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IFAD
Investing in rural people

# Republic of Kenya

# Country Strategic Opportunities Programme

# 2020-2025


**Note to Executive Board Representatives**

Focal Points:

Technical questions:

**Sara Mbago Bhunu**
Regional Director
East and Southern Africa Division
Tel.: +39 06 5459 2838
e-mail: s.mbago-bhunu@ifad.org

**Esther Kasalu-Coffin**
Hub Director
Eastern Africa and Indian Ocean Hub
Tel.: +254 748 606 381
e-mail: e.kasalu-coffin@ifad.org

Dispatch of documentation:

**Deirdre Mc Grenra**
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org



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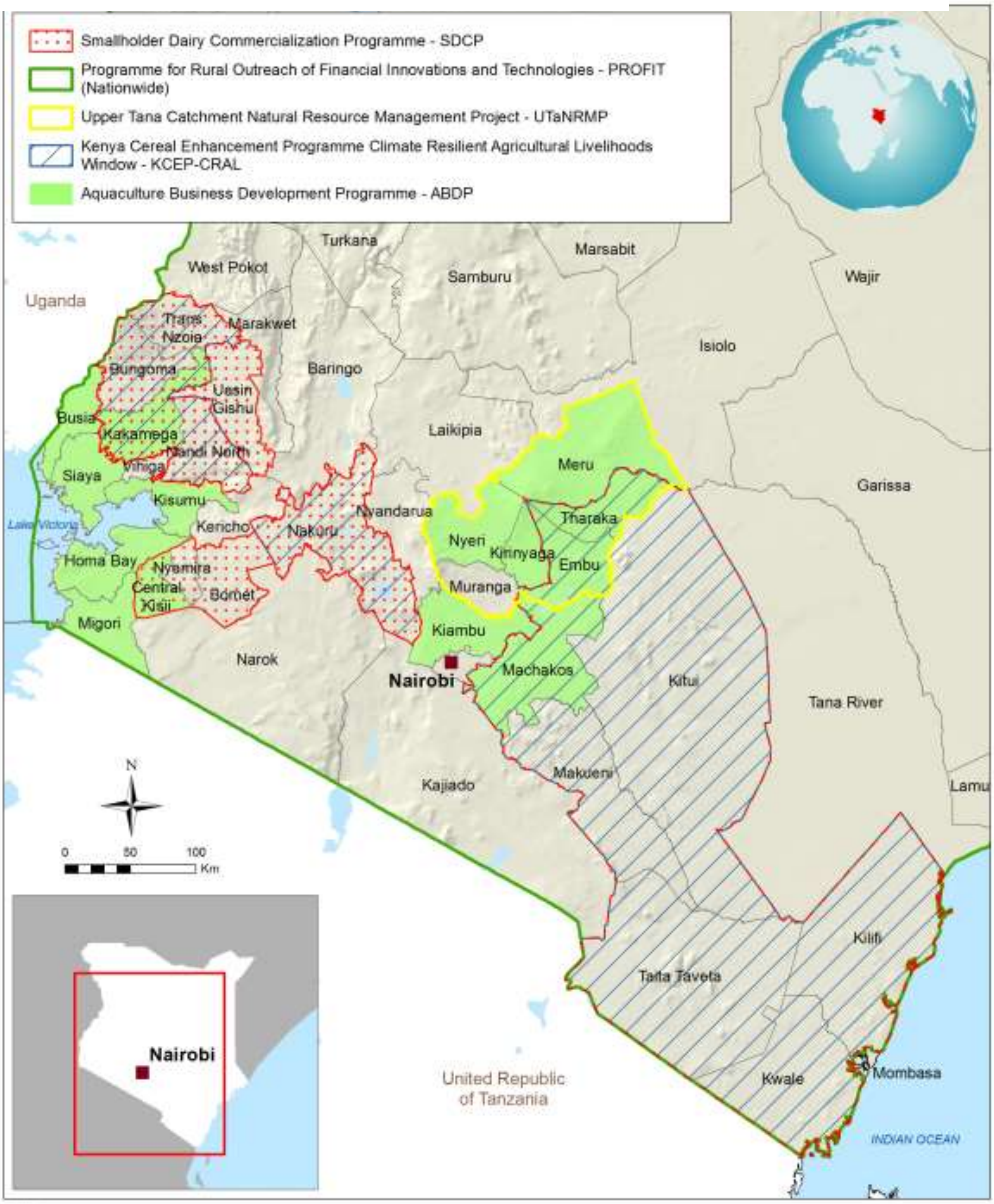
**COSOP Delivery Team:**

