



**KENYA  
DEVELOPMENT  
CORPORATION**

# ► BUSINESS MODEL

2024



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# ▶ Table of Contents

Executive Summary .....	3
KDC Business Model Canvas - Summarized.....	4
KDC Business Model Canvas - Detailed.....	5
Overview of the Business Development Process.....	6
Overview of Situation Analysis.....	7
KDC's Funding Model .....	9
KDC Business Model Overview .....	10
KDC's Business Model Elements.....	11
Customer Segments .....	11
Value Proposition .....	12
Channels, Touch Points And Relationships.....	14
Key Activities.....	19
Key Resources.....	20
Key Partnerships.....	22
Revenue Streams.....	23
Cost Structure.....	25
Strategy Implications .....	26
Appendix.....	27

# ▶ EXECUTIVE SUMMARY

**K**enya Development Corporation is the country's single cross-sector Development Finance Institution (DFI) that came into existence after the merger of Industrial and Commercial Development Corporation (ICDC), Tourism Finance Corporation (TFC) and Industrial Development Bank (IDB) Capital Limited. KDC embarked on a comprehensive exercise to develop a robust business model that aligns with its strategic objectives and national development priorities. This report highlights the process, findings, and recommendations from the engagement between KDC's strategy team and the consultants.

The development process initiated with a kickoff meeting to establish the objectives, scope, and methodology. The consultants engaged in stakeholder interviews and reviewed supplementary documents to gain insights into KDC's operations. A collaborative effort with KDC's strategy team led to the development of a preliminary Business Model Canvas, which was refined through work sessions and benchmarking with Uganda Development Bank (UDB).

A situation analysis revealed that KDC's focus was concentrated on two key sectors - Manufacturing and Tourism, with a portfolio analysis indicating a need for realignment to the government's Medium-Term Plan IV, BETA framework and Vision 2030. From this alignment, the recommended primary sectors of focus are Manufacturing, Post-Harvest Management, Health and Tourism. Two cross cutting areas were also identified - Climate Change and Digital & Creative Economy/ICT. The analysis also highlighted the need for a rigorous screening process and targeted marketing to ensure alignment with KDC's mandate.

The Business Model Canvas was used to develop KDC's business model in line with the Terms of Reference. The Canvas serves as a structured framework to innovate and communicate KDC's approach to creating, delivering, and capturing value. It addresses key questions related to KDC's value proposition, operations, and financial viability, ensuring a customer-centric lens is applied to organizational sustainability. A summary of the model using the canvas is as below:

**Customer Segments:**

KDC aims to serve diverse clients across various sectors, including private companies, financial institutions, infrastructure developers, and investors, focusing on those with the greatest potential for driving socio-economic development.

**Value Proposition:**

KDC's value proposition is to offer long-term financing solutions and value-added support to enterprises, enabling them to scale, innovate, and generate sustainable social and economic value. This is delivered through five pillars: Targeted Financial Support, End-to-End Customer Support, Strategic Business Advisory, Access to Networks and Partnerships, and Impact Measurement and Reporting.

**Channels and Customer Relationships:**

The report identifies the need to optimize customer journey touchpoints and relationships, recommending the establishment of a dedicated customer success team, revamping the CRM system, and implementing robust impact assessment frameworks.

**Key Activities:**

To enhance brand positioning, operational efficiency, and financial viability, KDC will engage in activities such as leveraging brand storytelling, optimizing CRM and credit processes, and deploying data analytics tools.

**Key Partners:**

KDC will collaborate with financial institutions, development partners, government agencies, and tech firms to secure resources and co-investment opportunities.

**Revenue Streams and Cost Structure:**

KDC's key revenue streams include interest on loans, dividends from equity investments, rental income, and advisory services. The cost structure is driven by staff costs, administrative expenses, and provisions for loans. The report suggests cost optimization measures to maintain a Cost to Income Ratio of at most 50%.



KDC BUSINESS MODEL CANVAS - SUMMARIZED

<b>KEY PARTNERS</b> <ul style="list-style-type: none"><li>Financial institutions</li><li>Development partners</li><li>Government and its agencies</li><li>Associations and professional bodies</li><li>Peer entities</li><li>Technology firms</li><li>Learning Institutions</li></ul>	<b>KEY ACTIVITIES</b> <ul style="list-style-type: none"><li>Drive brand visibility</li><li>Thought leadership</li><li>Automation of processes</li><li>Workflow management</li><li>Corporation processes alignment</li><li>Mainstream research</li></ul>	<b>VALUE PROPOSITION</b> <ul style="list-style-type: none"><li><b>Purpose:</b> "Transforming Kenya's socio-economic landscape."</li><li><b>Brand Promise:</b> "Creating Sustainable Growth."</li><li>Tailored financing (KES 10-500M)</li><li>End to End Support Robust Impact assessment</li></ul>	<b>CUSTOMER RELATIONSHIPS</b> <ul style="list-style-type: none"><li>Relationship led interaction</li><li>Revamp CRM system.</li><li>Advisory value adds</li><li>Omni-channel customer engagement</li></ul>	<b>CUSTOMER SEGMENTS</b> <p>Limited liability companies in 6 areas of focus:</p> <ul style="list-style-type: none"><li>Manufacturing</li><li>Health</li><li>Post-Harvest Management</li><li>Tourism</li><li>Climate Change</li><li>Digital &amp; Creative Economy/ICT</li></ul>
<b>COSTS</b> <ul style="list-style-type: none"><li>Key cost drivers: Staff costs, administrative expenses &amp; provisions</li><li>Maintain a Cost to Income Ratio of at most 50%</li></ul>				<b>REVENUES</b> <ul style="list-style-type: none"><li>Revenue Streams: Income from interest on loans, dividends from equity investments, rental income, and interest on deposits.</li><li>Attain an Interest: Dividend: Rental Income ratio of 50:30:20</li></ul>

KDC BUSINESS MODEL CANVAS - DETAILED

<b>KEY PARTNERS</b> <ul style="list-style-type: none"><li>Financial institutions for lines of credit and co-investment opportunities</li><li>Development partners for grants, technical assistance, and capacity building</li><li>Government agencies for policy alignment and collaboration on strategic projects</li><li>Industry associations and professional bodies for networking, advocacy, and knowledge sharing</li><li>Peer entities for best practices, joint investments, and technical support</li><li>Technology firms for digital solutions, data analytics, automation, and innovation</li><li>Universities and research institutions for sector-specific research and insights</li></ul>	<b>KEY ACTIVITIES</b> <ul style="list-style-type: none"><li>Prioritize brand storytelling, content sponsorship, and thought leadership.</li><li>Integrated reporting to highlight KDC's impact.</li><li>Mainstream research in business development and investment decisions.</li><li>Optimize CRM and credit processes and implement knowledge management and workflow systems.</li><li>Mainstream impact measurement, management, and reporting.</li><li>Regularly review portfolio using an impact lens to allocate resources.</li></ul>	<b>VALUE PROPOSITION</b> <ul style="list-style-type: none"><li><b>Purpose:</b> "Transforming Kenya's socio-economic landscape."</li><li><b>Brand Promise:</b> "Creating Sustainable Growth."</li><li>Tailored long-term financing solutions (KES 10-500M) with flexible terms and moratorium periods.</li><li>Capacity building programs and incubation programs for early-stage ventures.</li><li>Personalized, end-to-end support from dedicated relationship managers and simplified processes</li><li>Sector-specific strategic advice and technical assistance to build capabilities and seize opportunities.</li><li>Client access to extensive networks and partnerships for market linkages and expertise</li><li>Impact measurement and reporting to demonstrate social and economic value creation.</li></ul>	<b>CUSTOMER RELATIONSHIPS</b> <ul style="list-style-type: none"><li>Institutionalize relationship management for personalized, end-to-end support.</li><li>CRM system to consolidate customer data and interactions.</li><li>Business advisory - sector-specific expertise and support to help de-risk investments and accelerate growth.</li><li>Comprehensive client education on socio-economic impact and ESG.</li><li>Strategic partnerships and referral networks for holistic client support</li></ul>	<b>CUSTOMER SEGMENTS</b> <ul style="list-style-type: none"><li>Limited liability companies in 4 primary sectors of focus - Manufacturing, Health, Post- Harvest Management, Tourism, and 2 cross cutting sectors - Climate Change and Digital &amp; Creative Economy/ICT.</li><li>Ideal clients with strong governance, financial performance, socio-economic impact potential, and financing needs of KES 10-500 million.</li><li>Financial institutions (e.g., SACCOs, MFIs) for wholesale financing, credit lines, risk-sharing, and capacity building.</li><li>Infrastructure developers, construction companies, engineering firms, and project contractors for large-scale projects.</li><li>Foreign and domestic investors seeking joint investment opportunities.</li></ul>
<b>COSTS</b> <ul style="list-style-type: none"><li>Staff costs, administrative expenses, and provisions for loans key cost drivers</li><li>Optimize costs through:<ul style="list-style-type: none"><li>Optimal organisation structure</li><li>Leverage technology to increase staff productivity.</li><li>Implement department-led cost absorption with Finance oversight.</li><li>Measure ROI to justify spending and enhance accountability.</li><li>Improve client targeting, onboarding, and appraisal to reduce loan provisions.</li></ul></li><li>Maintain a Cost to Income Ratio of at most 50%.</li></ul>				<b>REVENUES</b> <ul style="list-style-type: none"><li>Income from interest on loans, dividends from equity investments, rental income, and interest on deposits are the key revenue streams.</li><li>Optimize revenue through:<ul style="list-style-type: none"><li>Diversifying revenue streams - business advisory fees and transaction advisory fees.</li><li>Divesting from impaired investments and offloading idle assets.</li><li>Sustainable funding mix with emphasis on non-conditional funds.</li><li>Improve quality of lending and collections to reduce PAR.</li></ul></li><li>Seek to attain an Interest: Dividend: Rental Income ratio of 50:30:20</li></ul>



## OVERVIEW OF THE BUSINESS DEVELOPMENT PROCESS

The exercise commenced with the consultants and KDC's strategy team holding a kickoff meeting to align objectives, scope, and methodology. In order to obtain insights, the consultants conducted interviews and focus groups with key stakeholders during the initial week of the engagement. Additionally, they examined supplementary documents and data supplied by KDC.

