AGRF 2016 – PRIVATE SECTOR BREAKFAST REPORT

Day 5 - Friday, September 9
07:30am- 08:45am
AGRF Private Sector Breakfast

SESSION BRIEF

Context: The government of Kenya through vision 2030 in its second medium term plan has made the promotion of private sector investment in the agriculture sector a key national priority and identified various areas for transformation of agriculture. The efforts have begun to bear fruit and various partner stakeholders have also begun to focus their efforts on helping crowd in additional investment. To unpack the opportunities emerging, private sector CEOs, investors, investment facilitators, and other players will discuss the opportunities for private investment in the agriculture sector, the support available to investors in the country and the experiences of private investors in the agricultural value chain in Kenya.

Session Objectives: The session sought to showcase investment opportunities in Kenya and attract investors. It also sought to identify areas where investors may have concerns that need to be addressed by government and other partners.

Key Issues/ Questions:
- What are the investment opportunities in the Agricultural Value Chains of Kenya?
- What support is available to investors in the Agricultural Value Chain in Kenya?
- What are the benefits of private investment in the Agricultural Value Chain in Kenya?
- What have been the experiences of investors in the Agricultural Value Chain in Kenya? What models work? What are the lessons
- What are the government's strategies to attract and retain investment in the Kenyan Agricultural sector - what has worked, what has not?

Outcome Desired:
- Increased awareness of the investment opportunities in the Agricultural Value Chain in Kenya to the participants of the session
- Attract private investment capital to high impact projects in the sector.
- Investment implementation models are documented for use by interested investors

Organizer(s): GROW Africa, East Africa Trade Hub, and Kenya Investment Authority

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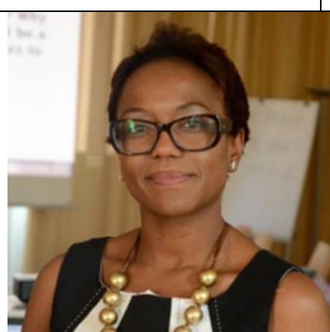
Name	**Picture**	**Discussion**
Dr. John Mutunga, Farmer, Kenya National Farmers' Federation Role: Moderator		Mr. Mutunga began the breakfast session by appreciating that AGRF was having the breakfast having the focus be on the promotion of agriculture investing in Kenya. He introduced the panel and gave each panelist an opportunity to deliver opening remarks prior to posing questions. He explained to the delegates that after the opening session he would take open the session to the audience to pose questions.
Dr. Moses Ikiara, Managing Director, Kenya Investment Authority Role: Setting the Stage		Dr. Ikiara opened the breakfast and gave a promotional presentation about opportunities for investment in agriculture in Kenya. He started his presentation by stating that "Kenya is good to sell at the moment." In his presentation he continued that agriculture is very important for the Kenyan economy as the sector accounts for 30% of the GDP and 60% of the employment. And he further mentioned that as government is striving to move the country out of poverty and raise the minimum income per annum to $3000 per person, agriculture is a priority catalyst for the achievement of that goal Dr. Ikiara stated the reasons for investing in agriculture in Kenya and they were as 1. Growth in the sector has been 10% between 2010 and 2015; 2. There are a number of investment opportunities across the value chain – and various value chains to choose from;

		3. The country is highly rated in a number of investment indices, including the WEF index and World Bank's Doing Business Index. Kenya is also ranked number one in the world by the World Bank in terms of financial inclusion due to the success of Mpesa; 4. There is strong government support for investors, including a number of investment incentives; 5. The markets are open and from Kenya investors can also access the rest of the East African Community and the Common Market of East and Southern Africa; and 6. There is an educated and youthful workforce; Lastly, he noted that his office serves as a "one stop shop" for investing in Kenya for those who are interested and reminded everyone again that agriculture is a priority for the government.
Panelists		
Mr. William Asiko, Executive Director, GROW AFRICA		Mr. Asiko was the initial panelist for of the breakfast and he delivered a brief speech and he began by introducing the fact that GROW Africa is a partnership between the African Union and the World Economic Forum that was incubated in Geneva at WEF and now is headquartered at the NEPAD Agency in Johannesburg. The model of Grow Africa has been to get investors to sign letters of intent (LOIs) to invest in agriculture and then to help facilitate those investments. He added that from his vantage point, the challenge is not money, but rather the challenge is to find the projects that work and that have government support. Grow Africa has received over US$ 12 billion worth of LOIs but only 30% of the investment s have actually been made. While in a number of countries the economic environment has been impacted by external factors such as the decline in oil and commodity prices, in other instances the private investments were related to concomitant government agreements related to policy or investment - and governments have not come to the table with regards to their side of the promises that were made.

		Global seed company, Syngenta, which has its regional base in Kenya, he noted is the biggest investor. He closed his presentation by noting that another impediment(s) to the faster flow of investment funds is turning out to be problems with specific value chains - where there have been difficulties with key stakeholders have difficulty accessing debt capital, challenges with aggregating the output of smallholder farmers cost effectively, and time delays with needed regulatory changes, waivers and or incentive payments expected from government.
Ms. Kanini Mutooni, Director, East Africa Trade and Investment Hub		Ms. Mutooni began her intervention in the discussion by providing an overview of the East Africa Trade and Investment Hub. “We are funded by USAID, she began and our objectives include: 1) Promoting intra-regional trade, 2) promoting US export, and 3) working to promote investment into East Africa.” The challenge, she continued, that they have faced is knowing if they right investment are being funded - and the positive factor for her is she believes that they are as 55% of their deals that have deals are in the agriculture sector. She proceeded to mention what that from her experiences, private investors want: 1. Logistics in the agricultural sector 2. Financial innovation in the agricultural sector, and 3. Social return, employment creation From a sub-sector vantage point, she added that there has been significant interest in the Kenyan/ East African dairy sector. “The Dairy sector has received significant interest. 80% of the milk produced in Africa is produced by small holder farmers however there is very little technology adoption” she

