REPUBLIC OF KENYA

MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT

POLICY FRAMEWORK FOR SUSTAINABLE FINANCING AND SUBSIDY MANAGEMENT IN AGRICULTURE

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FOREWORD

The agriculture sector plays a vital role in Kenya's economy, directly contributing 21.8% to the Gross Domestic Product (GDP) and an additional 27% indirectly through linkages with other sectors. It employs over 40% of the total population and more than 70% of the rural population. Comprising crop, livestock, and fisheries subsectors, agriculture in Kenya is largely driven by small-scale producers, who account for about 75% of all agricultural activity.

Agriculture remains central to ensuring food security and enabling inclusive, sustainable economic growth. Strategies outlined in the Agricultural Sector Transformation and Growth Strategy (ASTGS) and the Bottom-up Economic Transformation Agenda (BETA) aim to accelerate sector growth, improve living standards and enhance food and nutritional security while achieving the goals set in the Kenya Vision 2030.

The small-scale producers here also referred to as smallholder farmers use funds from various sources with 51.4% relying on borrowed funds for farming activities. However, commercial banks allocate less than 5% of their lending to agriculture, leaving 48.1% of farmers dependent on informal or non-mainstream credit sources.

Historically, agricultural financing and subsidy programs in Kenya have been fragmented and lacked cohesive policy direction, making it difficult for players across the value chains—crop, livestock, and fisheries—to access consistent support. This Policy aims to establish a coherent framework for sustainable agricultural financing. It identifies critical relationships among key stakeholders and outlines specific interventions, including the creation of a revolving fund for agricultural financing and the establishment of a central coordinating body for all financing actors.

Further, the policy provides clear guidance for policymakers and the private sector to align their efforts in supporting agricultural development. It defines the roles of various actors and proposes measures to ensure the effective implementation of interventions that promote sustainable financing across the entire value chain. If effectively implemented, this policy has the potential to transform agricultural financing in Kenya, supporting consistent and sustainable growth while enhancing food and nutritional security for all.

Sen. Mutahi Kagwe, EGH

Cabinet Secretary

Ministry of Agriculture and Livestock Development

PREFACE

Agricultural finance is vital for fostering growth and development of the agricultural sector thereby contributing to food and nutrition security, employment creation and improvement in incomes of actors in the sector. Agricultural finance provides the resources for investments required to enhance agricultural productivity, stabilize farmers' incomes, and support higher-level value chain activities such as aggregation, post-harvest management, agro-processing, distribution and marketing. Agricultural subsidy support, which include input subsidies, insurance subsidies and disaster aid are crucial for all farmers to improve productivity and food security.

In Kenya, agricultural financing and implementation of subsidy programmes have been implemented under various initiatives and programmes. These include dedicated and special-purpose agricultural financial institutions such as the Agricultural Finance Corporation, the Commodities Fund; subsidy support programmes such as the fertilizer subsidy programmes, the Kenya Crop Insurance Programme, livestock insurance through De risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) project, Aquaculture Business Develop Project and other county-based subsidy programmes. The Government has continued to support farmers through unlocking private sector commercial lending through credit guarantee schemes, providing targeted support for development of priority value chains in form of supply of other inputs, post-harvest management and value addition machinery and equipment.

Agricultural financing and subsidy support in Kenya continue to face challenges that include lack of a clear policy framework to guide the implementation of financing and subsidy programmes. This has resulted in disjointed approaches to financing of agricultural programmes hence limiting access to agricultural financing for various value chain players. In addition, subsidy programmes have been implemented through various approaches without clear coordination mechanism leading to overlaps and duplication of effort at both National and County level.

The Policy Framework for Sustainable Financing and Subsidy Management in Agriculture aims at addressing existing challenges through establishment of framework for sustainable financing provision of guidelines for effective subsidy management in order to enhance agricultural productivity and food and nutrition security. This will be achieved through implementation of a two-pronged approach that targets the unlocking adequate and reliable public and private sector financial resources for lending and subsidy programme for improved investments in agriculture.

The policy proposes the establishment of an Agricultural Development Fund (ADF) resourced through increased public budgetary allocation, subsidy maintenance charge and development partner support which shall then be applied to support direct concessionary lending to farmers and farmer-groups or indirect lending through public sector financial intermediaries. The funds will also be used to support current and future subsidy programmes. Additionally, the unlocking of financial sector funds will target the de-risking of agricultural lending through credit guarantees arrangement with commercial financial institutions such as banks and micro-finance institutions.

It is our belief that this Policy Framework for Sustainable Financing and Subsidy Management in Agriculture will seal the policy gaps that have hampered the coordination and effective management of agricultural financing and subsidy programmes and that going forward, the Ministry, the county Governments and the other actors in the sector, especially the financial institutions and beneficiary farmers and value chain actors will find the policy a useful instrument.

Dr. Kipronoh Ronoh P. CBS
Principal Secretary
State Department for Agriculture
Ministry of Agriculture and Livestock Development

Hon. Jonathan Mueke, CBS
Principal Secretary
State Department for Livestock Development
Ministry of Agriculture and Livestock Development

Betsy Muthoni Njagi, CBS
Principal Secretary
State Department for the Blue Economy and Fisheries
Ministry of Mining, Blue Economy and Maritime Affairs

ABBREVIATIONS

ADF	Agriculture Development Fund
AFC	Agricultural Finance Corporationn
AfCFTA	Africa Continental Free Trade Area
AF&SSCU	Agricultural Finance and Subsidy Support Coordination Unit
AMS	Agricultural Mechanization Stations
ASTGS	Agriculture Sector Transformation and Growth Strategy
ATO	Agriculture Transformation Office
BETA	Bottom -Up Economic Transformation Agenda
CAADP	Comprehensive Africa Agriculture Development Programme
CASSCOM	County Agriculture Sector Steering Committee
CBK	Central Bank of Kenya
DRIVE	De-Risking, Inclusion and Value Enhancement of Pastoral Economies
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
ISSPs	Integrated Support Service Providers
JASSCOM	Joint Agriculture Sector Steering Committee
KAIP	Kenya Agriculture insurance project
KCEP-CRAL	Kenya Cereal Enhancement Programme Climate Resilient Agricultural Livelihood
KDC	Kenya Development Corporation
KELCOP	Kenya Livestock Commercialization Project
KIAMIS	Kenya Integrated Agricultural Management Information
KIE	Kenya Industrial Estate
KLIP	Kenya Livestock Insurance Program
KPIs	Key Performance Indicators
MEAL	Monitoring, Evaluation, Accountability, and Learning
MFIs	Microfinance Institutions
MIU	Multi-stakeholder Implementation Unit
MSMEs	Micro, Small and Medium Enterprises
NAAIAP	National Accelerated Agricultural Input Access Programme
NCPB	National Cereals and Produce Board
NGO	Non-Governmental Organization
NSA	Non-State Actors
NVCSP	National Value Chain Support Program
PFIs	Participating Financial Institution
PROFIT	Programme for Rural Outreach of Financial Innovations and Technologies
R&D	Research and Development
WTO	World Trade Organization

GLOSSARY OF TERMS

Agricultural Inputs	The physical or biological resources, materials, and services used in the production of crops, livestock and fisheries.
Agriculture	Means cultivation of land and the use of land (whether or not covered by water) or use of any artificial media for any purpose of crop, livestock or fisheries husbandry; the use of land as grazing, meadow land, market gardens or nursery grounds; and the use of land for agroforestry, when that use is ancillary to the use of land for other agricultural purposes; and the term "agricultural" shall be construed to mean related to or connected with agriculture.
Agri food systems	This encompasses the entire range of actors and their interlinked activities involved in the production, aggregation, processing, distribution, consumption, and disposal of food products originating from agriculture, forestry, or fisheries
Agri-insurance	A specialized type of insurance designed to protect farmers, agribusinesses, and other value chain actors involved in agriculture against financial losses caused by natural perils, adverse weather events, pests, diseases.
Credit Guarantee	A financial mechanism where the government undertakes to repay a commercial financial institution a portion of the loan if the borrower defaults. It acts as insurance for the lender, reducing their risk
Farmer	Refers to person engaging in crop production, pastoralists, and fisher-folk.
Public Lending Institutions	Financial institutions that are owned or significantly controlled by the government with a primary mandate to provide financing for specific sectors or developmental goals in agriculture.
Subsidy	Financial contribution provided by the government or any public body to confer benefits to farmers or agribusinesses.

EXECUTIVE SUMMARY

The agriculture sector continues to play a critical role in Kenya directly accounting for 21.8 percent of Gross Domestic Product (GDP) and 27 percent indirectly through its linkages with other sectors. The sector also employs over 40 percent of the total population and more than 70 percent of the rural populace. Kenya's agriculture is predominantly small-scale, accounting for 75 percent. Agriculture remains key in contributing to a food secure population that can participate in sustained economic growth. The Kenya Vision 2030 emphasizes the transformation of small-scale agriculture from subsistence activities marked by low productivity and value-addition to an innovative, commercially oriented, modern and internationally competitive agricultural sector.

Despite its significance, the agriculture sector continues to face challenges of sustainable agri-financing and ineffective subsidy management. This has been exacerbated by the absence of a policy framework which has resulted to low agricultural production and food insecurity.

This Policy framework is organized into four main chapters. The first chapter provides a background on agri-financing and subsidies in Kenya. Agri financing is recognized as an important catalyst for the agriculture sector. Its full potential remains untapped when it comes to the development of demand driven agricultural financing solutions. Agricultural subsidy interventions are recognized as a way of incentivising adoption, increasing agricultural productivity and profitability, increasing food availability and access and ultimately reducing poverty and stimulating economic growth. Some of the subsidy programmes previously implemented include the National Accelerated Agricultural Input Access Programme (NAAIAP), Kenya Cereal Enhancement Programme Climate Resilient Agricultural Livelihoods (KCEP-CRAL) National Value Chain Support Programme (NVCSP), National Fertilizer Subsidy Programme and the County-specific fertilizer subsidy which focused on the fertilizer input. Additionally, this chapter also identifies lack of clear policy framework as a hinderance to effective agri-financing and provides the overall policy objective as to enhance agricultural productivity and food and nutrition security through: establishment of framework for sustainable financing and provision of guidelines for effective subsidy management. Further, it defines the scope of the policy as focusing on enhancing sustainable subsidy management and access to affordable financial services for smallholder farmers, agribusinesses, and all actors within the agricultural

Chapter two provides the situational analysis of agri-financing. It provides the policy, legal and institutional framework for agriculture financing. It acknowledges the policies that the Agricultural Policy 2021 and ASTGs provide for enhancement of agri-financing. Two main public institutions have been mandated to offer agri-financing. The Commodities Fund is mandated to provide sustainable affordable credit and advances to farmers for the purposes of farm improvements, farm inputs, farming operations among others while Agricultural Finance Corporation support the development of agriculture and agricultural industries by providing loans to farmers, cooperative societies, incorporated group representatives, private companies, public bodies engaging in agriculture and agricultural industries. Agri-financing includes funding for the agriculture sector; credit financing and agri-insurance. There have been enormous challenges which include inadequate budgetary allocation to the sector leading to public financial institutions unable to meet the existing demand; perceived risk in the agricultural sector by financial institutions limiting private sector financial institutions; high cost of credit brought about by high interest rates and other charges; lack of collateral to secure the credit, uncoordinated financing and low financial literacy. To address the challenges of inadequate and unsustainable financing, the policy framework recommends the establishment the Agricultural Development Fund (ADF) and one focal point for coordinating financing and public investments.