The consultant worked extensively with KDC's strategy team during the second week to construct the preliminary Business Model Canvas and corroborating analysis. This was achieved through the work sessions conducted at the offices of KDC, spanning from Monday to Friday. On the last day of the week, the team held an online session with a representative at Uganda Development Bank (UDB) where members sought to benchmark KDC's model to that of UDB. The joint team utilised the nine areas of the Business Model Canvas, as delineated in the Terms of Reference, to discern pivotal domains that warrant attention in the novel business model, prospective service improvements, and untapped prospects for KDC. In addition, they detailed the essential operating model modifications necessary for KDC to support the new business model.

In summary, a structured process comprising stakeholder engagement, research, analysis, and collaborative design comprised the business model exercise. The consultant developed an actionable new business model in close collaboration with KDC's strategy team and key leaders in order to uncover opportunities, acquire insights, and identify threats.



## OVERVIEW OF SITUATION ANALYSIS

### The Place of Research

An examination of KDC's operations reveals a concerning lack of research integration across the organization. While pockets of research activity do exist, they remain largely siloed and disconnected from the broader decision-making processes. This fragmented approach suggests that research is viewed more as an afterthought than a core driver of strategy and action. Without a robust research foundation to guide its decisions, KDC risks investing blindly - allocating resources to projects that fail to align with its mandate, missing critical market trends and opportunities, and ultimately undermining its ability to generate sustainable impact.

### Credit Process

KDC finds itself at a critical juncture. The appraisal and approval process, a cornerstone of KDC's operations, exhibits alarming inadequacies. The current system, characterized by a Turn Around Time (TAT) that overshoots policy guidelines—214 days against the stipulated 90 days for debt financing—signals a deep-seated operational gap. This protracted duration not only undermines client confidence but also jeopardizes the timely disbursement of funds and realization of socio-economic benefits envisioned by KDC's mandate, besides contributing to the high level of default.

### Passive Business Approach

KDC's current business development approach can be characterized as passive. Rather than proactively seeking out and engaging potential clients, the corporation seems content to wait for investors to come knocking. This reactive stance is a far cry from the dynamic, market-shaping posture one would expect from a leading development finance institution. By failing to take the initiative and actively cultivate relationships with key players across its focus sectors, KDC risks being left behind as other institutions including commercial banks steal its market share. This lack of outward orientation not only limits KDC's pipeline of viable projects but also undermines its visibility and credibility in the eyes of stakeholders.

### Customer Experience

Compounding this is the customer experience. Clients grapple with a fragmented interaction with KDC staff, leading to repeated information gathering and a service experience that is anything but cohesive. The absence of a dedicated customer champion throughout the client's journey further worsens the situation, leaving clients feeling unsupported and uncertain about whom to approach for assistance. In some cases, the clients have to go back to the Business Development staff who were the first point of contact during onboarding.

### Management of Customer Inquiries

The decentralized management of customer inquiries, spanning phone, front desk, social media, and website channels, has led to a scenario where responses are missed or delayed, inquiries inconsistently handled, and customer interactions difficult to track and analyze. This decentralized approach has, on several occasions, resulted in a diluted brand experience and a tarnished reputation.

### Impact Assessment

Moreover, the impact assessment process, a critical component of KDC's value proposition, is weak and lacks robustness at pivotal stages such as onboarding, appraisal, and portfolio management. Without a comprehensive understanding of the customer's needs, goals, and potential impact, KDC misses opportunities to tailor its services effectively, measure its own performance, and demonstrate the value it creates for clients and the broader community.

### High PAR

The financial health of KDC is worrisome, with the Portfolio at Risk (PAR) currently standing at 58%. This high PAR is attributed to the onboarding of non-ideal clients, the aforementioned long TAT, lack of quality business support, and harsh economic times facing the clients. The downward movement in PAR is often due to additional disbursements and newer lines of lending, rather than increased collections from non-performing accounts. This was highlighted in the Auditor General Report for the 2022/23 financial year. Keen to note is that the financial projections for the corporation's next 5 years assume a 90% loan repayment rate.

### Revenue Streams

The revenue streams of KDC, which should be the lifeblood of the institution, are under threat. The largest revenue stream, dividend income, is uncertain, with only 4 out of 53 equity investments paying dividends. Given that these investments were made prior to the merger and no equity investment has been made over the past three years, the viability of this stream in the long term is doubtful. Additionally, the reliance on rental income does not align with the core mandate of a development finance institution and yields returns that are not competitive. Finally, the low utilization of assets has to be addressed. With a net asset value of KES 37 billion and a loan book of only KES 5.7 billion, only 15% of KDC's assets are currently generating revenue.

### Risk Assessment Gaps

A deeper dive into KDC's investment decision-making process uncovers a troubling lack of reliance on robust risk assessment. While the corporation has a framework for evaluating potential investments, the application of these tools and the outcomes of the findings by the user departments appear to be inconsistent at best. This gap is particularly evident in the due diligence phase, where a more rigorous, multi-faceted approach to risk analysis is sorely needed. The failure to systematically assess and mitigate risks not only exposes KDC to potential financial losses but also jeopardizes the very development outcomes it seeks to achieve.

### Technical Expertise

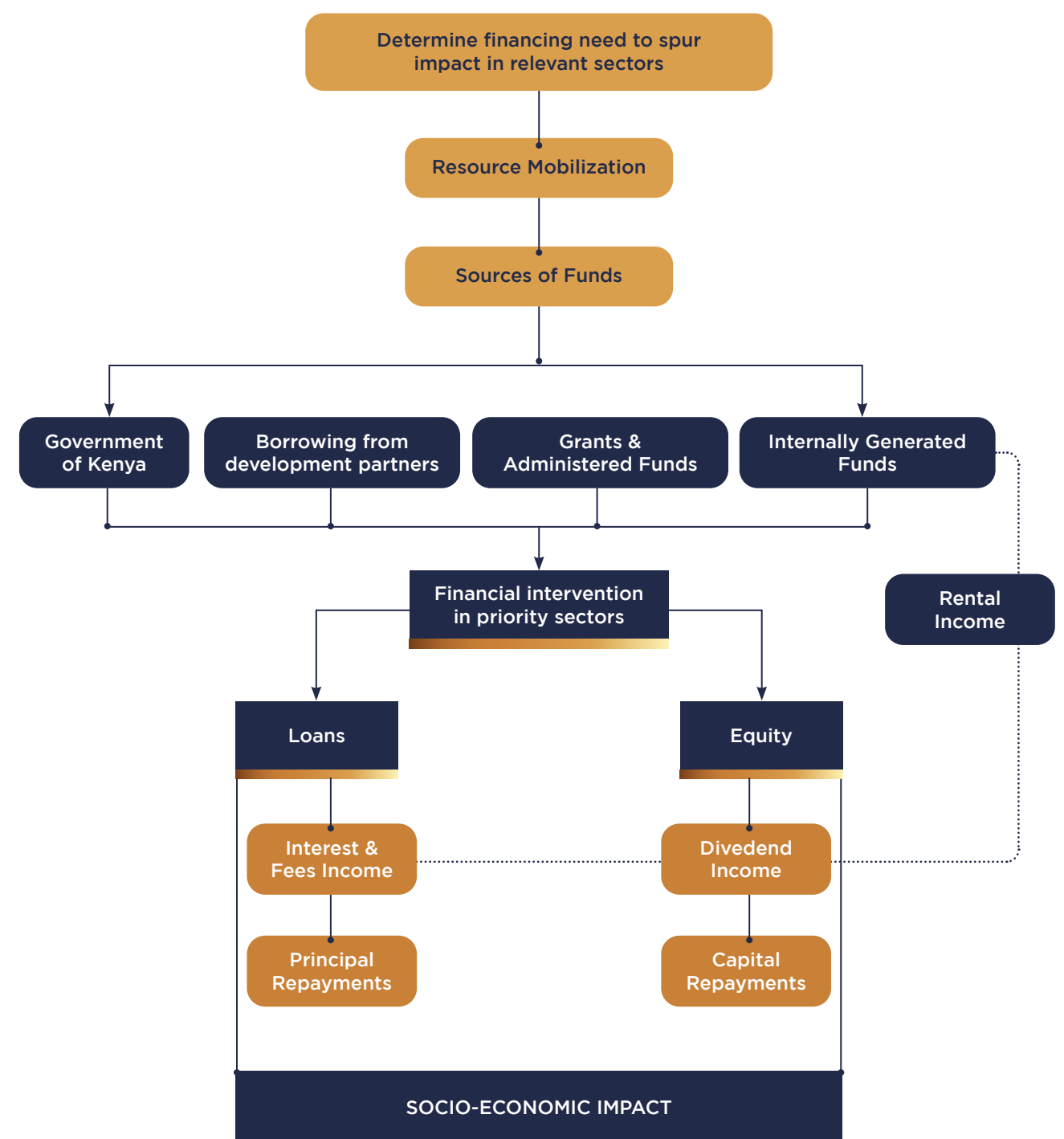
A review of the current portfolio revealed lack of technical expertise, particularly in critical areas such as machinery and equipment appraisal. This skills gap has far-reaching implications for the corporation's ability to effectively assess investment opportunities, monitor project implementation, and provide value-added support to its clients. The lack of in-house technical know-how means that KDC is often forced to rely on external consultants, a dependency that not only drives up costs but also undermines the corporation's agility and autonomy.

### Limited Visibility on Sustainability

A thorough review of KDC's external communications and reporting practices exposes a glaring lack of visibility on sustainability matters. Despite the corporation's stated commitment to promoting sustainable development, its efforts in this area remain largely opaque and under-communicated. While KDC does publish some high-level information on its sustainability initiatives, these disclosures lack the depth, specificity, and rigor that stakeholders increasingly expect. There is need to implement a robust sustainability communication and reporting strategy. Integrated reporting, which combines financial and non-financial information to provide a holistic view of the corporation's performance and impact, could be a particularly powerful tool in this regard.