| | |
|---|---|
| Regional Director: | Sara Mbago-Bhunu |
| Country Director/CPM: | Esther Kasalu-Coffin |
| Regional Economist | Shirley Chinien |
| Technical Specialist: | Esther Kasalu-Coffin |
| Climate and Environment Specialist: | Edith Kirumba |
| Finance Officer: | Caroline Alupo |

# Abbreviations and acronyms

| | |
|---|---|
| ABDP | Aquaculture Business Development Programme |
| AfDB | African Development Bank |
| ARDG | Agricultural Rural Development Donor Group |
| ASAL | Arid and semi-arid land |
| ASTGS | Agriculture Sector Transformation and Growth Strategy |
| CLPE | Country-level policy engagement |
| COSOP | country strategic opportunities programme |
| CSPE | country strategy and programme evaluation |
| FAO | Food and Agriculture Organization of the United Nations |
| GDP | gross domestic product |
| GHG | greenhouse gas |
| GNI | gross national income |
| ICO | IFAD Country Office |
| KelCoP | Kenya Livestock Commercialization Programme |
| M&E | monitoring and evaluation |
| MKEPP | Mount Kenya East Pilot Project for Natural Resource Management |
| NDC | Nationally Determined Contribution |
| PBAS | performance-based allocation system |
| PMU | project management unit |
| PPP | public-private partnership |
| 4Ps | public-private-producer partnerships |
| PROFIT | Programme for Rural Outreach of Financial Innovations and Technologies |
| SDCP | Smallholder Dairy Commercialization Programme |
| SME | small and medium-size enterprise |
| SO | strategic objective |
| SSTC | South-South and Triangular Cooperation |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| UTaNRMP | Upper Tana Catchment Natural Resource Management Project |
| WFP | World Food Programme |

# Map of IFAD-funded operations in the country




The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD *Map compiled by IFAD* | 13-06-2019

# Executive summary

1. Over the last five years, the Republic of Kenya has registered robust economic growth averaging 5.5 per cent. This growth has been driven primarily by a vibrant services sector. Poverty has decreased by 10 per cent in the past decade and the Human Development Index shows significant progress in life expectancy and education.

2. In agriculture, staple crop yields have stagnated and are now the lowest in the subregion. The natural resource base is threatened by an increasing number of extreme weather events. Poorly integrated value chains are not providing the necessary incentives to producers, input dealers, downstream operators and financiers to invest in agriculture.

3. The 2020-2025 country strategic opportunities programme (COSOP) is aligned with the Government's Agricultural Sector Transformation and Growth Strategy 2019-2029 (ASTGS). The ASTGS has six pillars: (i) increase smallholder incomes; (ii) increase output and value addition; (iii) boost household food resilience; (iv) knowledge and skills; (v) research, innovation and data; and (vi) sustainability and crisis management.

4. The goal of the COSOP is to strengthen selected value chains and ensure that poor rural people participate in and benefit from them, using climate-resilient, inclusive and pro-poor approaches that enhance Kenya's productive potential for future generations.

5. This COSOP retains (with minor adjustments) the three strategic objectives (SOs) from the previous one: SO1-climate-resilient and sustainable community-based natural resource management is improved; SO2-access to productivity-enhancing assets, technologies, rural finance and services is improved; SO3-sustainable access to improved post-production technologies and markets is enhanced.

6. The target group will be rural poor farmers, herders and fishers located primarily in the arid and semi-arid lands (ASALs), with particular attention to women, youth, indigenous groups and the vulnerable. The COSOP will have a specific focus on capacity-building to ensure bottom-up approaches and community engagement in decision-making.