Chapter three provide for the situational analysis on subsidy management. It provides for the policy and legal institutional framework for subsidy management. The ASTGS recommends the nationwide shift in subsidies focus to register 1.4m high-needs farming households and empower them to access a range of inputs from multiple providers, enabled by an e-voucher delivery system. The policy framework recognizes the need to adhere to the WTO Agreement on Subsidies and Countervailing Measures. The chapter highlights the challenges faced in subsidy management which include: budget constraints; poor governance and ineffective design and administration of subsidy programmes; inadequate awareness and participation; Inadequate involvement of the private sector in public subsidy programs and inability to pay the beneficiary subsidy component, small holding and wide distribution. Further it provides for policy recommendations of a well-designed ISSPs which includes: targeting and selection criteria of beneficiaries; refining delivery mechanisms, exit strategy, enhancing the capacity of state and non-state actors; enhanced participation of the private sector in public subsidy programs and integration of subsidy programs with credit financing.

Chapter four proposes the coordination and partnerships for effective implementation of the policy framework. The policy recommends the establishment of one focal point (Agricultural Finance Coordination Unit) for coordinating financing and public investments under the agriculture transformation office within the ASTGS framework. The AFCU will be domiciled under the Agricultural Transformation Office proposed in the ASTGs. The establishment of an Agricultural Finance Coordination Unit (AFCU) is expected to result in coordination of public investments, enhancement of integrating data sourcing and analytics, and sharing of knowledge and research findings. In addition, the chapter provide for monitoring and evaluation at different stages of implementation of agri-financing and subsidy management; knowledge management and ways to enhance sustainability by Agricultural Finance Coordination Unit.

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CHAPTER 1: INTRODUCTION

1.1 The Importance of Agriculture

Agriculture is a cornerstone in global and continental development agendas, and is prominently underscored in global, continental and regional priority development policy frameworks such as the Sustainable Development Goals (SDGs), the African Union's Agenda 2063, and Kampala CAADP Declaration of 2025.

SDG 2 (Zero Hunger) focuses on ending hunger, achieving food security, and promoting sustainable agriculture, while SDG 1 (No Poverty) and SDG 13 (Climate Action) link agricultural growth to poverty reduction and climate resilience.

Goal 1 of the Agenda 2063 emphasizes inclusive growth and sustainable development while Goal 5 highlights modernizing agriculture for increased productivity and production as key to transforming African economies.

The Kampala CAADP Declaration of 2025, adopted by the African Union, shifts the focus of the Comprehensive African Agriculture Development Programme (CAADP) from a narrow agriculture-led growth approach to a broader, more holistic agri-food systems approach for the period 2026-2035. The new strategy aims to transform Africa's food systems by emphasizes sustainability, inclusivity, and economic growth within the agri-food sector through intensification of sustainable food production, agro-industrialization and trade; boosting investment and financing for accelerated agri-food system transformation; ensuring food and nutrition security; advancing inclusivity and equitable livelihoods; building resilient agri-food systems; and strengthening agri-food system governance.

The agriculture sector continues to play a critical role in Kenya directly accounting for 21.8 percent of Gross Domestic Product (GDP) and 27 percent indirectly through its linkages with other sectors *(Economic Survey 2025)*. The sector also employs over 40 percent of the total population and more than 70 percent of the rural populace *(Economic Survey 2025)*. Kenya's agriculture is predominantly smallholder, accounting for 75 percent of the production.

The Kenya Vision 2030 emphasizes the transformation of smallholder agriculture from subsistence activities marked by low productivity and value-addition to an innovative, commercially oriented, modern and internationally competitive agricultural sector. The Agriculture Policy, 2021 highlights the vital role agriculture plays in the country's economy and food security. It provides for need to increase financing and investments in the agriculture sector. The Agricultural Sector Transformation and Growth Strategy (ASTGS), a 10-year strategy (2019–2029), emphasizes on increasing small-scale farmer, pastoralist and fisherfolk incomes; increasing agricultural output and value add and boosting household food resilience. The Bottom-Up Economic Transformation Agenda (BETA) recognizes agriculture as a key pillar and focus on investments in priority agricultural value chains such as cotton, edible oils and rice for agricultural transformation.

1.2 Background on Agricultural Financing and Subsidy Programmes in Kenya

Agricultural financing and subsidy support in Kenya play a crucial role in enhancing access to financial resources and facilitating investments in agriculture, especially for smallholder farmers who form the backbone of the sector. Such support is essential for building a resilient and inclusive agricultural economy in Kenya.

1.2.1 Agricultural Financing in Kenya

In Kenya, as in much of sub-Saharan Africa, the agricultural financing landscape has not yet evolved to offer solutions that effectively meet the real needs of agricultural stakeholders. As a result, there is a noticeable disconnect between investment in agricultural finance and the sector's significant contribution to GDP. The Maputo Declaration (2003), reaffirmed by the Malabo Declaration (2014), urges African Union member states to allocate at least 10% of their annual budgets to agriculture. However, Kenya's allocations have remained far below this target at 3.3% in 2020, 3.2% in 2021, and 3.0% in 2022, according to the CAADP 4th Kenya Biennial Review Report.

The CAADP Kampala Declaration of 2025 commits member states to boost investment and financing for accelerated agri-food systems transformation by mobilizing public and private sector investment in agri-food systems. It is expected that by 2035, states will have reached at least 10% of annual public expenditure is allocated to agri-food systems and that at least 15% of agri-food GDP is reinvested annually into the sector.

Despite agriculture being the largest sector in terms of GDP contribution, agricultural loans and investments portfolios appear disproportionately low. According to Financial Access Household Survey 2019, only around 3.2% of Kenyans use formal borrowing to service agriculture. This has created a gap that has resulted in the mushrooming of financing mechanisms, many lacking the capacity, quality, and quantity to respond to the needs. Alternative income sources, social networks and sale of assets have been sub-optimal alternatives for raising the much- needed capital for investing in the sector.

To address these challenges, the Kenyan government has implemented several initiatives aimed at improving access to agricultural finance. Key programs and institutions include are Agricultural Finance Corporation (AFC) and Commodities Fund which provide direct financial support to farmers. Other initiatives include Enable Youth Kenya Programme offering financing and incubation support to youth-led agribusiness SMEs; Agricultural and Rural Financial Inclusion Project (RK-FINFA) which seeks to improve access, efficiency, and stability in agricultural and rural finance to foster a more commercial and innovative agriculture sector; National Value Chain Support Programme (NAVCDP) and Food Systems Resilience Project (FSRP) which provide grants to agricultural cooperatives (SACCOs) for on lending to member farmers and the Coffee Cherry Advance Fund established to increase access to affordable financing for coffee farmers. While these initiatives mark important steps forward, Kenya needs to significantly scale up and align agricultural financing to meet its national development goals and regional commitments.

Non-governmental organizations (NGOs) play a significant role in agricultural financing through various programs and projects. Unlike profit-driven commercial institutions, most NGOs operate on a non-profit basis, enabling them to provide services and investments to agricultural stakeholders that would otherwise be financially unviable in a commercial context. However, comprehensive data on the level of NGO funding directed toward agriculture remains limited.

The private sector also contributes to agricultural financing, primarily through commercial banks, microfinance institutions (MFIs), savings and credit cooperatives (SACCOs), and insurance companies. These institutions offer a range of financial services, including credit, agricultural insurance and mobile-based lending solutions.

By leveraging mobile technology and alternative data sources, Fintechs and financial institutions are expanding access to credit and other financial services for farmers who have traditionally been underserved by mainstream institutions like commercial banks.

Agricultural Subsidy Programmes in Kenya

Agricultural subsidy interventions are designed to make key inputs more accessible to farmers, with the goal of encouraging their adoption to boost productivity, enhance profitability, improve food security, reduce poverty, and drive economic growth. In Kenya, subsidy programs date back to the 1950s under the Swynnerton Plan, which aimed to Africanize commercial agriculture. The plan provided subsidies to support the establishment and development of high-value value chains such as coffee, tea, and dairy.

Subsidy programmes have evolved over the years and has in the 1970's targeted resource constrained farmers. The subsidies provided included tax exemptions, provision of free agricultural inputs, and price subsidies including giving inputs at lower prices. Majority of these programmes focused on provision of agricultural inputs with the government financing the implementation through annual budgetary allocations.

From 2008 the Government has continued to allocate funds for subsidy programmes with a special focus on enhancing access to fertilizer. These programmes included the National Accelerated Agricultural Input Access Programme (NAAIAP), Kenya Cereal Enhancement Programme Climate Resilient Agricultural Livelihoods (KCEP-CRAL), National Value Chain Support Programme (NVCSP), National Fertilizer Subsidy Programme and the County-specific fertilizer subsidy programmes.

Other programmes that provided or continued to support value chains include: Empowering Novel Agribusiness-led Employment (ENABLE) Youth Kenya program, KCSAP, NARIGP, NAVCDP, KELCOP, FSRP, SIVAP, SHEP-BIZ, ASDSP, KCIP, BREFONS, Economic Stimulus Programme (ESP), Aquaculture Business Development Programme (ABDP), Kenya Marine Fisheries Socio-Economic Development Project, Rural Kenya Financial Inclusion Facility Project (RK-FINFA), Small-holder Dairy Commercialization Programme (SDCP), Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT), De-Risking, Inclusion and Value Enhancement of pastoral economies (DRIVE), Women Enterprise Fund (WEF) and Youth Enterprise Fund (YEF). In addition, National Government through various Finance Acts does provide fiscal incentives such as duty waivers on imported agricultural machinery and inputs.