## KDC'S FUNDING MODEL

KDC operates a strategic funding model designed to catalyze socio-economic development across various sectors. This model is underpinned by the Government of Kenya's determination of financing needs that are pivotal for making an impact in key sectors. KDC's resource mobilization is multifaceted, drawing from a mix of borrowings from development partners, grants, administered funds, and loans. Additionally, internally generated funds, including interest and fees income, principal repayments, dividend income from equity investments, and rental income, form a crucial part of the resource pool. The financial interventions made by KDC are targeted at priority sectors, with the aim of fostering socio-economic impact.

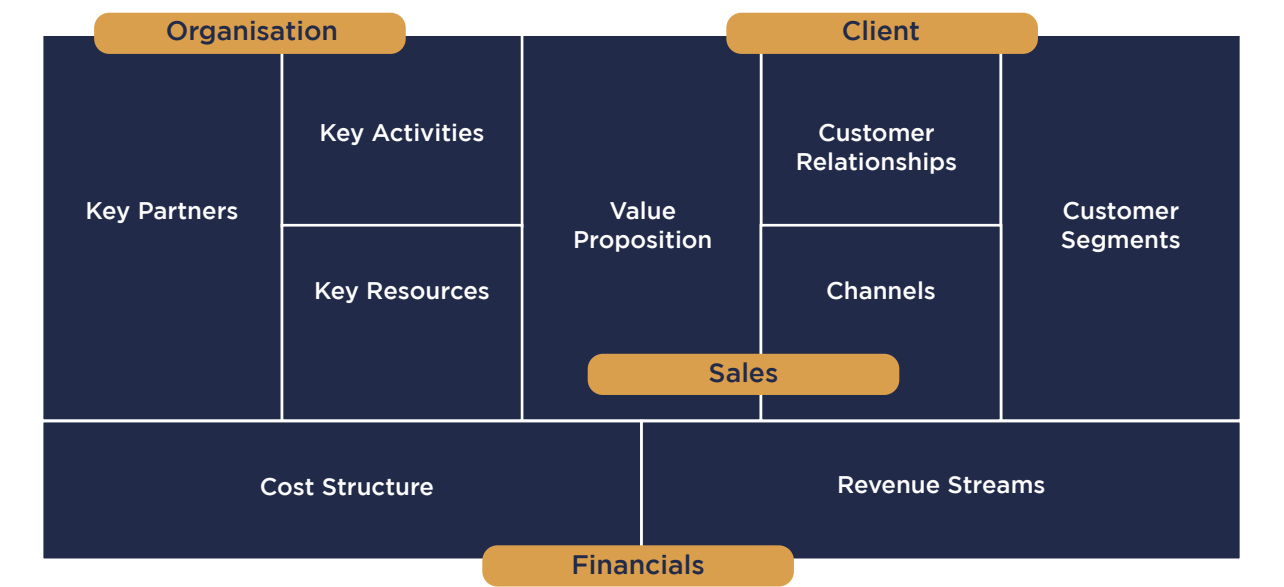




# KDC BUSINESS MODEL OVERVIEW

## Introduction

The Business Model Canvas provides a structured, comprehensive, and customer-centric lens to view, innovate, and communicate an organization’s way of delivering its purpose. The 9 areas of the canvas provide interconnected facets that enhance organisational sustainability. The interplay between these 9 areas forms the core of an organization’s business model.



The Business Model developed out of this canvas thus provides a guiding framework upon which the organisation’s strategic pillars, business objectives and resource allocation can be developed and validated. Broadly, it helps model how an organization creates, delivers, and captures value. Here is a summary of key questions that the business model addresses for KDC.

How do we create value? Value Proposition	How do we deliver value? Operations	How do we capture value? Financial viability
<ul style="list-style-type: none"><li>What products or services do we offer?</li><li>What customer needs or problems are our offerings solving?</li><li>Who are our target customers and what segments do they belong to?</li><li>Have we created an ideal customer, highlighted their pain points and understood their touchpoints?</li><li>How are our offerings differentiated from competitors?</li><li>What benefits do the customers derive from our offerings?</li><li>Are there untapped areas we need to exploit?</li></ul>	<ul style="list-style-type: none"><li>What key activities are required to create and deliver the value proposition for each key sector?</li><li>What key resources (e.g., human, intellectual, physical, financial) are needed to perform those activities</li><li>How can we leverage technology to improve our proposition?</li><li>What key partnerships are required to access necessary resources or capabilities?</li><li>What channels are used to reach and serve customers?</li><li>What kind of customer relationships should we establish and maintain</li></ul>	<ul style="list-style-type: none"><li>What are our revenue streams and how do we optimize them?</li><li>How do we price our offers?</li><li>What are our major cost drivers?</li><li>How do/will we manage our cost structure to be efficient?</li><li>How do/will we generate profit and how sustainable are we?</li><li>How do/will we fund our operations and growth</li></ul>

# KDC BUSINESS MODEL ELEMENTS

## Customer Segments

This section defines the different groups of people or organizations KDC aims to reach and serve.

Overview of Situation	Business Model Output	Justification of Output	
<ul style="list-style-type: none"><li>KDC has identified 8 sectors of focus - Manufacturing, Tourism, Post Harvest Management, Energy, Climate Change, Blue Economy, Health, and ICT</li><li>From the portfolio analysis as at Q3 of 2023/2024, KDC's focus is on 4 key areas -<ul style="list-style-type: none"><li>✓ Manufacturing (16%),</li><li>✓ Tourism (36%),</li><li>✓ Post Harvest Mgt (28%)</li><li>✓ Energy (9%).</li></ul></li><li>A review of a section of the current clients revealed that the clients in KDC's portfolio cannot be termed as KDC's ideal clients in the context of KDC's mandate.</li><li>Issus relating to high PAR in sectors of focus showed technical misfits in equipment procured, long TAT (approx. 214 days against 90 debt financing days as per policy), and KDC's failure to follow up with the customer in good time after project implementation.</li><li>Quality of screening at onboarding and appraisal not up to standard</li></ul>	<ul style="list-style-type: none"><li>KDC's sectors should be aligned to the MTP IV, BETA and Vision 2030 priority areas.</li><li>From this alignment and past performance, the recommended areas of focus should be:<div><div>1. Manufacturing</div><div>2. Health</div><div>3. Post-Harvest Management</div><div>4. Tourism</div><div>5. Climate Change</div><div>6. Digital &amp; Creative Economy/ICT</div></div><i>*ICT and Climate Change remain as cross cutting sectors.</i></li><li>A cross sector ideal client for KDC is as below:</li></ul>	<ul style="list-style-type: none"><li>Aligning sectors of focus with MTP IV and BETA simplifies the reporting framework and provides high level conformity to government's priority areas.</li><li>6 sectors will provide the required level of diversification to reduce concentration risk.</li><li>Use of lead generation and onboarding teams to ensure redistribution of the portfolio moving forward.</li><li>Impact grading matrix will ensure that KDC's mandate remains clear throughout the customer journey.</li><li>Targeted marketing to sector specific ideal clients will consolidate efforts to create a quality pipeline and ensure that clients align with KDC's mandate.</li><li>Set specific allocations for each area of focus.</li></ul>	
	Type/Form		Limited liability companies
	Governance		<ul style="list-style-type: none"><li>Leadership expertise and experience</li><li>Critical functional areas resourced with qualified/competent personnel.</li></ul>
	Financial Performance		<ul style="list-style-type: none"><li>Meeting credit screening framework</li><li>Positive revenue growth and net profit margins</li><li>Debt Service Coverage ratio of 1.3</li><li>Liquidity - Quick Acid ratio of 1:1</li><li>Leverage - Debt to Total Assets ratio of 1:3</li></ul>
	Socio-Economic impact		<b>Areas of assessment</b> Job growth; Measurable farm to market impact; Import reduction; Exports generated; Affordable healthcare access; Government revenue; Social infrastructure development; New budget tourism hubs; Carbon credits
	Pain points/Challenges		Incoherent business plan; Lack of collateral; Immediate repayment; Unfavorable macro-economic policies; Perception of high risk in their industries; Financial needs - long-term, short-term, working capital, CAPEX; Association with the government goodwill; high interest rates/pricing of loans in the market.
	Ticket Size		KES 10 million - KES 500 million, subject to Terms & Conditions
	Channels:		Events; Online Portal; In-person; Referrals; Website
Key Customers	The Corporation serves diverse clients across various sectors and industries. The clients include:		
<ul style="list-style-type: none"><li>Private companies in key sectors of focus seek various financial products (e.g. asset financing, working capital and project financing) and advisory services.</li><li>New or existing enterprises in the priority sectors through equity investment.</li><li>Financial institutions such as SACCOs and microfinance institutions. These institutions are provided with wholesale financing, credit lines, risk-sharing arrangements, and capacity building initiatives to enhance access to finance for SMEs and underserved sectors.</li><li>Infrastructure developers, construction companies, engineering firms, and project contractors who are financed to implement large-scale infrastructure projects such as roads, railways, energy facilities, water supply systems and healthcare facilities and waste management.</li><li>Foreign and domestic investors seeking joint investment opportunities in the country.</li></ul>			

# ▶ VALUE PROPOSITION

The Value Proposition describes the bundle of products and services that create value for a specific Customer Segment. Through the proposition, customers should find the reasons to choose and engage with KDC.

On behalf of the Government of Kenya, KDC aims to position itself as a strategic partner for both local and foreign institutions and investors seeking not just capital, but also the value-added support and long-term commitment needed to achieve sustainable growth and impact in the country’s priority areas as informed by the GoK’s Medium-Term Plan IV and the BETA framework.

## Vision, Mission, Purpose, and Core Values



**Vision:**

A globally competitive development financial partner.



**Mission:**

To provide financial and technical support to medium and large-scale enterprises for sustainable socio-economic development.



**Core Values:**

- Customer-centricity
- Integrity
- Sustainability
- Inclusivity
- Collaboration

**Purpose:** Transforming Kenya's Socio-Economic Landscape.

**Tagline:** “Your Success Partner.”

**Brand Promise:** Creating Sustainable Growth

**Value Proposition Statement:** We offer customized financing and value-added support to generate sustainable socio-economic value.