7. The current portfolio has two projects, focusing on natural resource management and cereal production, that will conclude in 2022 and an aquaculture project that commenced recently. A livestock project is under design. Two projects will be developed during the COSOP period, on natural resource management and rural finance towards two core programmes. Non-lending activities feature prominently in the proposed strategic programme. To enhance efficiency, the IFAD-supported portfolio will be aligned with devolved structures at the county level.

8. A country strategy and programme evaluation (CSPE) was completed in December 2018; its findings and recommendations provided the foundation for preparation of this document.

# Republic of Kenya

# Country strategic opportunities programme

## I. Country context and rural sector agenda: Key challenges and opportunities

1. **Socio-economic context**. The Republic of Kenya has registered robust economic growth over the past five years, averaging 5.5 per cent. World Bank estimates indicate that the economy will grow by 5.7 per cent in 2019 and 5.9 per cent in 2020, driven primarily by the services sector. In 2017, gross national income (GNI) per capita was US$1,594, ranking Kenya 16th among 49 sub-Saharan countries. Inflation has remained within the target range set by the Government, averaging 4.7 per cent in 2018. The fiscal deficit in 2017/18 remained unchanged from the 6.8 per cent attained in 2016/17, down from 8.8 per cent in 2015/16. As at 30 June 2018, Kenya's risk of debt distress increased from low to moderate, with public debt representing 60.7 per cent of gross domestic product (GDP). Key challenges include poverty, inequality, climate change, debt sustainability, corruption and economic vulnerability to internal and external shocks. According to Transparency International estimates, Kenya is losing about 7.8 per cent of GDP to corruption yearly despite a marginal improvement. The country is currently politically stable, having undergone challenging elections in 2017.

2. **Poverty overview.** Poverty incidence in Kenya dropped to 36.1 per cent in 2015/16, from 46.6 per cent ten years ago.[1] Poverty is more widespread in rural areas (40.1 per cent vs. 29.4 per cent) and disproportionately affects women and youth. Poverty is more pronounced in arid counties.[2] Poverty is concentrated in the ASALs, which account for 89 per cent of the land mass and one third of the population, and have historically been marginalized. Kenya needs to step up poverty reduction from the current 1 per cent per year if the country is to meet the goal of zero poverty by 2030. An estimated 25 per cent of children under five are stunted and 17 million Kenyans suffer from chronic food insecurity and poor nutrition.

3. **Structure of the agriculture and rural sector.** There are approximately 4.5 million smallholder farmers, of whom 3.5 million grow crops, 600,000 are pastoralists and 130,000 are fishers. Most smallholders practice mixed farming. Currently 67 per cent of farmers operate on less than one hectare.

4. Agriculture is the mainstay of the economy and employs about 56 per cent of the labour force. Contributing 26 per cent to GDP, the sector accounts for 65 per cent of the country's exports of goods. Farming is predominantly rainfed, as only 2 per cent of agricultural land is under irrigation, resulting in significant yearly production variations. Maize and beans dominate the agricultural system, covering 85 per cent of cultivated land.[3]

5. **Sector performance.** Yields for staple crops and livestock have stagnated over the past four decades. Moreover, Kenya's total factor productivity for agriculture dropped by 10 per cent between 2006 and 2015, reflecting significantly higher production costs due to lower fertilizer subsidies, with a slight increase in yields for staple crops. A main pillar of the Government's agricultural strategy is to revamp the subsidy program. Value addition within the sector is low, with only 16 per cent of exports currently being processed. Weak sector performance is partially explained by increasingly erratic weather patterns.

[1] Kenya National Household Survey,
[2] Garissa, Mandera, Marsabit, Samburu and Turkana register poverty rates above 55 per cent.
[3] Idem.

6. **Climate change and natural resources management.** Kenya's economy is highly dependent on its natural resource base and climate-sensitive sectors such as agriculture, water, fisheries, forestry and energy. The impacts of climate change are most severe in the agriculture sector in the ASALs, and will require innovative approaches to address potential risks and improve the resilience of farmers to climate change.