		concluded. There are many opportunities to add modern technology to dairy processes to improve yield and to receive compelling financial returns.
Amb. Dennis Awori, Chairman, Kenya Private Sector Alliance		Amb. Awori introduced the delegates to the organization that he represents, the Kenya Private Sector Alliance, and stated that KPSA's focus is on working with government to improve the ease of doing business in Kenya. The agricultural sector is also one of the sectors they deal with. He presented a brief run down of key statistics mentioning that agro-processing accounts for 6% of Kenya's GDP, agriculture, 30% of GDP, 40% manufacturing, 50% of exports and only 16% of Kenya's agricultural output is processed. In Kenya, he pointed out, we have very special plants, to process cosmetics, food coloring, on top of tea and coffee – and we should be doing more with those products. A big missing link he pointed out is the development of African brands. He also felt that the lack of better developed value chains means that farmers often struggle to find markets and do not get the full value of what they produce. Lastly, he noted that agriculture still has a negative perception to overcome as many still consider it an unattractive sector for investment. The company that he is Chairman of, Toyota East Africa, set a mandate to invest in agriculture and choose to establish in east Africa as its focus area, with Kenya being the Hub. The key areas that Toyota East Africa is working in include: mechanization of agriculture, production of fertilizer, and large scale commercial farming.

Ms. Lucy Muchoki, Chief Executive Officer, Kenya Agribusiness and Agroindustry Alliance		Ms. Muchoki, as the final panelist, began her speech by stating that she represents the Kenya Agribusiness and Agroindustry Alliance. She proceeded to say that the organization was founded to provide a single voice for agribusiness to use to engage with government, and she added that "We have found it easy to speak with the Kenyan government in regard to industry issues, in large part, because that was our fundamental plan in launching KAAA." She continued by noting that the Kenya Agribusiness and Agroindustry Alliance strives to follow the CAADP mandate, and reminded those gathered that the Kenyan government has come up with a local strategy through which to implement CAADP nationally, and KAAA is supporting the execution of that plan. In their work to promote investment in Kenya's agribusiness and agro-industry sectors, she noted that they are active in fostering linkages between investors and existing value chains in the countries. They gather and disseminate statistics on the trends and growth projections of these value chains as she stated investors want to see detailed figures about the performance of the various sub-sectors. She also pointed out that they work closely with the various counties in Kenya to promote the local value chain opportunities for investment found in each one. She felt that in their relatively short existence (KAAA was founded in 2014) they have been fairly successful. In their efforts to promote agro-processing, she concluded by sharing that KAAA works to introduce interested parties to the national Special Economic Zone dispensation and strives to bring SMEs together to help them develop products for export and to improve their production capacity. "Huge opportunities, she stated, remain in the area of value addition of the raw agricultural products that we are already producing."

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Questions from the Moderator to the Panelists

Q: What informs the choice of incentives you give and how do we compare with others, how often do we revise, how do we quickly absorb investment?

RE: Dr. Moses Kiara

"In terms of the choice of incentives offered, we look at what the key challenges are for the investor and we seek to mitigate them through an available incentive. In developing our incentives, we benchmark ourselves against other countries in the region and globally and try and learning from their good practices. We will soon be undertaking a serious process of consultation to review, and revise where necessary, our incentive structure. Lastly, we are also able to help prospective investors to undertake good feasibility studies - within a week or so, given the high quality of the data that we have."

Q: Financial innovations, what key lessons can Kenya's banks learn?

RE: Ms. Kanini Mutooni

"Because they are regulated, banks are often more conservative in their product offerings and not necessarily quick to innovate. However, there are non-bank financial institutions that have been very fast to try new approaches and instruments and to innovate and be creative. These smaller institutions are often non-regulated and so have more latitude to take risks than do banks. However, once the innovation has been proven, we are seeing that some of the bigger banks are now starting to buy financial innovators. There are continuous opportunities for regional financial innovators to add products to the market - and we, as impact investors, are looking to support their growth and will help identify other investors to participate alongside us in our investments."

Q: Counterfeiting has negative impact in Kenya, how do we promote this message?

RE: Mr. William Asiko

"Counterfeiting is a global problem – in Kenya our costs of production still remains a challenge. We are striving to promote improved local processing capacity and to urge government to stamp out counterfeit markets. Toward this end, we are looking for investors who can bring know how, technology and access to markets to help improve our local capacity to produce cost-effectively and competitively to also dissuade inferior products from attracting market share in the country."

Q: What is the major problem in investing in agriculture?

RE: Amb. Dennis Awori

“Investing in agriculture has many unknowns and one’s investment can be hampered by unforeseen challenges – such as climate change, commodity price declines as well as impacted by factors related to poor infrastructure, unskilled labor, under developed or undeveloped value chains, and related limited access to finance. Thus, the key to successful investment in agriculture is preparation, information, capacity improvement and organization. Knowing where one’s market is and staying focused on delivering for that market is also key.”

Q: Logistics are an issue in the country, what is the organization doing?

RE: Ms. Lucy Muchoki

“In Kenya, post-harvest, we are losing more than 50% of our production and the biggest problem is logistics. We have been actively promoting investment in cold chain development, processing and manufacturing facilities, and in distributed electrification to help address these challenges.”

After the questions above were responded to there was an open period of dialogue between the audience and the panelists.