participating FI to better serve W-MSMEs												
Invite all FIs that participated in the Gender Opportunity Assessment to express interest in additional technical assistance to operationalize the recommendations via the GOF	FIs	DCOP, FS&I Advisor, Gender Advisor, Partnerships Manager	1-2 grants for additional technical assistance to enable FIs to better serve W-MSMEs												
Provide technical assistance to FIs to enable them to operationalize recommendations stemming from the Gender Opportunity Assessment	TBD (Subcontracts will be awarded depending on requisite skillset)	Gender Advisor	1-2 FIs will deploy new products, services, or initiatives designed to identify, attract, and serve viable W-MSMEs												
Sub-Activity 1: Variable Payment Obligation Program[20]															
Codify agreement in an MOU and agree upon a work plan and timeline with the FI	FI	Gender Advisor	FI buy-in for the rollout of the VPO Program												
Define the target segment of W-MSMEs	FI	Gender Advisor, STTA	Clear parameters around target characteristics for W-MSMEs in terms of revenue, sector, geography, etc.												

[20] All sub-activities are illustrative; actual sub-activities will depend on the needs and interests of each FI.

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Determine if FI or BASPs will provide EGS content, tailor EGS content accordingly, and train providers in the VPO methodology	FI, BASP or other local EGS provider	Gender Advisor, STTA	Tailored EGS model and content, as well as an agreed-upon delivery model												
Adapt the financial product to align with the needs of the target segment and facilitate integration into FI's existing processes	FI	Gender Advisor, STTA	Detailed product manual; integration of VPO product into existing processes												
Train FI staff to roll out the VPO Program	FI	Gender Advisor, STTA	Relationship Managers/Loan Officers can underwrite loans using a cash flow-based methodology												
Build a pipeline of potential borrowers	FI	Gender Advisor, STTA	At least 50 potential W-MSME clients identified												
Sub-Activity 2: Data-Driven Credit Scoring															
Codify agreement in an MOU and agree upon a work plan and timeline with the FI	FI	Gender Advisor	FI buy-in for the design and rollout of an MSME credit product leveraging data												
Identify sources of data that can be integrated in the credit-scoring model, in addition to documentation on policies, products, etc.	FI	Gender Advisor, STTA	Final list of data sources that will be integrated into the model												
Develop and validate SME scorecard (expert scoring workshop, mining data, validating and testing the model)	FI	Gender Advisor, STTA	Validated model that allows FI to assess credit risk												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Implement scoring model (process mapping, identifying software requirements, coding, initial delivery, user acceptance text, training)	FI, Software Firm	Gender Advisor, STTA	Software platform to rapidly and accurate assess credit risk using the scoring model												-> Y4
Sub-Activity 3: Non-Financial Service (NFS) Provision															
Codify agreement in an MOU and agree upon a work plan and timeline with the FI	FI	Gender Advisor	FI buy-in for the design and rollout of NFS												
Validate NFS needs of target sub-segment of W-MSMEs	FI, BASPs	Gender Advisor DCOP, STTA	Understanding of NFS needs of target segment												
Identify third party NFS provider; solicit bids; contract third party firm	FI, NFS Provider	Gender Advisor, STTA	Sub-contract with a local NFS provider/BASP												
Tailor and adapt NFS content to the target segment	NFS Provider	Gender Advisor, STTA	Adapted NFS content to support W-MSMEs												
Design a sustainable delivery model with FI	NFS Provider	Gender Advisor, STTA	Delivery model to sustainably cover costs												
Build pipeline of participants	BASPs, FI, NFS Provider	Gender Advisor, STTA	50 W-MSMEs to participate in the program												
Roll out NFS pilot	NFS Provider	Gender Advisor, STTA	50 W-MSMEs complete NFS content												
Assess pilot results and make course corrections to facilitate scale as needed	FI, NFS Provider	Gender Advisor, STTA	Detailed understanding of how to enhance impact of training												-> Y4