County Governments allocate funds to support subsidy programmes within specific counties. The subsidy support include agricultural services and inputs provision, occasionally duplicating the programmes by the National Government.

The growing recognition of the role of agricultural input subsidies as part of a support mechanism to small-holder farmers has resulted in championing of several other innovative programs including by non- state actors who procure and supply a range of inputs and services on credit.

1.3 Objective of the policy framework

To enhance agricultural productivity and food and nutrition security by establishing a framework for sustainable financing and providing guidelines for effective subsidy management.

1.4 Rationale of the policy framework

Agricultural financing and subsidy implementation in Kenya have historically lacked clear policy direction, resulting in fragmented approaches that limit access to funding across the agricultural value chain. Without a coordinated framework, subsidy programmes have been executed through varied, unaligned mechanisms, causing duplication and inefficiencies at both National and County levels. Although the ASTGS outlines the Government's intent to register 1.4 million high-needs farming households and enable them to access inputs from multiple providers, there is currently no effective delivery mechanism to realize this goal. The absence of a policy framework has led to unsustainable financing and poorly managed subsidies, ultimately contributing to low agricultural productivity and food insecurity.

At both National and County levels, agricultural programmes have primarily depended on annual budget allocations and donor projects. Meanwhile, commercial financing for agriculture remains below 5% of total lending due to the sector being perceived as high-risk. This has resulted in unreliable and insufficient funding for agricultural development. The lack of a strategic framework to incentivize private sector lending further exacerbates this issue.

Subsidy programs play a crucial role in supporting farmers, pastoralists, and fisher-folk, while also contributing to broader economic growth and sectoral stability. These programs have primarily focused on providing access to agricultural inputs. However, the absence of a coherent national policy has resulted in poor coordination, overlaps among initiatives, delays in input distribution, and limited coverage of intended beneficiaries. Furthermore, low engagement with private sector actors has led to missed opportunities for leveraging private investment and enhancing the efficiency of subsidy delivery.

A robust policy framework for agricultural financing and subsidy management is critical to reducing risk in agri-financing, attracting reliable investment, and enhancing the impact of subsidy programs. This framework would provide clear guidance for agri-financing, designing, implementing, and monitoring both current and future subsidy initiatives, promoting efficient resource use and better outcomes for Kenya’s agricultural sector.

1.5 Scope of the policy framework

The policy focuses on enhancing sustainable agri-financing and subsidy management for smallholder farmers, agribusinesses and all other value chain actors within the agricultural sector.

CHAPTER 2: SITUATIONAL ANALYSIS

2.1 POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK

Agricultural Financing and subsidy management in Kenya are governed by a number of policies and legal frameworks.

2.1.1 Policies

a) Agricultural Policy, 2021

The Agricultural policy 2021 acknowledges that transformation of crop, livestock and fisheries production into a viable commercial undertaking requires access to financial products and services along the value chains for both short-term working capital and long-term development. Section 3.15.1 of the Agricultural Policy provides for increasing financing and investments in the Agricultural Sector. This is to be achieved through increasing budgetary allocation; improve financial literacy among agricultural value chain players in collaboration with financial sector players; establishing and restructuring of public agricultural financing institutions and use of Private Public Partnerships to mobilize private sector finance.

The Agricultural Policy provides for targeted subsidies and/or incentives to promote crops, livestock and fisheries production; ensure that all subsidy and/or incentive programmes are monitored regularly for efficacy and impact and need to ensure that any subsidy or incentive schemes put in place target diverse strategic value chains, are designed to achieve clearly set objectives, are managed transparently and prudently and are time-bound and do not violate existing international trade laws.

b) Agriculture Sector Transformation and Growth Strategy 2019-2029 (ASTGS)

Kenya's ASTGS (2019–2029) sets out a structured framework to scale up agricultural financing by de-risking investments, mobilizing blended public-private capital targeting roughly 80% private sector participation and establishing inclusive financing mechanisms like e-vouchers, digital credit, and agro-insurance, while institutionalizing instruments to coordinate sustainable funding for smallholder farmers.

The Strategy embeds a modernized subsidy system using digital e-vouchers targeting 1.4 million high-need farming households allowing them to redeem a package of agro-inputs through private and public providers to reduce inefficiencies, extend reach, and support food and nutrition security. Further, it aligns the e-voucher subsidies with the agricultural digitization roadmap (including platforms like Kenya Integrated Agricultural Management Information System (KIAMIS), aiming to standardize delivery, curb misuse, and leverage data for transparency and coordination across counties.

c) Bottom-Up Economic Transformation Agenda (BETA 2023-2027)

Agriculture is one of the five (5) priority sectors that form the core pillars of the agenda. The key commitments include provision of; affordable working capital for farmers through cooperative societies, aquaculture promotion, agricultural insurance such as crop and livestock insurance to make agriculture profitable and agricultural input financing.

Under the BETA impact path for achieving food security, reduce food imports and increase exports, emphasis has been put on increasing production and productivity at competitive costs. Fertilizer is one of the inputs identified to be subsidized in view of its contribution to achievement of better crop yields.

2.1.2 Legal and Institutional framework

The key legal frameworks for provide establishment of institutions and provisions for direct funding or financing of agricultural value chains are the Crops Act 2013 and Agricultural Finance Corporation Act Cap 323. Other statutes that support agri-financing include: Agricultural Development Corporation Act, Cap 444, Kenya Development Corporation (KDC) and Kenya Industrial Estates (KIE).

Whereas Kenya has no comprehensive legal framework for agricultural subsidy provision, the country has been implementing subsidy programmes. This has been realized through programmes and projects and other existing institutions established in legal frameworks such as the NCPB, AFC and Commodity Fund. The subsidies provided include agricultural credit, price stabilization, agricultural inputs and agricultural insurance.

At the county level some counties with subsidy policy frameworks have established the County and departmental M&E units that coordinate monitoring, evaluation, accountability, and learning (MEAL) for agricultural input subsidy programmes. In addition, others have developed guidelines that provide a framework for delivering subsidized agricultural services, including machinery, seeds, and fertilizers.

Some of the laws governing agri-financing and subsidy management include;

a) The Crops Act, 2013

The Crop Act establishes the Commodities Fund, mandated to provide sustainable affordable credit and advances to farmers for the purposes of farm improvements, farm inputs, farming operations among others. The sources of the Fund consist of license fees, commission and appropriations by Parliament. The Commodities Fund has been in operation since 2014. Over this period Ksh 5.95 Billion has been disbursed to small scale farmers to the coffee, sugar and most recently coconut value chains. Further, the Act provides for putting in place programmes for ensuring the provision of incentives and facilities to growers and dealers of scheduled crops.

b) Agricultural Finance Corporation Act Cap 323

The Agricultural Finance Corporation Act provide for establishment of the Corporation whose functions are to assist in the development of agriculture and agricultural industries by making loans to farmers, cooperative societies, incorporated group representatives, private companies, public bodies engaging in agriculture and agricultural industries. A total of Ksh 19.3 Billion has been disbursed to small scale, medium and large farmers across various value chains in the last five years.

c) Agricultural Development Corporation Act, Cap 444

The Agricultural Development Corporation Act provides for establishment of the ADC whose functions are to promote production of Kenya’s essential agricultural inputs such as seeds. The Act gives the Corporation power to provide credit and finance by means of loans or the subscription of loan or share capital.

d) Kenya Development Corporation Act (KDC) No. 19 of 2020

Kenya Development Corporation is a development finance institution which was established by Kenya Development Corporation Act No. 19 of 2020 to merge the operations of Industrial and Commercial Development Corporation (ICDC), Tourism Finance Corporation (TFC) and Industrial Development Bank (IDB) capital limited. KDC is mandated to play a catalytic role in Kenya's social economic development by providing long term financing and other financial, investment and business advisory services. The Corporation focuses its interventions on eight key economic sectors and sub-sectors namely: post-harvest management in agriculture, health, energy, blue economy, manufacturing, tourism, ICT and climate resilience activities. In general, the corporation's lending to these priority sectors grew from Kshs 4.85 billion in the year 2020/21 to KSh 5.22 in Q3-2023/24, representing 7.5% growth.

e) Kenya Industrial Estates (KIE) Companies Act Cap 486

KIE was established by the government of Kenya in 1967 as a subsidiary of ICDC with a major role of promoting indigenous entrepreneurship by financing and developing small scale and micro enterprises by establishing industrial parks providing credit and business development services in a sustainable manner. In the 2020/2021 Financial Year, the company disbursed a total of Kshs 982.3 million to Small and Medium sized Enterprises (SMEs) including those involved in agricultural processing. Between the years 2017-2020, KIE disbursed a total of Kshs 584.4million to projects in agro-processing. In the financial year 2024/2025, KIE is implementing a "Credit to Small and Medium Enterprises" project that aims to avail Kshs 5.53 billion in form of credit to SMEs to stimulate rural industrialization, value addition to local raw materials and job creation.

2.2 FINANCING IN THE AGRICULTURE SECTOR

2.2.1 PUBLIC FUNDING FOR THE AGRICULTURE SECTOR

The public financing priorities for agriculture focus on financing the following categories;

a) **Farmers and agri-entrepreneurs** financing enables them to access agricultural inputs, improve productivity, undertake agro-processing, access markets and offer agriculture related services.
b) **Agricultural infrastructure** financing targets small-scale irrigation systems, storage, value addition facilities and respective digital infrastructure. These projects are costly and require large amounts of financing
c) **Agricultural Research and Development (R&D)** financing to facilitate agricultural research through allocation to institutions such KALRO for use in administration and human capital. In addition, KALRO through proposals, access funds for research from National Research Fund (NRF), National Commission of Science Technology and Innovation (NACOSTI) and development partners. Non state actors also provide finance for specified agricultural research.
d) **Funding for climate smart agriculture initiatives**

The Government allocates financial resources to the sector every year to implement approved budgets for programmes and projects. Such funding is allocated through the budget process at the national and county level taking into account devolution and their respective priorities. The budgetary allocations and expenditures are shown in **Table 1** and **2** below.