7. **Constraints on increased agricultural productivity and improved market access.** Limited smallholder access to credit[4] prevents farmers from unlocking the potential of hybrid maize, which is planted by 80 per cent of producers. Fewer than 10 per cent of farmers plant improved bean varieties due to limited supply. Agricultural mechanization is not widespread, with 50 per cent of farmers using hand tools alone. Agricultural extension is understaffed; according to a World Bank survey, only 21 per cent of farmers accessed extension services in 2016. Government investment in agriculture is about 4 per cent of expenditures, compared to 4.5 per cent for Africa as a whole (still well below the Maputo Declaration target of 10 per cent). These factors intervene in a context of annual droughts and declining soil fertility.

# II. Government policy and institutional framework

8. The Ministry of Agriculture, Livestock and Fisheries (MAL&F) formulates, implements and monitors agricultural policies, regulations and legislations, supported by a number of agriculture-based institutions responsible for research, farmer training and promotion of critical agricultural products: coffee, tea, cotton, horticulture, dairy, meat, sugar and fish.

9. The COSOP is aligned with the Government's Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2029), which is anchored in three outcomes: (i) increasing small-scale farmer, pastoralist and fisher incomes; (ii) increasing agricultural output and value addition; and (iii) boosting household food resilience. These outcomes are to be achieved through implementation of strategic five-year flagship projects that will: link farmers to small and medium-sized enterprises (SMEs); streamline the subsidy programme; promote agro-processing; establish large-scale private farming; expand irrigation; restructure the Strategic Food Reserve; boost food resilience in ASALs; build capacity; strengthen research and innovation; and monitor key food systems.

10. The 2016 National Climate Change Framework Policy focuses on: (i) enhancing climate resilience and adaptive capacity; (ii) low carbon growth; (iii) mainstreaming climate change into the planning process; and (iv) developing an enabling regulatory framework. The Nationally Determined Contribution (NDC) sets out an ambitious mitigation contribution of abating greenhouse gas emissions by 30 per cent by 2030.

11. Key institutional constraints include inadequate skills among technical staff and service providers, incomplete devolution processes, understaffed and under-resourced extension personnel, and poor linkages between agricultural research, extension and farmers. The enabling environment is not propitious for growth as the existing legal and regulatory framework and political commitment are inadequate to meet the ambitious objectives set out in key policy documents,[5] notably the Joint Agriculture Sector Consultation and Cooperation Mechanism (JASCCOM) established to facilitate sector coordination; and its operational secretariat, the Joint Agriculture Secretariat (JAS).

[4] World Bank estimates placed 2016 agricultural credit requirements at 130 billion Ksh, although only 40 billion Ksh was made available by financial institutions.
[5] Conclusions taken from the MAL&F Capacity Building Strategy for Agriculture Sector, 2017.

# III. IFAD engagement: Lessons learned

12. The current portfolio has five projects (see table 1), which are fully aligned with national strategies on rural and agriculture development.