Delivering this Value Proposition will be through 5 Pillars:

Targeted Financial Support	End-to-End Customer Support	Strategic Business Advisory	Access to Networks and Partnerships	Impact Measurement and Reporting
<ul style="list-style-type: none"><li>• KDC will provide tailored long-term financing solutions (KES 10-500M) to its ideal businesses with the greatest potential for driving Kenya's socio-economic development in the 6 sectors of focus.</li><li>• Through flexible terms, including moratoriums, amortization, and opportunities for restructuring, KDC will seek to align its products with the client financial needs and cycles.</li></ul>	<ul style="list-style-type: none"><li>• Once on-boarded KDC will receive personalized, end-to-end support from dedicated relationship officers who will walk with the client throughout their journey with KDC.</li><li>• Through continuous process improvements, KDC will endeavor to provide superior customer experience to its clients and collect feedback to address client concerns.</li></ul>	<ul style="list-style-type: none"><li>• Through sector deep knowledge and expertise KDC will go beyond financing by offering clients sector-specific strategic advice and technical assistance.</li><li>• This hands-on support will help businesses build critical capabilities faced by client businesses, overcome obstacles, and seize new opportunities for growth and impact.</li></ul>	<ul style="list-style-type: none"><li>• KDC will leverage its extensive network and reputation to connect clients with key partners, markets, and expertise.</li><li>• By associating with KDC, businesses will gain credibility and access to an ecosystem of support, which helps position KDC as a partner.</li></ul>	<ul style="list-style-type: none"><li>• KDC is committed to measuring and transparently reporting the social and economic impact of its investments.</li><li>• Emphasis will be placed on helping clients understand and report their impact to their stakeholders even as KDC reports its impact to these client businesses.</li></ul>

## Value Proposition to other Stakeholders

Beyond the ideal client, KDC is committed to delivering its value proposition to its ecosystem of stakeholders below:

Partner	Strategic area of partnership	Our value proposition
The Government of Kenya	Policy direction, regulatory support, funding, and capitalization.	<ul style="list-style-type: none"><li>• Contribution to achievement of government development priorities, EAC Vision 2050, AU Agenda 2063 and SDGs.</li><li>• Investment in high-impact socio-economic sectors.</li><li>• Returns on investments.</li></ul>
Funders	Lines of credit and concessions to KDC, co-funding opportunities, syndications, and risk-sharing arrangements	<ul style="list-style-type: none"><li>• Access to a diversified portfolio of development projects in Kenya, leveraging KDC's expertise in identifying and managing viable long-term investments.</li><li>• Creating high socio-economic impact in target markets.</li></ul>
International development organizations	Funding, technical assistance, policy development, capacity building.	<ul style="list-style-type: none"><li>• Partnership opportunities to achieve their objective of responding to complex global challenges and helping countries achieve their development out comes.</li></ul>
Academic & non-academic institutions	Collaborative research projects, development of new and innovative financing models and capacity building.	<ul style="list-style-type: none"><li>• Opportunities for knowledge exchange, access to cutting-edge research and innovation, and workforce development through internships and academic partnerships.</li></ul>
Innovation hubs and Tech Start-ups	Venture capital investment, mentorship programs, innovation in financial products and services	<ul style="list-style-type: none"><li>• Early access to innovative solutions and technologies, potential for high-impact investments in the burgeoning tech ecosystem, and internship opportunities.</li></ul>
Other financial institutions	Syndicated loans, joint investments, and financial market development	<ul style="list-style-type: none"><li>• Opportunities for risk sharing, access to larger pools of capital, and collaboration on projects with significant economic impact.</li></ul>
Other government agencies	Support for specific sectors (e.g., agriculture, manufacturing), facilitation of regulatory processes	<ul style="list-style-type: none"><li>• Enhanced project implementation through sector-specific expertise and regulatory support, contribution to national development goals.</li></ul>
Private sector investors	Joint ventures, co-financing, market expansion opportunities	<ul style="list-style-type: none"><li>• Providing opportunities for PPP projects.</li><li>• Opportunities for asset development</li><li>• Access to new business opportunities and information sharing.</li><li>• Leverage on KDC's brand and strength to market their products and services.</li></ul>
Sustainable and Green Finance Institutions	Funding and investment in environmentally sustainable and renewable energy projects, development of green finance products.	<ul style="list-style-type: none"><li>• Opportunities to partner to achieve strategic investment goals.</li><li>• Information sharing opportunities;</li></ul>
Professional Services Firms	Advisory services in areas such as risk management, financial structuring, and corporate governance.	<ul style="list-style-type: none"><li>• Opportunities for business and professional practice.</li><li>• Knowledge and experience sharing opportunities.</li></ul>

## CHANNELS, TOUCH POINTS AND RELATIONSHIPS

This section describes how an organisation communicates with and reaches its Customer Segments to deliver its Value Proposition. This includes communication, distribution, and sales channels, both direct and indirect, which form the key touch points between the organisation and its clients.

Customer Relationships on the other hand describes the types of relationships the organisation establishes with specific customers, as informed by the type of products and services in its portfolio and the specific type of customer being served - Business to Business (B2B), Business to Consumer (B2C) or Business to Government (B2G).

### Overview of Situation

1.

#### Lack of continuity:

As customers progress through their journey, they interact with multiple KDC staff members who may not have a complete understanding of the client's history or prior interactions. This lack of continuity leads to inconsistent service, repeated information gathering, and a disjointed experience for the customer.

2.

#### Absence of a dedicated customer champion:

There is no single point of contact or dedicated customer champion to guide and support the client throughout their entire journey. This absence of a consistent, knowledgeable, and accountable resource results in a less satisfactory customer experience, as clients feel unsupported or unclear about whom to reach out to for assistance.

3.

#### Decentralized customer enquiry management:

Customer enquiries received through various channels such as phone, front desk, referrals, social media, and website are not consolidated into a centralized system. This decentralization has on several occasions led to missed or delayed responses, inconsistent handling of inquiries, and difficulty in tracking and analyzing customer interactions holistically.

4.

#### Weak impact assessment:

The current process lacks robust impact assessment at critical stages such as onboarding, appraisal, implementation, and portfolio management. Without a thorough understanding of the customer's needs, goals, and potential impact, KDC is missing opportunities to tailor its services effectively, measure its own performance, and demonstrate the value it creates for clients and the broader community.

5.

#### Absence of a process owner:

There is no clear ownership of the end-to-end customer journey process. Without a designated process owner to oversee, optimize, and ensure accountability for the entire customer experience, improvements may be piecemeal, and systemic issues may persist, leading to a diluted KDC brand experience.

6.

#### Suboptimal online application:

The current online application process is not fully optimized to handle end-to-end customer applications. This limitation is leading to inefficiencies, duplication of effort, and to some extent a subjective appraisal outcome which fails to deliver the promised experience.

### Optimizing the customer journey

1.

Establish a dedicated customer success team comprising Relationship Officers, with each client assigned a primary point of contact who can provide personalized support, ensure continuity, and coordinate with other departments as needed.

2.

KDC has a Customer Relationship Management (CRM) system that is not currently in use. Revamp the CRM to consolidate customer data, interactions, and enquiries across all channels. This system should be accessible to all relevant staff - business development, appraisal, portfolio management, enabling them to view a complete picture of each customer's journey.

3.

Develop and implement robust impact assessment frameworks and tools at each critical stage of the customer journey to help KDC better understand and meet customer needs, measure its own performance, and demonstrate the value it creates. This will provide sufficient content for brand story telling as well.

4.

Appoint a customer experience process owner to oversee the end-to-end journey, identify improvement opportunities, and ensure accountability for delivering a seamless, high-quality experience. This process owner would ordinarily sit in Marketing.

5.

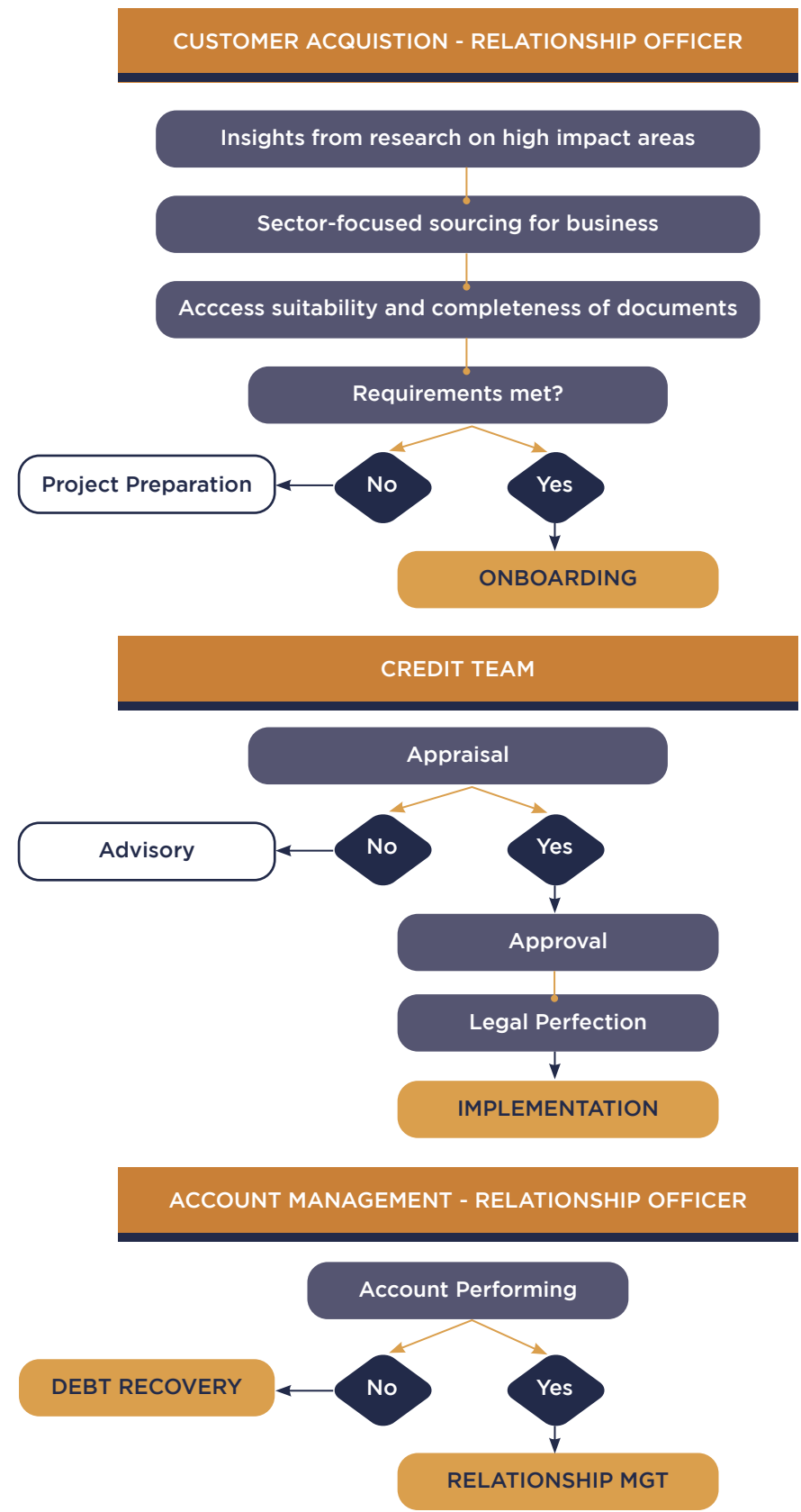
Optimize the online application process to enable end-to-end digital customer applications, reducing manual intervention and improving convenience for customers.