Table 2.1: National Government Budget vs Ministry of Agriculture Budget

Year	Total National budget (Billion)	Budget allocated to Ministry of Agriculture (Billion)	Actual expenditure by Ministry of agriculture (Billion)	% allocation to agriculture	%Actual expenditure on agriculture
19/20	2,214.0	35	43.3	1.58	1.96
20/21	2415.99	40.89	40.5	1.69	1.68
21/22	2737.99	44.85	44.75	1.64	1.63
22/23	3,179.30	62.63	57.03	1.97	1.79
23/24	3,441.49	64.14	78.89	1.86	2.29

Source: Controller of Budget

Table 2.2: Total County Budget vs Agriculture

Year	Total County budget (million)	Budget allocated to agriculture (million)	Actual expenditure on agriculture (million)	% allocation to agriculture	%Actual expenditure on agriculture
19/20	499,618.79	33,964	23,748.78	6.8	4.7
20/21	501,735.83	34,720.95	25,416	6.9	5.1
21/22	562,751.16	37,493.8	22,387.54	6.7	4.0
22/23	515,177.52	34,517.29	25,963.18	6.7	5.0
23/24	562,751.16	38,684.97	25,526.44	6.9	4.5

Source: Controller of Budget

Average percentage allocation to agriculture against total budget for the period 2019/2020 to 2023/2024 financial year was 1.748% and expenditure against actual was 1.87% for the National Government while for the counties the figures were allocation of 6.8% against actual expenditure of 4.66%. The Country's average allocation to agriculture is therefore below commitments at the continental level.

2.2.2 Credit Financing and funding of Subsidy programs

A. Credit Financing

Global credit financing for the agriculture sector is critical for enhancing productivity, ensuring food security, and supporting rural economies. This financing comes from various sources, including government programs, international financial institutions, private sector investments, and innovative financing mechanisms tailored to the needs of farmers and agribusinesses.

Key Players in Agricultural Credit Financing include International Financial Institutions (IFIs) such as World Bank and IFC; Global Agriculture and Food Security Program (GAFSP) which uses blended finance solutions to support early-stage agribusiness projects, particularly in low-income countries; and National Governments which have specialized programs to support farmers; private sector such as commercial banks and microfinance institutions (MFIs) are increasingly involved in agricultural financing.

Global credit to agriculture reached approximately USD 1,099 billion in 2022, marking a 13% increase since 2013. In Europe the share of agriculture in total global credit declined significantly due to reduced lending in countries like the Netherlands. In contrast, the share of agriculture in total global credit decreased from 2.77% to 2.26% during the same period. Regional disparities exist with Asia increasingly becoming the largest supplier of agricultural credit, increasing its share from 40% in 2013 to 52% in 2022. In India, for example, the Reserve Bank of India (RBI) mandates that commercial banks meet Priority Sector Lending (PSL) requirements, which include an allocation of at least 18% of their Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure for lending to the agriculture sector. For example, in the fiscal year 2022, public sector banks in India reported that they met or exceeded their agriculture lending targets, with many banks allocating around 18-20% of their portfolios to this sector (RBI Annual Reports, 2022).

In Africa, commercial bank lending to agriculture receives barely 5% of total domestic resources on average in contrast to the sector's 20–40% GDP contribution across the continent. According to the Making Finance Work for Africa initiative, lending stands at 3% in Sierra Leone, 4% in Ghana and Kenya, 6% in Uganda, 8% in Mozambique, and 12% in Tanzania. Agri-SMEs face a critical hurdle to growth due to limited access to financing caused by lender risk perception, high-interest rates, and collateral challenges leading to their exclusion from essential financing, threatening the livelihoods of millions of smallholder farmers.

Credit input financing is essential for facilitating access to fertilizers, seeds, equipment and agri-insurance. The Kenyan agriculture sector is dominated by small holder producers. These producers constitute an aging population with an average age of 61 years and accounts for 78% of the total agricultural production. The majority of these producers, accounting for 51.4%, rely on borrowed funds to finance production and farming related ventures. The producers who rely on credit from the informal and non-mainstream lenders constitute 48.1%. Commercial banks lend less than 5% of their total loan portfolio to the agriculture sector (CBK Agriculture survey July 2023). This falls far below the demand of the sector.

Financing agriculture in Kenya is characterized by high cost of agricultural credit due to a number of factors, including; loan documentation cost, credit appraisal and recovery cost; higher interest rates as a tradeoff of the risks inherent in the sector; lenders' perceived risk to extend credit to smallholders and agriculture sector MSMEs due to external factors like climate change, price volatility, as well as internal business risks; lack of favorable collateral that hinders the supply of credit among other factors.

According to the Central Bank of Kenya Credit Survey Report 2024, the interest rates of commercial banks offering agricultural loans ranges between 16 to 19 per cent with an average of 18.03 per cent. Data from commercial banks that provide agricultural credit show that there exist no special interest rates tailored for the agriculture sector.

Public financing for agricultural credit is majorly administered through AFC and Commodities fund. The two institutions target a variety of value chains with special emphasis on production by small and medium scale farmers.

(i) Agriculture Finance Corporation (AFC)

The Agricultural Finance Corporation offers a range of loan products at subsidized interest rates to support various agricultural enterprises, including crop farming, livestock rearing, machinery, farm infrastructure development, aquaculture, water development, agribusiness, agro-processing among others. It finances both short- and long-term agricultural projects and promotes modernization by funding modern equipment and technologies to boost productivity. Additionally, AFC provides training and advisory services to enhance farmers' management skills and profitability, with specific products aimed at empowering women and youth through affordable credit and greater participation in agribusiness.

AFC operates a revolving fund primarily sourced from loan repayments, with additional funding coming from government budgetary allocations. However, the Corporation has faced significant funding shortfalls over the years, hindering its ability to fully achieve its mandate. In the past five years, AFC has disbursed **Kshs. 19.3 billion**, falling short of the **Kshs. 62.3 billion** needed for agricultural loans, creating a deficit of **Kshs. 42.275 billion (69.13%)** as shown in table 3.1 below. This highlights an ongoing gap in agricultural financing that continues to limit agricultural development in Kenya.

Table 2.3: AFC Loan supply vs Demand

Financial Year	Disbursement (Kshs)	Loan Demand (Kshs)	Deficit (Kshs)	% Deficit
2019/20	4,162,580,596.33	10,253,423,163.88	6,090,842,567.55	*59.40%*
2020/21	4,131,073,991.78	11,278,765,480.27	7,147,691,488.49	*63.37%*
2021/22	3,870,540,529.66	12,406,642,028.30	8,536,101,498.64	*68.80%*
2022/23	3,623,292,884.73	13,647,306,231.13	10,024,013,346.40	*73.45%*
2023/24	3,535,513,631.75	15,012,036,854.24	11,476,523,222.49	*76.45%*
Total	**19,323,001,634.25**	**62,598,173,757.82**	**43,275,172,123.57**	***69.13%***

Source: AFC

AFC's Strategic Plan for 2023–2027 projects a financing variance of **Kshs. 38.376 billion** as illustrated in table 3.2 below;

Table 2.4: AFC Resource Allocation Gaps

Financial Year	Estimated Financial Requirements (Kes. Million)	Estimated Allocations (Kes. Million)	Variance (Kes. Million)
2023/24	16,627	7,092	9,535
2024/25	17,038	10,410	6,628
2025/26	17,035	8,926	8,109
2026/27	17,113	9,810	7,303
2027/28	17,088	10,287	6,801
Total	**84,901**	**46,525**	**38,376**

Source: AFC Strategic Plan (2023-2027)

(ii) Commodities Fund

Commodities Fund is established under section 9 of the Crops Act. The object and purpose of the fund is to provide sustainable affordable credit and advances to farmers. Whereas the Fund is mandated to finance the development of all the scheduled crops, it is currently only financing the coffee, sugarcane and coconut value chains.

Given the fact that small scale farmers are not only vulnerable but also have the lowest financial altitude and smallest competitive advantage, the Fund's interest rates are set at 3% to 7% per annum which is way below commercial market rate. The loan tenures are customized to be compatible with crop calendars with the repayment period ranging from 12 to 60 months.

Since its operationalization on 1st August 2014, the Fund has cumulatively disbursed Kshs. 5.95 billion against a cumulative demand of Kshs. 24 billion. Most of the loans are disbursed using financial intermediaries that allow the Fund to leverage on local institutions to reach the numerous geographically dispersed farmers.

In the past 10 years the demand for loans for coffee and sugarcane, the two major value chains financed by the Fund, has been an annual average of Kshs. 2.4 billion. The Fund has been disbursing an average of Kshs. 0.595 billion annually and therefore meeting only 28% of the demand as tabulated below:

Table 2.5: Loan demand vs supply for the period 2014-2024

Financial Year	Demand	Disbursements	Deficit	% of Demand Satisfied
2014/2015	1,070,349,437.87	503,064,235.80	567,285,202.07	47%
2015/2016	1,322,022,335.89	482,538,152.60	839,484,183.29	37%
2016/2017	3,075,010,258.21	891,752,974.88	2,183,257,283.33	29%
2017/2018	2,658,054,987.50	637,933,197.00	2,020,121,790.50	24%
2018/2019	3,211,416,166.67	385,369,940.00	2,826,046,226.67	12%
2019/2020	4,282,070,680.82	584,930,855.00	3,697,139,825.82	14%
2020/2021	2,534,870,244.67	321,168,060.00	2,213,702,184.67	13%
2021/2022	739,584,312.27	258,632,634.00	480,951,678.27	35%
2022/2023	1,795,250,530.05	430,142,027.00	1,365,108,503.05	24%
2023/2024	3,387,800,034.88	1,456,754,015.00	1,931,046,019.88	43%
Total	**24,076,428,988.83**	**5,952,286,091.28**	**18,124,142,897.55**	**28%**

Source: Commodities fund

(iii) Youth Enterprise Fund

The Youth Enterprise Development Fund was established under the Public Financial Management Act through the Youth Enterprise Development Fund Regulations, Legal Notice No. 167 of 2006, with the primary objective of fostering youth employment through enterprise development. In 2007, it was elevated to the status of a State Corporation under the former Ministry of State for

Youth Affairs, as outlined in Legal Notice No. 63 of 2007. Today, the Fund operates under the State Department for Youth Affairs and the Creative Economy. It is one of the government's key initiatives aimed at addressing youth unemployment and is recognized as a flagship project under the Social Pillar of Kenya Vision 2030. The Fund plays a pivotal role in promoting entrepreneurship as a vital avenue for expanding economic opportunities and enhancing youth engagement in national development.

Key Statistics and Performance

- **Loan Disbursement**: As of the fiscal year ending June 30, 2022, YEDF had disbursed a total of KSh 13.5 billion to youth enterprises across Kenya.
- **Beneficiaries**: Over 1.2 million youth have benefited from the fund since its inception, with a significant number of enterprises receiving support in the form of loans and business development services.

