## Palladium Report 1.

<https://thepalladiumgroupusa.com/news/USAID-Funding-Can-be-Catalytic-Heres-How>

**Kenya Investment Mechanism (KIM)**

**How can you use $35 million of USAID funding to mobilize $650 million of private sector investment**? This is what the Kenya Investment Mechanism (KIM) achieved over five years, and the impact on Kenya’s economic landscape, entrepreneurship, innovation, and beyond will be felt long after the life of the project.

We must achieve the UN’s Sustainable Development Goals by 2030, but the funding gap to do so is enormous; far too big for the public sector alone to tackle, and nor should it. Instead, by providing seed funding through investment mechanisms like KIM, USAID and other development agencies can leverage the right finance and investment tools to foster systemic changes and ensure catalytic impact.

My belief is that the intentional use of the right tools will lead to good, sustainable development, and we’re seeing this firsthand in our work at Palladium.

So, how did we do this in Kenya? KIM started by incentivizing and strengthening the ecosystem of local financial institutions and business advisory service providers (BASPs) through training and technical assistance.

These targeted interventions across the financial ecosystem helped facilitate private finance and investment for the working capital needs of smallholder farmers and micro, small, and medium enterprises, which were both vastly underfunded and largely ignored.

KIM helped financial institutions to develop new products, making it easier for them to engage in future transactions with little to no technical assistance. For example, using KIM’s technical training, Absa Bank adopted a venture capital approach as part of their agribusiness lending strategy.

The innovative ‘pay for results’ incentives introduced by KIM reduced the perceived risk associated with small business financing. As a result, 122 transactions were successfully closed between BASPs and financial institutions, demonstrating the strength of the partnerships established through KIM. At the same time, the team led policy reform efforts which were laser-focused on removing barriers to large scale investments into these sectors, helping to unlock even more finance in a sustainable way.

From the agricultural technology company that received an investment from John Deere to scale up its tractor financing product, to the small macadamia nut farmers matched with business advisors and entrepreneurial coaching so that they could receive financing, KIM’s work is forging lasting relationships and systemically improving small businesses’ access to finance across the country.

The capital raised across the Kenyan financial ecosystem, which was invested in more than 400 businesses, shows that through smart incentives and demand-driven technical assistance, you can facilitate private finance and leverage investment to bolster whole sectors of an economy.

And the impact hasn’t gone unnoticed.

At last year’s AmCham Business Summit, Kenya’s President Ruto heralded the work USAID and other organizations have done to create an operating environment for Kenyan businesses and acknowledged several KIM-supported companies helping to boost agro-industrial productivity and food security.

Now, it’s time to double down. While development agencies can’t achieve the SDGs alone, they have the keys to unlock greater sustainable impact.