Debt Investment Value Map

To improve the overall experience, the value map below shows the proposed process flow that will guide the touchpoints and quality of engagement required at each stage of the journey. The relationship officer will be the point of contact with the client throughout the client journey at KDC.

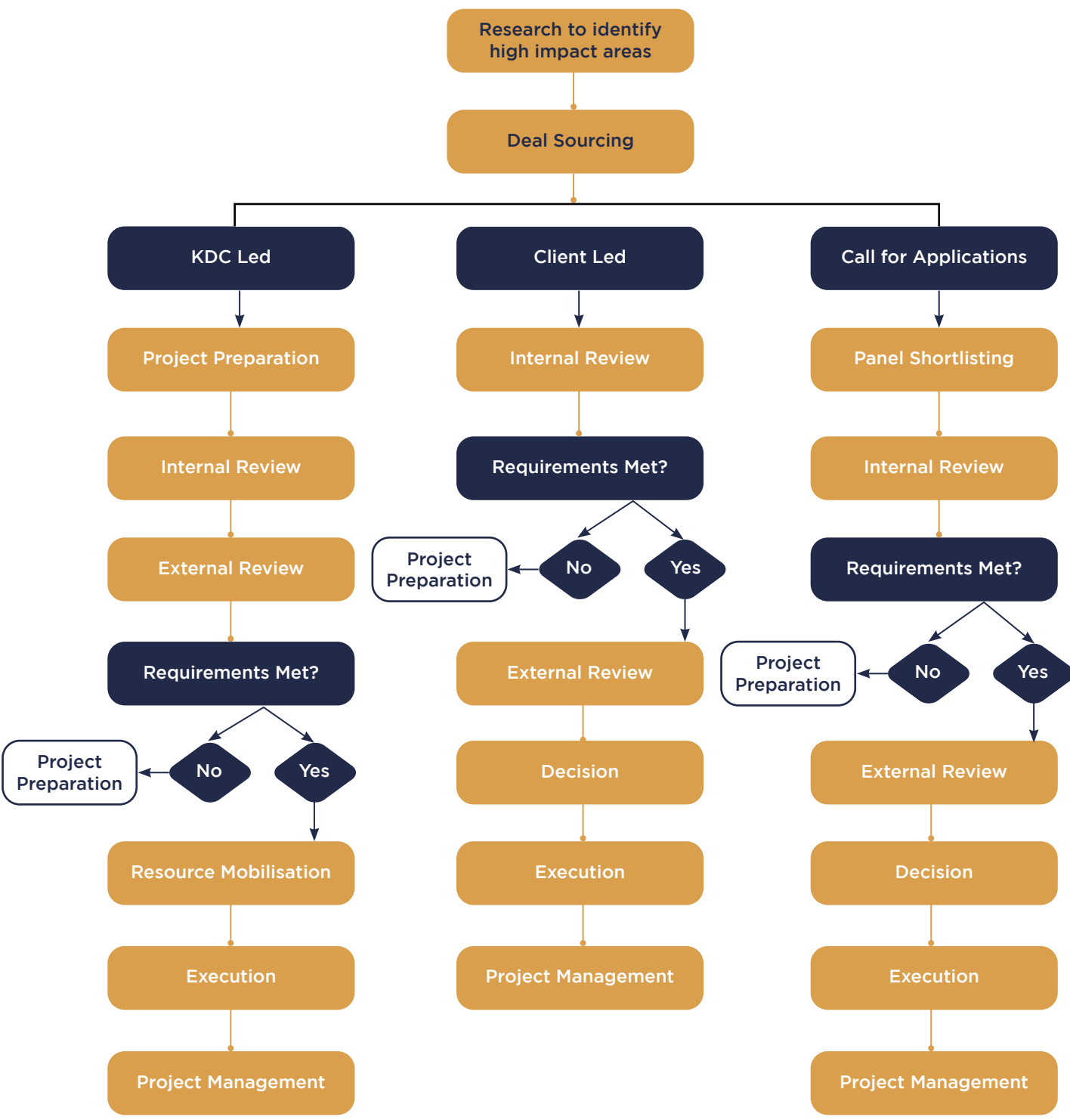


Justification

An omni channel approach provides deeper engagement with prospects, which improves quality of the pipeline and sales funnel. Impact monitoring demonstrates commitment to mandate.

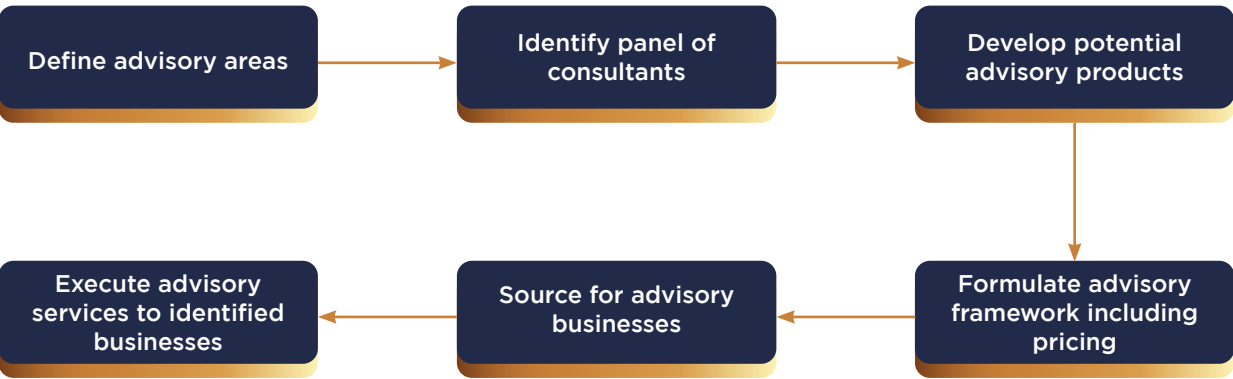
Equity Investment Value Map

The value map below shows the equity investment journey that will guide initiatives to improving the customer experience of investors. Emphasis is on the need to have a strong internal Project Preparation team that would help package the clients to be onboarded, which helps de-risk such clients and lowers the chances of the project defaulting. Project management to be done by Relationship Officers.



Business Advisory Value Map

As KDC revamps its business advisory unit, the value map below defines the scope of work to be performed by the unit to deliver a superior customer value to prospective clients.



Business Advisory Journey Enhancements

- Establish a Business Advisory Panel, comprising diverse internal subject matter experts and external consultants across key domains such as financial management, strategy, operations, technology, and sustainability. A knowledge management system will be crucial to capture and share expertise across the panel and with client-facing teams.
- During development of the pricing model, KDC should define and package its advisory services into two categories:
  - o **Value-added services bundled with core offerings.**  
Value-added services may include basic financial management and reporting guidance, introductory strategy and business planning support, operational efficiency recommendations, initial technology needs assessment, and an overview of sustainability best practices and ESG reporting.
  - o **Revenue-generating services.**  
These, on the other hand, can encompass comprehensive financial management and forecasting, detailed strategic planning and execution support, operational transformation and process optimization, technology roadmap development and implementation support, in-depth sustainability strategy and ESG reporting guidance, customized market research and competitive analysis, talent management and leadership development programs, and governance and risk management advisory.
- Provide comprehensive education on socio-economic impact and ESG to cover topics such as understanding and measuring socio-economic impact, aligning business strategy with social and environmental goals, best practices in ESG management and reporting, and leveraging impact and ESG performance for growth and investment.
- Conduct financial literacy and awareness initiatives designed to support entrepreneurs and investors who exhibit deficiencies in these essential competencies. These programs could also encompass bookkeeping skills to ensure participants develop a well-rounded understanding of financial management and its critical role in business success.
- Build partnerships with key stakeholders such as industry associations, government agencies, and local communities to create shared value and expand reach. will also enable KDC to offer holistic support to its clients.
- Develop a robust impact measurement and management framework aligned with global standards, setting clear impact targets and KPIs for each client engagement, and implementing regular data collection and reporting processes will enable KDC to track progress and provide clients with valuable insights and recommendations.

KEY ACTIVITIES

This section identifies high level activities to implement the business model and achieve profitability for the organisation.