YEDF prioritizes financing in strategic sectors such as Agriculture (via the Agri-Bizz Loan), Green economy (through the Go Green Finance Loan), and the Blue economy (through the VIBE Loan). Each loan product is designed with flexible terms and modest interest rates to support start-ups and expansions. For instance, youth in agriculture can access up to Kshs. 1 million repayable within 2 years at 8% interest, while green and blue economy ventures can receive financing of up to Kshs. 2 million and Kshs. 1 million respectively, depending on the loan category and repayment period.

While specific nationwide figures detailing the total amount disbursed exclusively to agriculture since the fund's inception are not readily available, there are notable instances of agricultural financing; **Kiambu County Initiative**: In 2020, YEDF, in collaboration with the Food and Agriculture Organization (FAO), provided KSh 5.7 million in interest-free loans to 40 youth groups engaged in agribusiness. This initiative aimed to make agriculture more appealing to the youth and enhance food security in the region; **Coffee Farming Support in Kericho County**: The Sailo Youth Group in Kipkelion East, Kericho County, utilized a KSh 200,000 loan from YEDF to venture into coffee farming. This investment enabled them to cultivate three acres of coffee, yielding over KSh 800,000 in 2020.

(iv) Women Enterprise Fund

The Women Enterprise Fund was established pursuant to Legal Notice No. 147: Government Financial Management (Women Enterprise Fund) Regulations, 2007, with the principal mandate of fostering women's economic empowerment. The objective and purpose of the Fund are to extend loans and provide business support services targeted at women-operated micro, small, and medium enterprises. The mandate of the Fund encompasses the provision of subsidized credit to Kenyan women entrepreneurs for the advancement of their enterprises; the capacity building of women entrepreneurs and their respective organizations; as well as the attraction and facilitation of investments into infrastructure designed to support micro, small, and medium enterprises, including the facilitation of marketing endeavours for the products and services of women-owned enterprises in both domestic and international markets. Since its establishment, the Fund has disbursed in excess of Kshs. 26 billion to more than 135,000 women self-help groups and over 2 million individual borrowers, has provided training to over 2 million women, and has formed partnerships with 257 women-owned Sacco societies.

B. Financing of Government led Subsidy programs

(i) Agri-Insurance

The large majority of farmers in Kenya remain vulnerable to natural disasters, a fact that poses a significant social and economic challenges. Agriculture insurance has been identified as a tool to address and manage to the risks associated with the sector. In 2016, the Kenya Crop insurance project was mooted with the objective of building resilience for farmers in the Country against agricultural shocks aggravated by changes in Climate over time. Whereas the project was developed to cater for many crops, only 5 value chains are currently being addressed.

The project is fully funded by the exchequer with majority of the funds being utilised for government premium subsidy. Since project initiation, a total of Ksh 1,2B has been paid as farmer premium subsidy against a demand of 3,6B as contained in table 2.6 below, The difference in funds allocation has culminated into the project focusing on a limited number of value chains, mainly maize, Irish potatoes, sorghum, Green grams and onions. The effective implementation of the project has been affected by financial difficulties, emanating from inadequate funds and delayed disbursements.

Table 2.6: Crop Insurance Funding

YEAR	DEMAND (millions)	BUDGETARY ALLOCATION (millions)	DIFFERENCE (millions)	PERCENTAGE DIFICIT
2016-2017	400	178	222	44.4%
2017-2018	500	351	149	30%
2018-2019	500	330	249	42%
2019-2020	500	251	319	54%
2020-2021	500	281	219	44%
2021-2022	500	179	249	49.8%
2022-2023	500	130	370	74%
2023-2024	500	150	350	70%
2024-2025	400	0	400	100%
TOTAL	**4,300**	**1,850**	**2,527**	**59%**

Source. MoAL Annual Financial Reports

(ii) National Fertilizer Subsidy Program

One of the constraints of agricultural production and productivity in Kenya is low level of inputs use. This has been the case for fertilizer usage whose price is generally high and un-affordable to small-scale farmers who constitute 70% of producers.

In an effort to make fertilizer affordable, Vision 2030 envisaged a three-tiered cost reduction strategy that include: bulk procurement, local manufacturing of fertilizers and local Fertilizer blending.

In order to actualize bulk procurement, the government set up the National Fertilizer Subsidy Programme as a fertilizer price stabilization plan. The objective of the subsidy programme being fertilizer price stabilization and increasing its affordability by farmers. Whereas this was the initial objective, the objectives were thenceforth expanded to include;

(i) Supporting the uptake of agricultural technologies by smallholder farmers to increase agricultural productivity;

(ii) Reducing the cost of production of agricultural commodities;

(iii) Contribute to the achievement of the Bottom- Up Economic Transformation Agenda (BETA) pillars; food security, reduce imports and growth of exports.

Subsequent annual procurement of subsidy fertilizers was premised at a maximum of 40% of the National Fertilizer requirement (equivalent to the annual apparent fertilizer consumption validated by the fertilizer technical working group). From 2014 and 2019, the budgetary requirement for procuring targeted fertilizers was approximately KES 44.1B but due to budgetary constraints, the government spent KES 19.7B representing a shortfall of 55%. This effectively reduced the number of beneficiaries that accessed the subsidy fertilizer.

From 2019/20 financial year, the target procurement was no longer based on the apparent fertilizer consumption but on a redesigned program format (NVSP), estimates that onbarded tea value chain under KTDA and later on agrnomic fertilizer requirments for fourteeen value chains prioritized under BETA . Fertilizer subsidy under NVSP was implemented from 2019/20 to 2021/22 shortrains season. In 2019/20 finacial it was implenented on a pilot basis in 12 Counties and 2 wards per each County. KES. 500 M was allocated for fertilizers.

From 2022 longrains season, the government reverted to implementation of the fertilizer subsidy program through NCPB in view of the price flactuations occassioned by COVID 19 and need to support more farmers through the enhanced farmer database held by NCPB. During formulation of the budgets, a provision of an average subsidy of KES 1500 was made for every bag of fertilizer irrespective of whether it was basal or topdressing.

Table 2.7 : Government expenditure under NFSP

Year	Apparent Consumption (50Kg bags)	Target procurement @ 40% of Apparent consumption (50Kg bags)	Budgetary requirement for subsidy (millions)	Actual Government expenditure (millions)	Deficit (millions)	% deficit
2014	9,700,160	3,880,064	5,820.10	4,199.24	1,620.86	28
2015	10,526,440	4,210,576	6,315.86	4,678.93	1,636.93	26
2016	11,940,480	4,776,192	7,164.29	2,804.00	4,360.29	61
2017	16,048,320	6,419,328	9,628.99	2,100.00	7,528.99	78
2018	10,913,500	4,365,400	6,548.10	3,170.20	3,377.90	52
2019	14,405,300	5,762,120	8,643.18	2,773.06	5,870.12	68
2020	-	433,000	2,000	1,598	402	20.1

2021	-	433,000	1,580	599	981	62.1
2022	-	3,000,000	4,500	1,055	3,445	77
2023	-	7,760,000	19,000	7,348.67	11,651.34	61
2024	-	12,500,000	1,875	9,963.15	8,786.85	46.9

Source: vifaakenya.org, MoALD (KIAMIS, NVSP, NCPB)

2.2.3 Summary of Challenges

Given the peculiarities of the sector, sustainable agricultural financing and funding for subsidy programs faces several challenges. These challenges include;

1) Inadequate budgetary allocation to public sector agriculture compared to continental commitment of 10% of public expenditure allocation to agriculture.
2) Inadequate budgetary allocation by County Governments to agriculture and the allocated funds are not fully spent.
3) Inadequate budgetary allocation to public sector agricultural lending institutions such as AFC and Commodities Fund to meet the existing demand
4) Limited government budgets and unreliable flow of funds to support subsidy programs.
5) Commercial financial institutions aversion to finance agriculture due to the inherent high risks in agricultural sector lending.
6) Lack of collateral and other loan requirements to secure credit among most small holder farmers.
7) Reluctance by financial institutions to advance loans to farmers and farmer organizations due to lack of financial records and statistics to appraise their credit worthiness.
8) Inadequate awareness by farmers and other value chain actors on the financial services available by credit institutions.
9) Inadequate innovative financial solutions especially among public financial institutions.
10) Poor credit culture as a result of Government interventions in public lending institutions through unwarranted waivers, write offs and preferential lending for specific target groups resulting to reduced repayments and collections
11) Uncoordinated financing and public investments in the agriculture sector.
12) High interest rates charged on agricultural loans.

Cumbersome process of securing credit especially in agriculture sector public financial institutions such as AFC and Commodity Fund

2.3 DESIGN AND IMPLEMENTATION OF SUBSIDY PROGRAMMES

The Government of Kenya has been implementing several subsidy programs in the crops sub-sector aimed at supporting smallholder farmers, enhancing productivity, and ensuring food security. These include the National Accelerated Agricultural Inputs Access Programme (NAAIAP), which targeted 2.5 million resource-poor farmers with less than one hectare of land by promoting access to improved farm inputs; the KCEP-CRAL Subsidy Program, which seeks to reduce rural poverty and food insecurity by enhancing the economic potential of farmers, strengthening natural resource management, and building climate resilience; and the National Value Chain Support Programme, which focused on increasing productivity through better access to inputs, engaging the private sector in value chain development, and providing technical, marketing, financial, and insurance support. Additional programs include subsidies for certified seeds and seedlings, access to mechanization services, and crop protection initiatives to guard against transboundary pests and diseases.

Livestock subsidy and support programs aimed at enhancing the resilience and productivity of pastoralist and smallholder farming communities. These programs reflect Kenya's commitment to enhancing the resilience of the livestock sector, particularly among vulnerable pastoralist communities. Notable initiatives are the Kenya Livestock Commercialization Project (KeLCoP) whose objectives are to increase incomes for 110,000 poor livestock and pastoralist households, enhance food and nutrition security, and promote sustainable livestock practices; National Livestock Vaccination Program (NLVP) with the objective of combating transboundary diseases and enhance market access through Mass Vaccination Campaigns and Local Vaccine Production; and Feedlot Establishment in Arid and Semi-Arid Lands (ASALs) to address feed shortages and improving livestock quality through Feedlot Infrastructure establishment and initiation of Pilot Projects.