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Sub-Activity 4: Unconscious Bias Training															
Codify agreement in an MOU and agree upon a work plan and timeline with the FI	FI	Gender Advisor	FI buy-in for the implementation of unconscious bias training												
Conduct KIIs to understand biases in the FI and adapt existing unconscious bias training materials	FI	Gender Advisor	Documented list of prevailing biases in the institution												
Hold unconscious bias training over a two-week period	FI	Gender Advisor	FI staff demonstrate an awareness of unconscious biases and strategies to overcome them												
Sub-Activity 5: Building Alliances to Generate Pipeline															
Codify agreement in an MOU and agree upon a work plan and timeline with the FI	FI	Gender Advisor	FI buy-in for the development of partnerships to build pipeline												
Identify associations, organizations, or commercial actors with existing relationships with the target sub-segment of W-MSMEs	FI	Gender Advisor	Prioritized list of potential partners												
Engage with the associations, organizations, or commercial actors to create a partnership model	FI, External Actor	Gender Advisor	Win-win partnership model												
Operationalize the partnership to build a pipeline of female clients	FI, External Actor	Gender Advisor	At least 100 new loan applicants, of whom at least 50% are approved												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Sub-Activity 6: To be Determined															
Codify agreement in an MOU and agree upon a work plan and timeline with the FI	FI	Gender Advisor	FI buy-in for the implementation of TBD intervention												
Communications Strategy															
Task 1: Establish Institutional Identity of KIM															
Disseminate project materials, per Communications Strategy	N/A	Comms Mgr, STTA	Project materials disseminated												
Task 2: Develop and Implement the Investment Platform Website															
Pursue website application approval	Comms, USAID - Washington	COP, Comms Mgr	Website approval granted												
Procure and supervise website design, including investment mapping system	N/A	Comms Mgr, RSA, M&E	Website developer contracted and website designed and launched												
Develop website content, maintain and update	N/A	Comms Mgr	Website content developed and maintained												
Task 3: Use Social Media to Promote KIM's Activities and Results															
Produce and post content on social media sites. Grow followership and engage stakeholders	FIs, BASPs, MSMEs	Comms Mgr	Social media content produced and published. Annual 30% followership growth on social media												
Task 4: Develop Communications Tools															
Develop success stories	FIs, BASPs, MSMEs	Comms Mgr, Technical teams	8 success stories developed, published												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Develop case studies	FIs, BASPs, Stakeholders	Comms Mgr, Technical teams	2 case studies developed												
Task 5: Manage Training Delivery and Other Project Events															
Design event agendas, procure event space and provide on-site/online logistics (virtual as needed)	N/A	Comms Mgr, Technical teams	Virtual event platforms designed, Agenda prepared, Presentations reviewed, Invitation messages drafted, real-time event support offered.												
Coordinate Networking Events	FIs, BASPs, MSMEs, KCDMS, LMS	Comms Mgr DCOP, FS&I Advisor	Networking events held												
Develop press releases and investment promotion materials, prepare talking points, presentations, and conduct investment promotion media outreach	N/A	Comms Mgr, Technical teams, COP	Press releases and talking points												
Task 6: Scale Partner Engagement, CLA, and Communications for Rapid Response															
Establish touchpoints with key partners	N/A	Comms Mgr, Technical teams, COP	Virtual touchpoint-roundtable meetings conducted												
Serve as an information clearinghouse and use social media for two-way information flow	N/A	Comms Mgr, Technical teams, COP	Social media accounts utilized as circular communication with stakeholders												
Environmental Best Practices															
Task 1: Develop EMMP															
Develop Y3 EMMP	N/A	Partnerships Mgr, M&E Mgr, STTA	EMMP submitted to USAID												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Update EMMP yearly during work planning	N/A	M&E Mgr, STTA	EMMP Updated												
Task 2: Implement EMMP Recommendations															
Train new BASPs on ERF use	BASPs/ FIs	DCOP, STTA, FS&I Advisor, Subawards Mgr	At least 18 BASPs trained												
Conduct ERF refresher courses	BASPs, FIs	DCOP, FS&I Advisor, Subawards Mgr	25 BASPs attended refresher training												
Collect and submit ERFs to USAID for approval	BASPs/FIs	Subawards Mgr	ERFs submitted to USAID												
Incorporate improved EMMP requirements within new sub-contracts and any modifications	BASPs/FIs	Subawards Mgr	Sub-awards contracts compliant with EMMP												
Incorporating a Gender and Youth Lens															
Task 1: Program Management															
Select gender- and youth-balanced STTA/LTTA team	N/A	Palladium, COP	Gender and youth-balanced team												
COP/DCOP review STTA SOWs to ensure inclusion of gender and youth consideration	N/A	COP, DCOP	Gender and youth-inclusive SOWs												
Hire interns to provide youth with development finance experience	N/A	COP, DCOP	Intern(s) hired												
Task 2: FI/BASP/BEE Training and TA															