Activities to enhance Brand Positioning	Activities to deliver value proposition	Activities to enhance operational efficiency	Activities to enhance financial viability	Activities to enhance data driven competence
<ul style="list-style-type: none"><li>• Leverage brand story-telling that resonates with KDC's mission and showcases its socio-economic impact over years of existence.</li><li>• Engage in strategic content sponsorship to enhance visibility in industry-related events and publications.</li><li>• Partner with key influencers in financial inclusion and development to amplify KDC's reach.</li><li>• Perform a comprehensive brand equity audit to measure and improve KDC's market perception.</li><li>• Establish KDC as a thought leader through the publication of insightful research and participation in industry dialogues.</li><li>• Ensure KDC's representation in policy-making bodies to influence economic strategies and align with national goals.</li><li>• Leverage strategic partnerships with global and local entities [World Bank, Exim bank, KenInvest etc] to foster collaboration and co-investment opportunities.</li><li>• Pursue system and green certifications</li></ul>	<p>In addition to the activities proposed under the 5 pillars of the Value Proposition, the following activities are to be implemented:</p> <ul style="list-style-type: none"><li>• Optimize existing CRM system to centralize customer data, interactions, and feedback.</li><li>• Automate and streamline the end-to-end credit process to reduce turnaround times and improve transparency.</li><li>• Redesign the website to be interactive, user-friendly, and feature-rich, with intelligent tools to guide customers through the application process.</li><li>• Enhance digital marketing capabilities, leveraging social media, targeted campaigns, and content marketing to engage and educate customers.</li><li>• Establish a robust customer feedback loop, regularly conducting satisfaction surveys and acting on insights.</li><li>• Invest in capacity building to upskill staff in product knowledgeability and customer-centric competencies like relationship management, communication, and problem-solving.</li><li>• Implement a knowledge management system to equip staff with the information and resources needed to provide high-quality, consistent customer support.</li></ul>	<ul style="list-style-type: none"><li>• Mainstream research in business development and investment decisions.</li><li>• Deploy data analytics and AI tools to derive actionable insights for decision-making.</li><li>• Automate manual processes in all departments, and acquire a workflow management system, to free up staff time for higher-value activities and improve accountability.</li><li>• Conduct thorough BPR to identify and eliminate inefficiencies, bottlenecks, and redundancies in current operations.</li><li>• Recognize and reward staff who come up with innovative ideas.</li><li>• Invest in modern IT infrastructure, including cloud-based solutions, to improve scalability, reliability, and security of operations.</li><li>• Consider developing in-house IT solutions that will address the unique needs of KDC.</li><li>• Establish clear performance metrics and KPIs for each function, with regular monitoring and reporting to drive accountability and identify areas for improvement.</li></ul>	<ul style="list-style-type: none"><li>• Unload non-performing loans to third-party institutions, prioritize quality lending to ideal clients, and prioritize collections to minimize PAR.</li><li>• To diversify revenue streams, revamp advisory services in the medium-term, offer transaction advisory services in the long-term, and develop a targeted marketing approach to deliver advisory services.</li><li>• Sell/Divest from idle assets to create cash flow and reinvest in priority areas.</li><li>• Treat departments as Cost Centres, with the Directorate overseeing cost absorption and Finance serving as the primary custodian and advisor for budget utilization, absorption, and supervision.</li><li>• Research to conduct quarterly pricing surveys to form a basis in the development of the subsequent quarter's strategic procurement plan.</li><li>• Implement a comprehensive asset management framework that encompasses asset allocation, risk management, and performance monitoring of the assets.</li><li>• Remain market driven.</li></ul>	<ul style="list-style-type: none"><li>• Establish and enforce data quality standards to ensure accuracy and consistency across the corporation.</li><li>• Develop and utilize standardized templates for capturing structured qualitative data effectively.</li><li>• Standardize and automate data capturing processes to reduce manual errors and improve efficiency.</li><li>• Invest in data analytics resourcing, training, and tools to enhance skills and promote data-driven decision-making.</li><li>• Clearly define the specific data needs aligned with strategic goals to guide data collection efforts.</li><li>• Conduct regular data literacy programs to sensitize employees on the importance of data management.</li><li>• Centralize data reporting to streamline processes and ensure uniformity in data analysis.</li><li>• Implement standard operating procedures for data capture, processing, and regular data cleanup</li></ul>

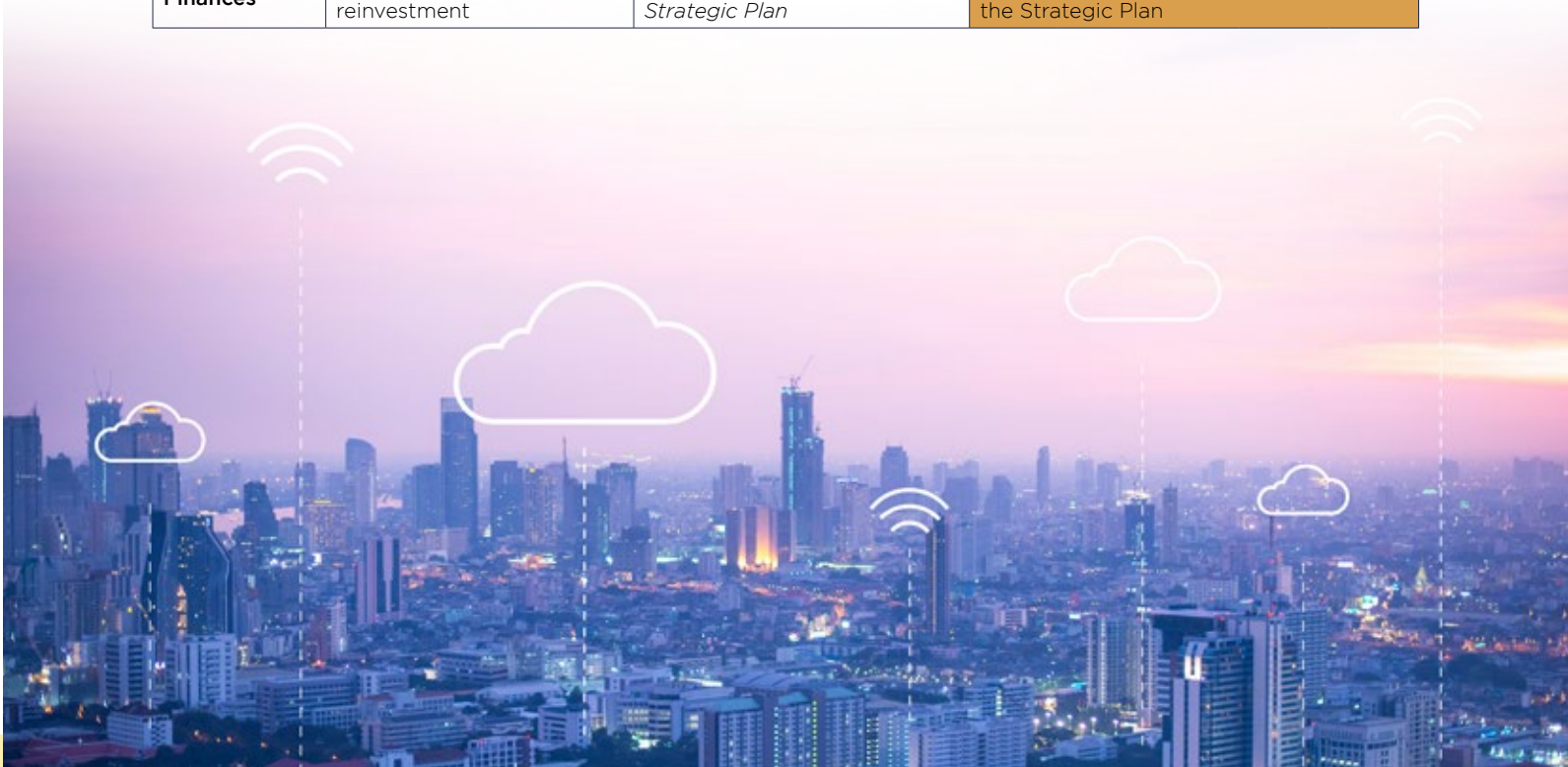


# KEY RESOURCES

This section summarizes the key resources required for the implementation of the Business Model, and the period in which the resources should be availed for smooth implementation.

Area	Specific areas of focus	Resource/Action required	Requirements				
			Year 1	Year 2	Year 3	Year 4	Year 5
People	Structure	Revise the structure to realign roles based on competencies and KDC priority areas.					
	Staffing	On-board competent staff to fill areas necessary to deliver business model and strategic plan: Statisticians; Economists; Relationship Officers; Marketing; Digital Marketing; System Engineers; Systems Auditor; Fund Mobilization					
Skills and Competencies	<b>Research &amp; Innovation:</b> Research skills; Statistical analysis; Data analysis and analytics; Intellectual property	Training and capacity building					
	<b>Brand building and positioning</b> Communication; Negotiation; Networking; Social activism; Marketing skills; Lobbying skills	Training and capacity building					
		Position key individuals position themselves as subject matter experts.					
		Writing and publishing thought leadership content					
		Media training for key individuals and leadership					
		Collect customer testimonials, stories and promote content					
	<b>Investment:</b> Financial analysis; Industry/sector knowledge; Risk management; Financial modelling; Deal sourcing; Deal structuring; Portfolio management + M&E; Corporate restructuring; Equity investments; Marketing skills on financial products; Product development; Socio-economic impact assessment; Investment reporting; Dealing with difficult clients; Conflict management;	Training and capacity building					
		Benchmarking with other DFIs and commercial banks to enhance competence					
		Run exchange programs with other DFIs regionally					
	<b>Customer Experience:</b> Relationship management; Communication; Organizational & product knowledge skills						

Area	Specific areas of focus	Resource/Action required	Requirements				
			Year 1	Year 2	Year 3	Year 4	Year 5
Technology & Infrastructure	Research & Innovation	Data collection software and data analytics tools					
		Acquire and configure knowledge management system/repository					
	Brand building, positioning, and Customer Experience	Revamp digital marketing platforms					
		Acquire content video and photo production and editing equipment for content creation					
		Create and publish content on all online platforms					
		Create an Interactive website					
		Acquire social monitoring tools					
		Develop customer feedback collection mechanism					
		Revamp online application platform to accommodate more features/data at source.					
	Process Improvements	Conduct root cause analysis for long TAT and worsening loan book					
		Acquire a data warehouse to collect structured data					
		Acquire workflow management system					
		Enforce use of online application					
		Develop Impact Assessment Tool					
		Automate & streamline the end-to-end credit process					
		Corporation processes alignment with new model					
Finances	Financing needed for reinvestment	As outlined in the 5-year Strategic Plan	The annual allocations are as defined in the Strategic Plan				



KEY PARTNERS

This section describes the network of key partners that will make the business model work.