The fisheries sub-sector has benefited from various subsidy programs over the years, aimed at improving productivity, enhancing livelihoods, and ensuring sustainable resource use. Historically, government support was mainly provided through the Ministry responsible for Fisheries via ad hoc input distributions, especially fishing gear, to small-scale fishers around major lakes and coastal regions. However, these efforts lacked consistency and sustainability. With the aquaculture sector under the Economic Stimulus Programme (ESP) in 2009–2012, the government introduced structured subsidies for fish pond construction, fingerlings, and feed, marking a major shift toward aquaculture support. Building on the gains, the Kenya Marine Fisheries and Socio-Economic Development Project (KEMFSED), launched in 2019 with World Bank support, began providing in-kind subsidies such as fishing gear, safety equipment, and grants for alternative livelihoods to reduce pressure on marine fisheries. Today, these subsidy programs continue to support thousands of inland and coastal fisherfolk. The implementation of these programmes has faced several challenges including difficulty in beneficiary targeting and lack of a sustainability mechanism.

The key subsidy programs being implemented include;

2.3.1 National Fertilizer Subsidy Programme

The National Fertilizer Subsidy Programme was initiated in 2008 when fertilizer prices in the world market escalated to unprecedented levels and beyond the reach of small-scale farmers. The programme had the primary objective of lowering and stabilizing fertilizer prices. The specific objectives of the programme were: to stabilize prices of fertilizer, make it accessible and affordable by most small-scale farmers in the country; Support adoption of fertilizer by poor and vulnerable smallholder farmers in the country; Reduce cost of production of agricultural commodities; Increase productivity of major crops in the country. The programme is implemented by the State Department for Agriculture through the National Cereals and Produce Board. Standard operation procedure (SOP) and a governance structure have been developed.

The current program workflow is that farmers are registered by county agricultural officers through KIAMIS and once farmer data is verified the data is uploaded into the e-voucher system. Farmers are issued with vouchers through their mobile phones. These vouchers are redeemed from NCPB depots or selling centres that have been identified by NCPB in collaboration with the County governments. Some of the challenges that have been encountered while implementing these programs include: Not all farmers have been registered on the KIAMIS platform making many farmers ineligible for subsidy support; Inadequate selling centres and long distances to NCPB depots; Delayed procurement and delivery of fertilizers to farmers; Inadequate fertilizers that are soil and crop specific and meet farmers' needs; Inadequate capacity to track beneficiaries; Inadequate monitoring and evaluation tools to assess impact.

2.3.2 Kenya Agriculture Insurance Programme

The programme started in 2017 with the overall objective being to build resilience and promote investment in agriculture sector for sustainable food and nutritional security. This is a subsidized government de-risking programme targeting smallholder farmers.

The programme is managed under a public private partnership model. The Public component comprises of both national and County governments, and national insurance regulator; these institutions are responsible for carrying out farmer awareness creation, provision of premium subsidy, data management as well as developing of policies and legislation for guiding provision of crop insurance. The programme targets smallholder farmers with 0.5 to 20 acres of land. The beneficiaries are required to pay 50% of the premium while the government pays the balance.

The private institutions comprising of both the insurers and re-insurers together with the financial institutions, are responsible for developing and retailing of the insurance products and farmer claims compensation.

The implementation of the project has been limited by a number of challenges which include; inadequate funding; poor understanding of the programme by the various actors in the agricultural value chain, inappropriate distribution channels, weak mobilization of farmers to enrol in the subsidy programme, lack of specific legislation to support the development of agricultural insurance and multiple risks that render agricultural underwriting both complex and expensive.

2.3.3 De-Risking, Inclusion, and Value Enhancement of Pastoral Economies Project (DRIVE)

The DRIVE project is a Government of Kenya initiative implemented through the State Department for Livestock Development with support from the World Bank. Launched in 2022, DRIVE aims to build climate resilience and economic inclusion for pastoralist communities by offering index-based livestock insurance, promoting financial inclusion, and enhancing market access. It provides drought risk insurance with pre-emptive payouts, reducing the need for emergency aid, and supports digital savings, financial literacy, and gender-focused outreach. The project also facilitates private-sector investment in livestock value chains to help pastoralists transition from subsistence to commercially viable production.

Since its launch, DRIVE has issued over 257,000 insurance policies across beneficiary counties, backed by KSh. 2.47 billion in government subsidies and KSh. 700 million in pastoralist contributions. Over KSh. 648 million has been paid out to insured households, cushioning them against drought-related losses. The project further improves access to markets and financial services through infrastructure support and digital innovations. However, it faces challenges such as fluctuating demand, limited understanding of insurance models, and the logistical difficulties of reaching marginalized groups in remote ASAL regions—necessitating targeted strategies for sustainability and equity.

2.3.4 Aquaculture Business Development Programme (ABDP)

The Aquaculture Business Development Programme (ABDP) in Kenya, effective on June 2018 and launched in April 2019, stands as a pivotal initiative designed to alleviate poverty and enhance food security and nutrition within rural communities by strengthening aquaculture value chains. This program strategically targets 15 counties, aiming to benefit 35,500 households, including vulnerable demographics such as women, youth, and landless individuals. In terms of subsidy support, the ABDP employs a multifaceted d approach. The programme has benefited farmers by allocating grants to fish farmers in 15 counties, benefiting Smallholder Aquaculture Groups (SAGs), Aquaculture Support Enterprises (ASEs), and Aquaculture Field Schools (AFSs). Distributed direct subsidies for Agricultural inputs including pond liners, fingerlings, fish feeds, and predator nets to enhance production and construction of fish markets and provision of transportation support to improve market access.

2.3.5 County Subsidy Programs

In addition to the input subsidy programs implemented by the national government, Counties such as; Bungoma, Trans Nzoia, Kakamega and Machakos have introduced their own parallel subsidy with varying design and implementation arrangements. The purpose is to increase fertilizer use by small scale farmers for improved agriculture productivity. Subsidy Programs to support livestock farmers incude West Pokot County with provision of subsidized veterinary supplies, equipment, and support for poultry farming cooperatives and Nakuru County with subsidized Artificial Insemination (AI) program to improve dairy and beef cattle breeds to enhance productivity. Some of the challenges with these County Subsidy programs include ad hoc implementation; inadequate involvement of stakeholders in the planning and implementation of the programmes; Both the National and County Governments are implementing subsidy programs targeting the same beneficiary but using different approaches.

2.3.6 Challenges in Subsidy Management

Various challenges that impede the effective design and implementation of subsidies in Kenya and these include:

1. **Lack of policy and legal framework specific for subsidy programmes management**

   Subsidy programmes are implemented under various policy and legal frameworks. This has resulted to uncoordinated approach, lack of synergy and ineffectiveness of the programme.

2. **Poor governance and ineffective design and administration of subsidy programmes**
   - Bureaucratic hurdles and at times inadequate infrastructure do complicate the implementation and monitoring of subsidy programs. Where proper targeting has not been effectively carried out, subsidy inputs do not reach the intended beneficiaries and subsidized inputs not suitable to specific agricultural value chain are supplied.
   - Sustainability of the subsidy programmes - Beneficiaries have become over dependent on subsidies
   - Impact of climate change - Climate change can affect the effectiveness of subsidies, as changing weather patterns and extreme weather events impact agricultural productivity and input needs.
   - Mismatch of the subsidies provided with those required by beneficiaries
   - Most subsidy programs have focused on provision of fertilizer

3. **Limited accessibility and availability**
   - Untimely availability of subsidized inputs/services
   - Poor last mile distribution

4. **Inadequate capacity of the various actors in subsidy programmes implementation**
   - Inadequate awareness and participation-Many farmers are not fully aware of the available subsidy programs or how to access, limiting their potential benefits.
   - Inadequate capacity of subsidy programmes implementors.

5. **Inadequate involvement of the private sector in public subsidy programs**

6. **Beneficiaries inability to pay for their subsidy component and vast distribution of actors.**

2.4 CROSS CUTTING ISSUES IN AGRI-FINANCING AND SUBSIDY MANAGEMENT

2.4.1 Persons With Disabilities (PWDs), Women and Youth

In Kenya, Persons with Disabilities (PWDs), women and youth face entrenched barriers to accessing agricultural financing and subsidies. Financial institutions often consider these marginalized groups as high-risk due to limited collateral, especially land, which is disproportionately owned by men. PWDs encounter additional mobility and accessibility constraints, while youth frequently lack credit history or business experience. Access to financing by both public and private entities and Government subsidy programs—such as those for supporting agricultural start-ups for various value chains often have complex application processes and are poorly communicated to marginalized groups, further excluding them. Deep-rooted gender norms and age-related biases also contribute to their underrepresentation in decision-making and resource allocation within the agricultural sector.

2.4.2 Climate Financing

Climate change impacts have influence agricultural production and production. Climate agriculture finance is an important enabling aspect to support climate change mitigation and adaptation activities in crops, livestock, fisheries, forestry and water sub-sectors. The current sources of agriculture financing for climate change activities are from Government, private and multilateral institutions, development partners and other non-governmental organizations.

However, the financing for climate change has not been adequate and properly coordinated among the different players in the agriculture sector. Recent developments on carbon credits have not been tapped on by the farmers.

CHAPTER 3: POLICY INTERVENTIONS

3.1 AGRIFINANCING POLICY RECOMMENDATIONS

Agri-financing in the agriculture sector has lagged behind due challenges highlighted in the situational analysis. To address this challenges for increased public funding and unlock private sector financing to the agriculture sector, the government commits to implement the following policy interventions;

3.1.1 Enhance allocation to agriculture sector targeting at least 10% of annual public expenditure

Like other African Union member states, Kenya committed through the 2014 Malabo Declaration to prioritize agriculture as a key investment area. Specifically, the Declaration requires countries to allocate at least 10% of their annual public expenditure to agriculture. In parallel, member states also pledged to achieve a minimum of 6% annual growth in agricultural productivity by ensuring effective and impactful spending in the sector.

3.1.2 Establish a Fund for sustainable agricultural financing and funding of subsidy programs

The Fund would receive an initial capital injection from the government. The introduction of a Subsidy Maintenance Charge for beneficiaries of subsidy support would provide a constant source of funds. In addition, resource mobilization from development partners in form of grants and low-cost finance would grow the kitty thereby enabling the government to provide resources requisite to address;

- Provision of credit guarantee to unlock private sector financing for agriculture;
- Provision of credit for agriculture sector through public lending institutions;
- Provision of agriculture subsidy to support priority value chains.

3.1.3 Dedicate at least 40% of monies meant for on-lending and credit guarantee under the Agriculture Development Fund to financing agricultural production.