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Train new BASPs and FIs on gender mainstreaming	BASPs, FIs	FS&I, DCOP, STTA	20 BASPs and 5 FIs trained												
Include gender mainstreaming in trainings for BASPs, county officials, and DCA FIs	BASPs, County POCs, DCA FIs	Lattice Training	40 BASPs, 35 county officials, and 5 DCA FIs trained												
Provide value chain financing training to women and youth entrepreneurs	Women- and youth-owned/led MSMEs	Lattice Training	50 women- and youth-owned/led MSMEs receive value chain financing training												
Task 3: Sub-Award Management															
Include benefits to women and youth as screening criteria	BASPs/FIs	COP, DCOP, FS&I Advisor	Opportunities screened against benefits to women and youth to ensure impact												
Flow down gender and youth requirements within sub-awards	BASPs/FIs	Subawards Manager	Gender- and youth-compliant sub-awards												
Hire female and youth BASPs to ensure assistance to these populations	BASPs	Subawards Manager, DCOP	Female and youth BASPs hired; financing facilitated to women and youth-led businesses												
Monitoring, Evaluation, and Learning															
Key Year 3 Tasks															
Conduct monthly and quarterly program results review with KIM staff	All Staff	M&E, COP	12 program review meetings conducted												
Conduct quarterly M&E field visits and data verification	BASPs/FIs, MSMEs	M&E Sub-Awards	Quarterly M&E field visits (virtual) conducted, and data verified												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Conduct internal data quality control assessment	STTA	M&E, COP	DQA/DQC conducted												
Conduct training for subaward partners on M&E reporting requirements	BASPs/ FIs, MSMEs	M&E, FS&I Advisor, Sub-Awards Mgr	5 FIs trained 18 BASPs trained												
Conduct one learning event for Enterprises, BASPs and FIs	BASPs/ FIs, MSMEs	M&E Mgr, DCOP, STTA	1 learning event of best practices conducted												
Review and update AMELP	COP, All Technical Leads	M&E Mgr, COP	AMELP reviewed and updated												
Conduct midline impact assessment	COP, All Technical Leads	Dalberg Research, M&E Mgr	KIM project results documented, and baseline and midline performance data documented												
Develop and launch the investment mapping	COP, All Technical Leads	Dalberg Research, M&E	Investment mapping launched												
Conduct at least one special study to document project results and lessons learned	COP, All Technical Leads	M&E Manager, STTA	Project results/ key lessons documented												
General Project Reporting															
Task 1: Submit Project Reports															
Quarterly Performance Report	N/A	COP, DCOP, Comms Mgr	Quarterly Performance Report submitted to USAID												
Submit GIS and activity location data	N/A	M&E Mgr, RSA	GIS and activity location data submitted with Quarterly Performance Report												
Submit Quarterly Financial Reports	N/A	COP, Palladium	Submitted with Quarterly Performance Report												

Activity	Key Partners	Responsible Party	Outcomes/Results	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				O	N	D	J	F	M	A	M	J	J	A	S
Submit report on foreign taxes	N/A	COP, Palladium	Submitted annually on April 16												
Submit datasets to DDL	N/A	M&E Mgr, RSA	Datasets submitted 30 days after use												
Submit subcontracting report	N/A	Subawards Mgr, COP, Palladium	Submitted within 30 calendar days after the close of each calendar period (April 30 and October 30 each year)												
Submit report on government property in contractor's custody	N/A	DFA, COP, Palladium	Submitted on the last day of the contract year												