Area	Partner	Partner Engagement	Resources to be mobilized
Financial	Financial institutions	<ul style="list-style-type: none"><li>Collaborate with banks and financial institutions to secure lines of credit for KDC's financing activities.</li><li>Explore debt financing options through partnerships with banks and credit providers.</li><li>Co-investment opportunities in development projects</li></ul>	12B
	Development partners	<ul style="list-style-type: none"><li>Engage with development partners to access grants and technical assistance for specific projects.</li><li>Collaborate on capacity-building programs to enhance KDC's institutional capabilities especially in technical areas like project monitoring.</li><li>Seek co-investment opportunities with development partners to leverage resources.</li><li>Organize, attend and network with development partners at investment summits periodically.</li><li>Utilize opportunities for thought leadership and demonstration of subject matter expertise and deep knowledge [through research and publications] in the key impact sectors that KDC focuses on.</li><li>Enhance brand building and positioning initiatives to drive KDC's visibility and impact across Africa.</li></ul>	15B
	Government	<ul style="list-style-type: none"><li>Policy - engage with government agencies to align KDC's initiatives with national development policies.</li><li>Invite sectoral/departmental heads of relevant government authorities and value chain members to joint discussions on priority areas of collaboration and impact.</li><li>Explore grant opportunities from government programs supporting economic growth.</li><li>Collaborate on strategic projects that benefit both KDC and the government. Such projects would include electricity connection, agri-business development etc.</li><li>Attend and present at investor meetings bringing together local and foreign investors</li></ul>	
Technical	Development partners	Have MOUs with development partners to collaborate on capacity-building programs to enhance KDC's institutional capabilities especially in technical areas like project monitoring.	Accelerated learning and improvement. Access to Expertise Enhanced Innovation
	Universities, Associations and Professional Bodies	<ul style="list-style-type: none"><li>Participate in industry associations to network, advocate, and access resources like preliminary research publications and opportunities for their members and/or students.</li><li>Leverage professional bodies for training, knowledge sharing, and skill development. Liaise to get referrals for technical areas like machine specification checks and other areas of business advisory.</li><li>Co-create initiatives with learners in institutions to drive innovativeness. KDC to explore innovation incubation hubs to nurture and curate ideas from young learners and professionals.</li><li>Collaborate with universities on research relevant to KDC's focus sectors</li></ul>	
	Peer DFIs	<ul style="list-style-type: none"><li>Exchange best practices, case studies, and lessons learned.</li><li>Explore joint investments with other DFIs to pool resources.</li><li>Seek technical support and expertise from peer DFIs.</li></ul>	
	Tech firms	Partner with tech firms for digital solutions, data analytics, and automation as well as innovative solutions and co-investment opportunities like incubation labs and hackathons.	
Strategic partners	DFIs	<ul style="list-style-type: none"><li>Investor round table sessions towards getting DFIs to acquire shares in KDC.</li><li>Position KDC as an effective socio-economic impact organisation</li></ul>	10% - 20% investment
Strategic investors	DFIs; Venture capitalists; Angel investors; NSE	<ul style="list-style-type: none"><li>Engage with NSE for potential listings, transaction advisory licensing and referral market for advisory services.</li><li>Present opportunities to private investors that demonstrate potential for high socio-economic impact.</li><li>Joint ventures syndications with KDC as the leading partner</li></ul>	5B

REVENUE STREAMS

This section identifies the key revenue streams that will fiancé the operations in the business model. The key revenue streams are also reviewed to assess their suitability and the organisation's degree of reliance on these streams in the near future.

Facility/ products	Pricing				Business Model Output
	Funded		Non-funded		
Loans - Interest	Explanation	Rate	Explanation	Rate	<ul style="list-style-type: none"><li>As per the 2022/2023 Audited Accounts, the key revenue streams for KDC are as below:<ul style="list-style-type: none"><li>✓ Dividend income - 37%</li><li>✓ Interest on loans - 20%</li><li>✓ Rental income - 21%</li><li>✓ Interest on deposits - 15%</li><li>✓ Other gains and losses - 4%</li><li>✓ Other incomes - 3%<ul style="list-style-type: none"><li>Through lending to the ideal clients and enhancing collection initiatives, KDC anticipates growth in its interest on loans.</li></ul></li></ul></li><li>The financial projections of the corporation assume that collections will be 90% of what is disbursed.</li><li>KDC seeks to revamp its business advisory unit to generate additional revenue over the next 5 years.</li><li>In the long-term transaction advisory to be pursued as another source of revenue.</li><li>The pricing formula is determined by the Risk and Assets and Liabilities Committees.</li><li>KDC to evaluate each product in terms of absorption rate in the market as the basis for renewal of such credit lines.</li><li>For ease of monitoring, principal and interest payments to be in separate accounts.</li><li>Implement revenue growth activities recommended under the Key Activities section.</li></ul>
KDC Funds	Built-up pricing approach <ul style="list-style-type: none"><li>Cost of borrowed funds - <b>A =5%</b></li><li>Administrative costs cover - <b>B =4%</b></li><li><b>Base rate - C = A+B = 9%</b></li><li><b>Risk premium - D = 3%</b></li><li><b>Weighted average credit - D = C + D = 12%</b></li></ul>	12%	Loan appraisal fee	1.5%	
			Loan restructuring fee	1%	
Exim LoC	Interest rate	9.5%	LoC commission per quarter	0.25%	
SAFER	Borrowing rate is 3% + risk premium of 4 %-5%	7%- 9%	Appraisal fee	0.75%	
DRIVE	Wholesale financing	3%			
	Women + Youth	8%			
	Non-women, non-youth	9.5%			
ESP		5%			
Equity - Dividends					
Common equity	Expected return = Base rate + 10%	19%			
Preferential equity	Expected return = Base rate + 7%	16%			
Other					
Rent income (as per audited statements)	Uchumi House		2022/2023; 2021/2022	7%; 7%	
	Finance House		2022/2023; 2021/2022	3%; 4%	
	Utalii House		2022/2023; 2021/2022	6%; 8%	
Guarantee facilities			Commission - one-off	0.25%	
Technical advisory services	Preparation of business plans, financial statements	Variable			
Technical services	<ul style="list-style-type: none"><li>Company valuation</li><li>Board secretarial services</li><li>Share registration</li></ul>	Variable			

\*KDC seeks to attain an Interest: Dividend: Rental Income ratio of 50:30:20 by 2028/29



Evaluation of Revenue Structure

Stream	Share	Evaluation	Way forward
Dividend Income	37%	<ul style="list-style-type: none"><li>Currently the largest revenue stream. Out of 53 equity investments, only 4 are paying dividends.</li><li>Given that these investments were made way before the merger, and that no equity investment has been made over the past 3 years, the viability of this stream in the long term is doubtful.</li><li>Further, should the dividend paying companies face economic shocks as is currently the case, significant reduction in this line is likely, which casts doubt on the financial health of KDC moving forward.</li></ul>	<ul style="list-style-type: none"><li>Management team initiate discussions with the Treasury department to develop a structured and efficient process for divesting from the company's current non-dividend paying equity investments.</li><li>Conduct a comprehensive review of its idle assets and develop a strategic plan for their optimal utilization or disposal.</li></ul>
Interest on loans	20%	<ul style="list-style-type: none"><li>Over the past 3 years, this has been the primary focus of the corporation, and should therefore be making a significant portion of KDC's revenues.</li><li>However, on-boarding the non-ideal client, long TAT, lack of quality business support and harsh economic times facing the clients has led to a high number of Non-Performing Loans, with the PAR currently at 58%.</li><li>Downward movement in this PAR is in most cases due to additional disbursements and newer lines of lending, and not due to increased collections from the non-performing accounts.</li></ul>	<ul style="list-style-type: none"><li>Target the ideal client and streamline appraisal process.</li><li>Improve internal processes to reduce TAT.</li><li>Improve business support and timely portfolio management.</li><li>Proactively make collections once funds are disbursed.</li><li>Consider selling NPLs to debt recovery entities at a discount</li></ul>
Rental Income	21%	<ul style="list-style-type: none"><li>This is mainly from the 3 key rental properties - Uchumi House, Utalii House and Finance House.</li><li>Though no major declines are anticipated in the near future, reliance on this stream does not paint a picture of an impactful DFI, given that property letting is not part of the core mandate of the DFI.</li><li>Further, returns on real estate currently average 7 - 8%, [KDC average return for years 2021/22 and 2022/23 stands at 6%] which might not be the most competitive return to the DFI.</li></ul>	<ul style="list-style-type: none"><li>Property improvements to increase occupancy rates and guarantee collection of rental income.</li><li>Have a dedicated property management unit/staff to specifically manage the key properties including tenant management.</li><li>Consider selling property whose return stays below 6%.</li></ul>
Interest on deposits	15%	<ul style="list-style-type: none"><li>This is also a key stream for KDC. Significant deposits with other institutions could translate to low absorption rates of the funds sourced for onward lending, which waters down the perception of the corporation among its key stakeholders.</li><li>Secondly, with declining collections from loans disbursed, it is likely that KDC will be utilizing these deposits for lending. But with a high PAR, there is no guarantee that the interest from the loans disbursed will be collected in time.</li></ul>	<ul style="list-style-type: none"><li>Improve KDC lending processes as above in order to reduce PAR and make lending more sustainable.</li></ul>

COST STRUCTURE

This section identifies the key cost drivers and optimization measures geared towards ensuring successful implementation of the business model. The key cost drivers for the corporation are as follows.

Key Cost Drivers	Actual Cost as at		Proportion to total cost	Proportion of Cost to Revenue as at	
	30th June 2023	31st March 2024	As at 30th June 2023	30th June 2023	31st March 2024
Staff Costs	476,978,398	382,323,954	38%	26%	35%
Administrative costs	435,120,294	351,798,302	34%	24%	32%
Finance charges	45,093,077	34,075,738	4%	2%	3%
Provision for Loans	312,629,421	98,341,094	25%	17%	9%
<b>Total Cost</b>	<b>1,269,821,191</b>	<b>866,539,088</b>			
<b>Total Revenue</b>				<b>1,808,629,127</b>	<b>1,082,539,679</b>

Business Model Output and Cost Optimization Measures

KDC's primary cost drivers encompass staff costs, administrative expenses, and loan provisions. Without a comprehensive turnaround strategy, these costs are expected to persist at their current levels in the foreseeable future, potentially hindering the organization's financial performance and ability to deliver on its mandate effectively. To address these challenges and optimize its cost structure, KDC must implement targeted measures across all three key areas.