This will improve farmers' access to capital, boost productivity, promote equity, support climate-smart agriculture, stimulate rural economies, and help achieve national food security goals. In order to affect this recommendation, the government will;

a) Enact regulations that require financial institutions to allocate at least 40% of their agricultural lending to production-focused loans including promotion of agroecological practices.
b) Develop tailored loan products for priority groups (e.g., youth, women, organic farmers) with favorable terms and technical assistance.
c) Use of blended finance models such as grants, subsidies, concessional loans, and commercial capital to reduce risk and attract private investment into agricultural production.
d) Leverage mobile money and digital credit scoring to reach underserved farmers with small, timely loans.

e) Set up systems to track lending quotas, ensure compliance, and assess impact on production, inclusivity, and sustainability.
f) Channel credit through farmer groups, SACCOs, or cooperatives to reduce transaction costs and improve repayment rates.

3.1.4 Capacity build value chain actors on agribusiness and financial literacy

This will ensure effective planning, implementation, oversight, and accountability in managing funds and subsidies that support sustainable, inclusive agricultural transformation. Capacity building may employ approaches that include; E-learning platforms and mobile-based modules, peer learning and knowledge exchange visits, technical assistance and mentorship programs and leveraging on partnerships for curriculum development on agricultural finance. Capacity building will focus on the following;

a) Training stakeholders on the legal and policy frameworks governing the fund and subsidy programs.
b) Building skills in budgeting, disbursement, tracking, and financial reporting for officials, recipients and beneficiaries.
c) Developing capacity to design and implement criteria for selecting farmers or value chain actors, especially marginalized groups.
d) Strengthening systems and skills for impact tracking, fraud prevention, and transparent reporting.
e) Promoting the use of ICT for application, disbursement, subsidy tracking, and beneficiary feedback.
f) Training extension officers, CSOs, and farmer groups to educate communities on available support and how to access it.
g) Ensuring staff and stakeholders understand how to align fund and subsidy use with climate-resilient, ecological farming goals

3.1.5 Strengthen collaboration among financial institutions and other stakeholders in development of tailor-made financial products and services for the agricultural value chains

This is essential for developing financial products and services that truly meet the unique needs of agricultural value chains. Some of the approaches to achieve this includes.

a) Establish one focal point for coordinating financing and public investments.
b) Multi-Stakeholder Partnerships to design financial products that align with seasonal cash flows, production cycles, and risk mitigation needs.
c) Risk Sharing Mechanisms such as public-private partnerships which can help share financial risks, making it easier for banks to lend to value chain actors while ensuring resilience against climate and price shocks.
d) Use of shared Digital Financial platforms which can simplify transactions, making financing more accessible to smallholder farmers

3.1.6 Promote alternative and innovative collateral options

This is intended to promote inclusive access to credit in agriculture, especially for smallholder farmers and agribusinesses lacking conventional collateral, support alternative and innovative collateral options through a combination of policy reforms, public-private partnerships, and capacity building through the following measures;

a) Promote the use of laws (e.g., Movable Property Security Rights) that allow the use of farm assets, livestock, fish stock and crops as collateral, supported by a digital asset registry.

b) Support systems that use alternative data, satellite imagery, or agritech platforms to assess farmers' creditworthiness without traditional credit history.

c) Promote warehouse receipt systems where farmers use receipts for stored produce as loan collateral.

d) Support cooperatives and farmer groups using joint liability or social collateral to secure loans.

e) Encourage agri-insurance as collateral.

3.1.7 Restructure and transform the existing public financial institutions providing financial services to farmers such as AFC and Commodities fund to adapt the institutions to changing environment, improve efficiency, enhance competitiveness and widen their scope

Through the restructuring, these institutions will offer a broader range of modern, inclusive financial services tailored to farmers' evolving needs. This transformation aims to improve access to finance for smallholder farmers, drive agricultural productivity, support national development goals, and foster a more robust and sustainable agricultural sector.

3.1.8 Limit Government interventions in public lending institutions that promote poor credit culture such as unwarranted/ preferential waivers and write-offs

The government will have the public lending institutions accountable of the public resource allocated for on-lending to beneficiaries and limit the preferential waivers and write-offs of unrecovered load.

3.2 EFFECTIVE SUBSIDY MANAGEMENT POLICY RECOMMENDATIONS

The financing, design and implementation of agricultural subsidy programs in Kenya's agriculture sector have historically lacked a guiding policy framework. This gap has contributed to significant challenges in program execution, as highlighted in the situational analysis. To address these challenges and improve the effectiveness of subsidy programs, the government is committed to implementing the following policy interventions:

3.2.1 Harmonization of policies and legal frameworks supporting various subsidy programmes management

Develop a specific subsidy implementation policy and legal framework.

3.2.2 Effective Design and Administration of Agricultural Subsidy Programmes

Agricultural Subsidy implementation design will;

a. Have clear objectives to;

i. Enhance agricultural production and productivity at competitive costs;
ii. Develop commodity value chains through capacity development and incentivization to attract private sector investments.
iii. Build resilience to climate change
iv. Augment infrastructural development in the agricultural sector;
v. Promote stabilization of price.

b. Broaden the scope of subsidies and promote complementarity

Agricultural subsidies will be broadened to cover all areas of support necessary for agricultural value chain development. Further, various types of subsidies will be bundled in all National and County priority value chains and target all stages of the value chain. Subsidy bundles may include some or all of the following;

i. Primary agricultural inputs**:**
ii. Agricultural insurance;
iii. Price support to producers;
iv. Agricultural machinery, structures, equipment and mechanization services;
v. Development/improvement of infrastructure;
vi. Fiscal incentives (Tax and duty exemptions);
vii. Credit subsidy; and,
viii. Extension services, advisory services and training.

c. Subsidy types, Targeting and Selection Criteria of Beneficiaries

Subsidy programs will provide subsidy packages that are suitable to the beneficiaries and take into account the following;

i. Research recommendations and best practice
ii. Tests and verifications
iii. Agro ecologies and enterprise types

Subsidy programme targeting and selection criteria will take into account:

i. National and County Government priority value chains based on development objectives such as food and nutrition security;
ii. Program/project objectives;
iii. Gaps in the support needed for the prioritized value chains;

iv. Scale of operation taking into account acreage and/or turnover of the agricultural enterprise;
v. Building resilience.

d. Refine Delivery Mechanisms

i. Programs and projects designed for value chain development;
ii. Last mile delivery of subsidies through agro-dealer networks and other local stakeholder institutions;
iii. Use of digital platforms such as the Kenya Integrated Agricultural Management Information System (KIAMIS), E-Citizen and E-voucher;
iv. Multi-stakeholder coordination in implementation;
v. Develop standard operation procedures;
vi. Financial institutions (FIs).

e. Consideration for climate change

i. Payment for ecosystem services.
ii. Compliance with climate change legislations.

f. Exit Strategy

i. Wean off subsidy package over time for each beneficiary. The weaning off will take into account among others; a graduation process from food insecure to food self-sufficiency, to market-oriented farming, to fully commercialized farming and extent of technology adoption.
ii. An elaborate sensitization of agricultural value chain actors on agri-financing and subsidy for them to understand the objectives and the timelines.
iii. In built sustainability mechanism.

3.2.3 Enhance Accessibility and availability of subsidy programmes

Agriculture is seasonal in nature and for effective production. provision of subsidy should consider the following;

- Timely availability of subsidized inputs/services
- Effective last mile distribution

3.2.4 Enhancing the Capacity of State, Non-state Actors and Beneficiaries

Enhancing capacity is intended to ensure that the programs being implemented are effective, inclusive and sustainable. This will be realised through;

i. Awareness creation
ii. Trainings

3.2.5 Enhance participation of the private sector in public subsidy programs

Involving the private sector in public subsidy programs will enhance logistics, distribution and operations to streamline the delivery of subsidies ensuring sustainability

3.2.6 Integration of subsidy programs with credit financing

The integration of subsidy programs with credit financing aims to bridge critical financial gaps for farmers, leveraging government support to de-risk lending and unlock greater investment in the sector.

3.3 CROSS CUTTING ISSUES IN AGRI-FINANCING AND SUBSIDY MANAGEMENT

In the implementation of this policy, cross cutting issues in agri-financing and subsidy management will be mainstream though the following policy interventions;

3.3.1 Persons With Disabilities (PWDs), Women and Youth

Interventions

i. Targeted affirmative action and enhance outreach strategies to improve access to agrifinancing
ii. design inclusive financial products for Persons With Disabilities (PWDs), Women and Youth
iii. build capacity through training and mentorship on agrifinacing tailored to the needs of PWDs, women and youth

3.3.2 Climate Financing

Interventions

i. Promote the mobilization of Climate Agriculture Finance
ii. Provide for a coordination of the agriculture sector players involved in climate financing under the Agriculture Financing and Subsidy Support Coordination Unit (AF&SSCU).
iii. Promote the adoption and utilization of carbon credits for use in re-financing climate agriculture finance.

CHAPTER 4: CORDINATION AND IMPLEMENTATION OF AGRIFINANCINCNG AND EFFECTIVE SUBSIDY MANAGEMENT

4.1 Management of Agricultural Finance and Subsidy Support Programmes

The policy recommends the establishment of one focal point – **the Agriculture Finance and Subsidy Support Coordination Unit, (AF&SSCU)** for coordinating financing and public spending in subsidy support within the sector. The AF&SSCU will be domiciled under the Agricultural Transformation Office (ATO) established in the ASTGS implementation framework. The establishment of an Agricultural Finance and Subsidy Support Coordination Unit is expected to result in coordination of public financing and subsidy support, enhancement of integrating data sourcing and analytics, and sharing of knowledge and research findings.

