Financial Sector Deeping - Kenya

Mandate: Support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty.

Graduation Lessons Learned:

1. Partner selection is crucial (the WILL & SKILL).
2. Different financial solutions and business models are required to build livelihoods.
3. None financial market linkages are needed in sustainable BL models - co-ordination of all partners (financial and non-financial) is a key part of BL.
4. Experimentation approach necessary in innovation room for iteration for solution development is crucial.
5. Institutionalisation is a more effective route to sustainability but takes time.
6. Outcome based contracting presents an opportunity.

Scale: Kenya only, with about 30 staff. We are not a project and hence no direct beneficiaries. We facilitate market players such as the government (policy and regulation) and financial service providers to drive financial inclusion.

Budget: 2017 budget/expenditure KShs 3 billion (US$ 30,000,000).

Headquarters: Nairobi, Kenya.

Initiation: 2005.

Graduation work/context:

Marsabit graduation pilot since 2016

- Implementing a “graduation” pilot in Marsabit targeting 1,200 HSNP beneficiaries in partnership with CARE
- Test market-based approaches to building livelihoods for the very poor to address sustainability and scalability challenges typical of graduation programmes through leveraging markets and institutionalising supports
- Aim was to inform SP programming and policy
- Basically, delivery of BRAC model’s suit of support using market-based approaches:
    - Social transfers- leverage HSNP
    - Savings- use savings groups (VSLA) and HSNP Equity Bank accounts
    - Skills training- use community-based facilitators (CBFs) and other market players e.g. buyers
    - Asset transfer- tailor-made financing for asset acquisition by Equity Bank with credit guaranteed by FSD Kenya
    - Coaching and mentoring- CBFs and self-organised learning facilitated by Community Based Facilitators and delivered through groups

Experimenting a value chain (VCs) approach to building livelihoods of poor households

- Explore opportunities for economic inclusion in target geographical areas – what VCs present opportunities for the poor? Which nodes in these can they engage in and how can they be facilitated to engage?

- Aim is to build sustainable building livelihoods models – these entail partnerships between VC players and financial service providers. Aim to leverage social protection programmes and public subsidies (government and other development partners) for initial investment capital by the households.
- Currently running an improved chicken experiment in Kitui-Machakos counties

Future plans: Venture more into the VC approach to building livelihoods/economic inclusion, leverage on SP and government subsidies, use a market approach for sustainability and scale.

Where would you like to be in 5 to 10 years?

- Clear models of sustainable and scalable economic inclusion models that leverage social protection and government subsidies
- Market players/private sector support for building livelihoods – ability to leverage private capital to build livelihoods
- Sustainability of graduation impacts in the long term
- Quantification of graduation programmes impacts – besides the percentage growth in assets and incomes
- Are these enabling the beneficiaries to bridge the income gap to attain a sustainable livelihoods threshold?
- Progression from poverty is not one way – life shocks can push many back into poverty. Do “graduation” programmes provide the infrastructure to enable such households to sustainably re-engage economically and climb out of poverty?
- Part of the National Treasury’s PROFIT graduation PMC – clear path for channelling learning from graduation work to SP needed.
- Attend graduation related and other social protection forums but there is need for deliberateness in distilling lessons