1. Focus on deploying an optimal organisation structure, ensuring that human resources are efficiently allocated and aligned with strategic objectives.
2. Leverage technology-enhanced processes, such as client appraisal and workflow management systems, to streamline operations, reduce turnaround times, and improve overall efficiency. By automating manual tasks and enabling data-driven decision-making, the organization can significantly boost staff productivity and deliver better results with fewer resources.
3. Adopt a department-led cost absorption model, treating each department as a distinct cost center. Under this approach, Directorates will assume responsibility for overseeing cost absorption within their respective departments, while the Finance function will serve as the primary custodian and advisor for budget utilization, absorption, and supervision. This decentralized structure will promote greater ownership and accountability at the departmental level, enabling more effective cost management, resource allocation and value for money.
4. Implement a robust ROI measurement framework through data driven analysis. By systematically evaluating the return on investment for each initiative or expenditure, KDC will make informed decisions, prioritize high-impact activities, and ensure that resources are deployed in a manner that maximizes value creation.
5. Take proactive steps to reduce loan provisions, which represent a significant portion of its overall costs. This can be achieved by improving the quality of targeting, onboarding, and appraising loan clients which will help mitigate credit risk, improve and loan performance. Also, explore the utilization of co-guaranteed funds to mitigate the elevated loan loss provisions and enhance the overall financial stability of the institution.
6. Intensify efforts to mobilize non-conditional funds that provide KDC with the opportunity to invest in the identified core sectors.

Overall, KDC seeks to maintain a Cost to Income Ratio of at most 50%.



# STRATEGY IMPLICATIONS

Drawing from the Business Model, the following strategic decisions should be prioritized by KDC over the next 5 years:

**Operational Efficiency and Customer Experience Enhancement:**

KDC must urgently address inadequacies in the appraisal process and streamline customer interactions. The long Turn Around Time (TAT) for appraisals undermines client confidence and delays project implementation. A cohesive customer experience, supported by dedicated relationship managers, is essential for client satisfaction.

**Financial Viability and Revenue Diversification:**

KDC faces a worrying financial situation, with a high Portfolio at Risk (PAR) of 58%. The reliance on dividend income from equity investments is uncertain due to non-dividend-paying investments. KDC must explore alternative revenue streams beyond rental income and prioritize sustainable financial models.

**Strategic Pillars to be considered:**

Client-Centric Approach: Build the strategic plan around enhancing customer experience, reducing TAT, and improving impact assessment.	Financial Sustainability: Focus on revenue diversification, prudent risk management, and cost optimization in order to build capacity to deliver the desired impact.	Sectoral Focus: Align the plan with the six key areas of focus (Manufacturing, Post Harvest Management, Health, Tourism, Climate Change, and Digital & Creative Economy/ICT) for targeted impact.	Operational Excellence: Strengthen internal processes, invest in technology, and foster a culture of continuous improvement to deliver a superior experience to KDC's target audience.	Stakeholder Engagement: Collaborate with government agencies, development partners, and private sector investors for co-investments and resources.
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## APPENDIX

**Research-Driven & Consultative Refinement of Sectoral Interventions**

KDC recognizes the critical importance of anchoring its sectoral interventions in robust research and continuous stakeholder engagement. To ensure that its efforts are evidence-based, impactful, and aligned with national development priorities, KDC will systematically leverage research findings and insights gleaned from ongoing dialogue with key government partners to refine its approach.

Specifically, KDC will work closely with sectoral heads responsible for overseeing different value chains within the government's identified priority areas. These engagements will provide valuable context on the unique challenges, opportunities, and dynamics at play within each sector, enabling KDC to tailor its interventions accordingly. Through regular consultations and knowledge-sharing sessions, KDC will stay attuned to evolving sectoral needs and policy directions, ensuring that its efforts remain relevant and responsive.

Simultaneously, KDC will ramp up its research activities to generate rigorous, actionable insights that can inform its sectoral strategies. This will involve commissioning targeted studies, leveraging data analytics, and collaborating with academic and research institutions to deepen its understanding of key sectors. By grounding its interventions in empirical evidence, KDC can make more informed decisions, optimize resource allocation, and maximize its impact.

Importantly, KDC will view research and stakeholder engagement not as one-off exercises but as ongoing, iterative processes. As new findings emerge and sectoral contexts shift, KDC will remain agile and adaptable, continually refining its approach to ensure that it stays at the forefront of sustainable development finance. This commitment to research-driven, stakeholder-informed sectoral interventions will be a key differentiator for KDC, enabling it to catalyze transformative change and generate lasting value for the Kenyan economy and society.





## SECTOR ALIGNMENT WITH BETA, MTP IV, VISION 2030, AND AFRICA 2063 - OVERVIEW

### MANUFACTURING

#### DESCRIPTION

Through careful allocation of resources, KDC supports manufacturing activities that are transformative and intended to strengthen Kenya's economy. KDC's financial efforts enable manufacturers to modernize manufacturing processes, incorporate cutting-edge technology, and scale up operations with a laser-like focus on increasing efficiency and sharpening competitiveness. The active industries of leather and garment production, the manufacture of reasonably priced construction materials, the steel and iron sector, and the thriving apparel and textile sector form the foundation of KDC's strategy.

Through the deliberate provision of financial assistance and the development of a supportive atmosphere, KDC seeks to become the driving force behind economic transformation. KDC's combined efforts not only propel industrial development but also set off a chain reaction that generates a plethora of job possibilities and clears the path for long-term prosperity throughout Kenya.



### POST-HARVEST MANAGEMENT

#### DESCRIPTION

As a Development Finance Institution (DFI), KDC's primary focus on Post-Harvest Management is crucial due to its immense potential to drive inclusive economic growth, alleviate poverty, and ensure food security. Concentrating on this sector allows KDC to tackle various development challenges simultaneously, such as boosting agricultural productivity, encouraging value addition, generating employment opportunities, and advancing rural development. This emphasis aligns with our mission of supporting sustainable and equitable economic growth, recognizing agriculture as the primary livelihood source for a significant portion of the population.



Moreover, investing in agri-food development contributes to broader national goals like attaining food self-sufficiency, reducing import reliance, and mitigating the adverse impacts of climate change on agricultural output. By strategically investing in subsectors like agro-processing, cold storage, and logistics, KDC anticipates substantial positive effects on agricultural value chains, farmer incomes, food quality and safety, market accessibility, and overall economic resilience.

These targeted interventions not only enhance the competitiveness of the agri-food sector but also bolster rural livelihoods, empower smallholder farmers, and strengthen rural-urban connections, thereby fostering sustainable development and poverty alleviation nationwide.

### HEALTH

#### DESCRIPTION

KDC has designated the health sector as its primary focus, recognizing its pivotal role in both societal welfare and economic advancement. By investing in health infrastructure and pharmaceutical industries, KDC aims to not only improve access to quality healthcare but also drive economic growth through job creation and innovation.





TOURISM

DESCRIPTION

KDC has identified tourism as a crucial sector for focus in the coming years. While the sector has traditionally been dominated by hotels and conferencing, KDC sees the potential and necessity of diversifying into niche tourism to drive economic growth, increase tourist arrivals, and create jobs.

This strategic shift aligns with the priorities outlined in Vision 2023, the BETA plan, and the MTP IV policy document, which emphasize promoting adventure tourism, sports, cultural tourism, and diversifying source markets. Niche tourism has the potential to significantly boost revenues by attracting high-spending tourists interested in unique experiences, creating diverse job opportunities, and fostering economic resilience.

Additionally, it plays a vital role in preserving and promoting Kenya's rich cultural heritage, engaging local communities, and supporting sustainable practices that protect natural resources. By focusing on these niche markets, KDC will enhance the resilience and growth of Kenya's tourism industry, contributing to overall economic development and improved livelihoods across the country.



DIGITAL & CREATIVE ECONOMY/ICT

DESCRIPTION

KDC's focus on the Digital & Creative Economy/ICT sector is pivotal due to its immense potential to drive inclusive economic growth, foster innovation, and bridge the digital divide. Concentrating on this sector allows KDC to address various development challenges simultaneously, such as enhancing productivity, encouraging entrepreneurship, generating employment opportunities, and advancing digital literacy.

Investing in ICT development contributes to broader national goals like building a knowledge-based economy, attracting foreign investment, and leveraging digital solutions to tackle pressing societal issues. By strategically investing in subsectors like telecommunications infrastructure, e-commerce platforms, fintech startups, and digital skills training, KDC anticipates substantial positive effects on economic competitiveness, social inclusion, service delivery, and overall digital transformation.

These targeted interventions not only enhance the efficiency and reach of businesses but also empower individuals with digital tools, bridge the urban-rural digital gap, and create new avenues for innovation and entrepreneurship. By fostering a vibrant ICT ecosystem, KDC aims to position the nation as a regional technology hub, attract global partnerships, and create a digitally enabled society that can thrive in the 21st century. Ultimately, KDC's focus on the ICT sector is a catalyst for inclusive growth, poverty reduction, and sustainable development nationwide.



CLIMATE CHANGE

DESCRIPTION

KDC's focus on Climate Change is crucial due to its far-reaching implications for sustainable development, economic stability, and the well-being of communities. Concentrating on this critical issue allows KDC to address multiple development challenges simultaneously, such as mitigating greenhouse gas emissions, promoting clean energy solutions, building resilience against climate-related disasters, and supporting the transition to a low-carbon economy. This emphasis aligns with our mission of fostering sustainable and equitable economic growth while safeguarding the planet for future generations.

Investing in climate change mitigation and adaptation contributes to broader national goals like meeting international climate commitments, reducing vulnerability to climate shocks, and ensuring the long-term sustainability of key economic sectors like agriculture, tourism, and infrastructure. By strategically investing in areas such as renewable energy projects, energy efficiency initiatives, climate-smart agriculture, and disaster risk reduction, KDC anticipates substantial positive impacts on greenhouse gas reduction, energy security, food systems resilience, and overall climate resilience.

By investing in climate solutions, KDC is not only fulfilling its responsibility as a DFI but also paving the way for a greener, more resilient, and more equitable future for generations to come.







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