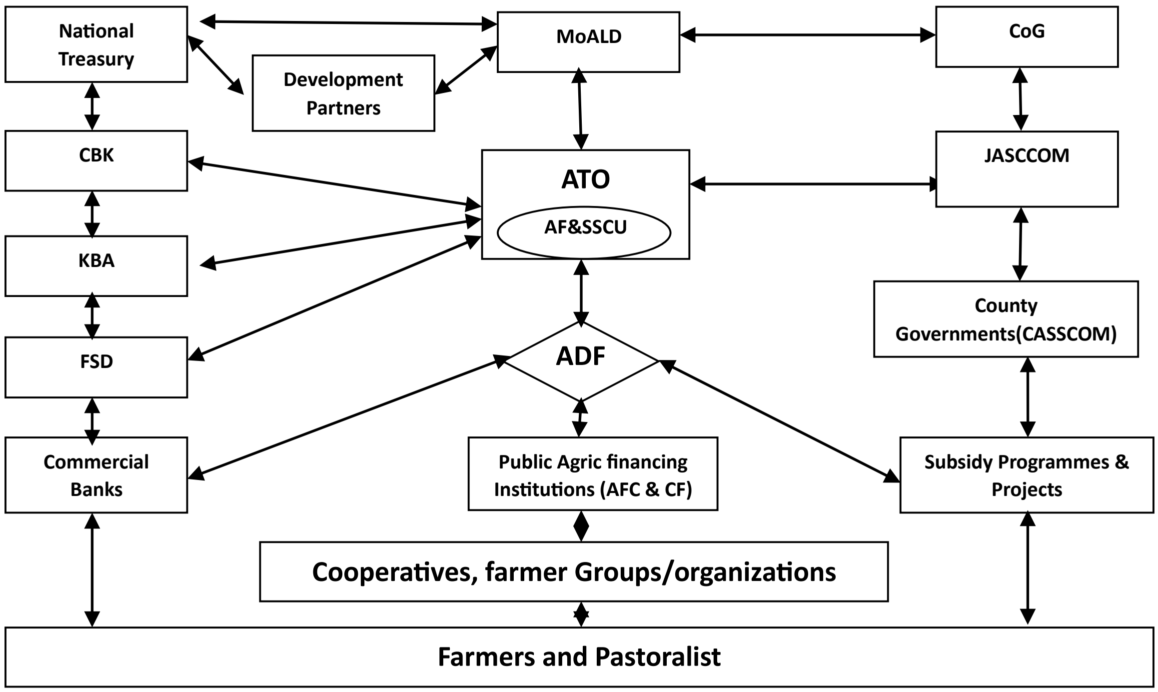
The **AF&SSCU** will establish thematic working groups that include all key stakeholders such as; MDAs, County governments, financial institutions, private sector, NGOs, development partners, and agricultural traders among others. The Ministry of Agriculture and Livestock Development, County Governments through the Council of Governors, Treasury, Private Sector and other Financing Agriculture Stakeholders will be at the core of the coordination unit which have the following mandate'

i. Advice on policies and recommend measures to the Cabinet Secretary and county governments to support agricultural finance and subsidy support programmes, including determining priority areas and products for advancing financing and subsidy support to implementing institutions such as commercial banks, public agricultural institutions and departments administering subsidy support;
ii. Promote farmer driven, investment anchored, cash flow cycle in managing credit to agriculture and directing areas of priority for subsidy support;
iii. Coordinate, in collaboration with the Statistics Unit of the Ministry, the design and collection of relevant metrics and analytics to support programming and M&E for agricultural financing and subsidy support;
iv. Coordinate the promotion of exit strategies to commercial approaches in liaison with the credit and subsidy implementing agencies.
v. Design and oversee the implementation of awareness creation and capacity building programmes for various actors within the credit and subsidy space
vi. Elimination of duplication of resources through better coordination in funds mobilization and utilization and strengthening of synergy among different actors.

Partnerships and coordination of various stakeholders in agricultural financing and subsidy support with the systemic objective of promoting viable and/or reliable source of financing for agriculture programmes and subsidy support in Kenya has the potential to open up or unlock sustainable financing pathways, which are critical when it comes to sustainable agricultural sector financing and subsidy support.

4.2 The Coordination framework for Agricultural Finance and Subsidy Support

Treasury, Private Sector and other Financing Agriculture Stakeholders will be at the core of the coordination unit which have the following mandate'



4.3 Implementation Strategy

To effectively commence the implementation of the Policy, the following will be undertaken

1) Develop a roadmap to establish the **AF&SSCU**
2) Review existing laws and regulations related to agricultural financing to identify any gaps or barriers that need to be addressed in establishing the coordination unit. Developing new policies or amending existing ones is necessary to support the unit's functions.
3) Define the structure, mandate, and functions of the coordination unit, including its relationship with existing county governments, government agencies and financial institutions involved in agricultural financing.
4) Identify capacity gaps within the coordination unit and provide training and support to staff members to ensure they have the necessary skills and knowledge to effectively carry out their roles.
5) Establish an integrated system for collecting, analyzing, and disseminating information related to agricultural financing to support decision-making and monitoring of progress.
6) Developing mechanisms for monitoring and evaluating the performance of the coordination unit and its impact on agricultural financing outcomes.

4.4 Monitoring and Evaluation

Monitoring and Evaluation is needed at different stages of implementation of agri-financing and subsidy management. Monitoring, Evaluation, Accountability & Learning (MEAL) will be carried out by the AF&SSCU to provide oversight of the implementation of this policy framework and generate timely information for informed management decisions. The MEAL will measure outcomes and impacts and challenges of agriculture financing and subsidy support.

The MEAL team will be responsible for;

i. Baseline and impact assessments
ii. Beneficiary feedback and corrective action
iii. Periodic audits and performance reviews (data generation and analytics around financing metrics)
iv. Survey reports to generate data;
v. Progress Reports on outputs and outcomes;
vi. Status Reports for Subsidy implementation; and
vii. Ad-hoc Reports as required;

The MEAL team will hold quarterly scheduled meetings, prepare monthly progress reports and conduct quarterly M&E.

4.5 Monitoring, Evaluation, Accountability & Learning System

An integrated MEAL system will be established with the help of an ICT service provider for collecting, analyzing and disseminating information related to agricultural financing and subsidy management to support decision-making and monitoring of progress.

4.6 Knowledge Management and Lessons Learnt

A knowledge management system will be set up to allow assessing and comparing performance, learning from experience and documenting achievements and good practice.

The knowledge management will define how lessons learnt from/ implementation of the policy framework activities will be stored and retrieved by ensuring proper documentation and storage of important program artifacts.

4.7 Sustainability

To ensure sustainability of agriculture financing and subsidy the following measure will be undertaken;

a) The proposed agri financing and subsidy management interventions will be implemented to promote sustainability.
b) Review of policies, strategies and interventions to the proposed intervention for agri financing and subsidy management.
c) Capacity building of actors on agri financing and subsidy management
d) Ensuring inclusivity through targeting of women and youths

The National and County Governments will design an appropriate exit strategy for agri-financing and subsidy which include;

i. Farmer co-financing and cost-sharing in agri-financing and subsidy
ii. Establishment of revolving Funds for agri-financing
iii. A full impact evaluation of the intervention in agri-financing and subsidy

ANNEXES

Annex 1: Implementation Framework

Policy intervention	Lead/ Responsible institutions	Expected Outputs	Expected Outcome	Timeline
Thematic Area 1: Agriculture financing				
Specific policy objective: Provide for sustainable agriculture financing				
Enhance allocation to agriculture sector targeting at least 10% of annual public expenditure	TNT, MoALD, Development Partners	Increased allocation to the agriculture sector	Improved investments in the agriculture sector	Continuous
Establish a Fund for sustainable agricultural financing	MOALD, Commodities fund, AFC	Agricultural Fund established	Easy credit access for farmers	1-3 years (short term)
Dedicate at least 40% of the national credit guarantee to financing agricultural production	TNT, MOALD	40% of national credit guarantee dedicated to financing ag production	Guaranteed credit access to farmers	Continuous
Capacity build value chain actors on agribusiness and financial literacy	MOALD, AFC, Commodities fund	Value chain actors capacity build	Actor financial knowledge enhanced	Continuous
Strengthen collaboration among financial institutions and other stakeholders in development of tailor-made financial products and services for the agricultural value chains	MOALD, TNT	Collaboration between financial institutions and other stakeholders strengthened	Existence of tailor made financial products for ag value chains	3-7 years (medium term)
Promote alternative collateral options	MOALD, AFC, Commercial banks, MFIs	Alternative collateral options promoted	Alternative collateral options adopted	3-7 years (medium term)
Establish one focal point for coordinating financing and public investments	MOALD, TNT	Coordinating focal point established	One focal point for coordinating financing and public investments established	1-3 years (short term)
Restructure and transform the existing public financial institutions providing financial services to	MOALD, AFC, Commodities Fund	Existing financial institutions in agriculture restructured	Scope on access of financial services in Agriculture widened	3-7 years (medium term)

farmers such as AFC and Commodities fund to widen their scope				
Limit Government interventions in public lending institutions that promote poor credit culture such as unwarranted/ preferential waivers and write-offs	MOALD, AFC, Commodities Fund	Increase liquidity of AFC, Commodities Fund	Repayment and collections of amount due improved	Continous
Policy intervention	**Lead/ Responsible institutions**	**Expected Outputs**	**Expected Outcome**	**Timeline**
Thematic area 2: Subsidy management				
Specific policy objective: Provision of guidelines for effective subsidy management				
Harmonization of policies and legal frameworks supporting various subsidy programmes management	MOALD	Policy and legal frameworks harmonized	Policies and legal frameworks harmonized	Continuous
Provide funding for subsidies under the proposed revolving Fund for agri-financing	TNT, AFC	Funding for subsidies provided	Revolving fund in existence	Continuous
Effective Design and Administration of Agricultural Subsidy Programmes	MOALD, AFC, Commodities fund	Agricultural Subsidy programmers effectively designed and administered	Effective implementation of the subsidy programme	Continuous
Enhance Accessibility and availability of subsidy programmes	MOALD, Development partners	Timely availability of subsidy	Effective utilization of the subsidy support	Continuous
Enhancing the Capacity of State, Non-state Actors and Beneficiaries	MOALD, AFC, Commodities fund	Capacity for players enhanced	Better partnership in the implementation of the subsidy programme	Continuous
Integration of subsidy programs with credit financing	MOALD, AFC, Commodities fund	Credit access for the subsidy support	Improved access of the subsidy support by many beneficiaries	Continuous
Policy intervention	**Lead/ Responsible institutions**	**Expected Outputs**	**Expected Outcome**	**Timeline**

Thematic Area 3: Cross Cutting Issues in Agri-Financing and Subsidy Management				
Specific policy objective: Mainstream cross cutting issues in Agri-Financing and Subsidy Management				
Persons With Disabilities (PWDs), Women and Youth	MoALD, Development Partners	Financial products and subsidy support that is friendly to Persons With Disabilities (PWDs), Women and Youth	Inclusivity enhanced	Continuous
Climate Financing	MoALD, Development Partners	Climate financing to the agriculture sector increased	Mitigation of the impacts of climate change to agriculture	Continuous