Table 1
**Timelines for national strategies, PBAS, COSOP and projects**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| National Plans under Vision 2030 | Medium Term Plan I | Medium Term Plan II | | | | | Medium Term Plan III | | | | | Medium Term Plan IV (anticipated) | | |
| | | | | | | Big Four Agenda | | | | | | | | |
| Sector Strategies | | | | | | | | Agricultural Sector Transformation and Growth Strategy (ends 2029) | | | | | | |
| | | | | | | Kenya Climate Smart Agriculuture Strategy (ends 2026) | | | | | | | | |
| Ag. Investment Plan | | | | | | | National Agriculture Investment Plan | | | | | | | |
| IFAD COSOPS | | COSOP (2013 - 2019) | | | | | | COSOP (2020 - 2025) | | | | | | |
| IFAD PBAs Cycles and allocations | IFAD 8 *(2009-2011)* | IFAD 9 (2012-2014): *$56.07M* | | | IFAD 10 *(2015-2017): $82.95M* | | | IFAD 11 (2018-2020) *$76.81M* | | | IFAD 12 (2021-2023) | | | IFAD 13 *(2024-2026)* |
| IFAD Projects | SHoMaP *(approved, effective 2007) Total Cost: $26.6M, IFAD-financing: $23.9M* | | | | | | | | | | | | | |
| | SDCP *(approved 2005, effective 2006) Total Cost: $36.8 M, IFAD-financing $35.3M* | | | | | | | | | | | | | |
| | PROFIT *(approved 2010, effective 2010) Total Cost: $83.2M, IFAD-financing: $29.9M* | | | | | | | | | | | | | |
| | UTaNRMP *Total Cost: $87.26M, IFAD-financing: $46.6M* | | | | | | | | | | | | | |
| | | | | KCEP-CRAL *Total Cost: $116.01M, IFAD-financing: $78.76M* | | | | | | | | | | |
| | | | | | | ABDP (ends 2026) *Total Cost: $143.3M, IFAD-financing $67.90M* | | | | | | | | |
| | | | | | | | | KeLCoP *(Pipeline) Estimated IFAD-financing $54.75M* | | | | | | |
| KEY: | | | EB Approval | | | | | Entry Into Force | | | | Closure | | |

13. Financial management capacity varies among projects from satisfactory to moderately unsatisfactory. The disbursement profile is moderately unsatisfactory while counterpart funding performance is satisfactory. The average age of projects upon completion is nine years, and the average delay between project approval and first disbursement is 14.8 months, attributed to slow progress on setting up project management units (PMUs) and lengthy government approval processes. This results in frequent project extensions to compensate for delayed start-up.

14. Several key lessons can be drawn from portfolio management. Devolution had a negative impact on project implementation due to poor coordination between national and county governments, largely because of weaknesses in the institutions concerned (JASCCOM, JAS), including flows of funds from the central government to counties. There is a need for strict limitations on project extensions. Advances are needed to finance start-up costs, including under the Faster Implementation of Project Start-up facility. Accounting software should be used from the commencement of project implementation. Finally, there is a need to recruit high quality project staff through transparent and competitive recruitment processes.

15. Weak knowledge management has constrained the development of cross-learning and synergies among projects and between the loan and grant portfolios. It has also impeded the scaling up of innovations introduced through grants into the loan portfolio, as projects were often unaware of promising innovations.

16. A geographic focus on a limited number of counties – in this case, primarily the ASALs – can increase efficiencies and synergies between projects, simplify project management supervision and deepen impact on targeted communities. Geographic focus will therefore be a key determinant in project design and targeting criteria under this COSOP.

17. Private sector involvement in the portfolio has been positive, but remains modest. Enhanced efforts will be made to promote public-private-producer partnerships (4Ps) during design. The establishment of multi-stakeholder platforms will help projects identify areas for collaboration and support with upstream and downstream actors and financial institutions, especially those that increased their engagement in

agriculture through the Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT).

18. While targeting was favourably assessed by the 2018 country programme strategic evaluation, outreach to youth and pastoralists was deemed insufficient. Tailored outreach initiatives to engage youth and quotas for youth participation will be implemented. Pastoralists concentrated in northern conflict zones will be more accessible through partnerships currently under discussion with the International Organization for Migration.

19. Natural resource management and production-related activities were quite successful. However, downstream processing and marketing activities, with the exception of the dairy subsector, had less impact. IFAD's programme has had only a limited impact on improving yields of maize and beans. Going forward, the programme will strengthen linkages between beneficiaries and financial institutions, increase the availability of business development services for loan applicants, promote soil testing to identify site-specific fertilizer formulations and expand farmer demonstration plots in conjunction with the Kenyan Agricultural & Livestock Research Organization (KALRO).

# IV. Country strategy

## A. Comparative advantage

20. **Comparative advantage.** IFAD's long-standing comparative advantage lies in its participatory, bottom-up approaches and rural institution-building, as confirmed in the country programme evaluations of 2011 and 2019. IFAD is recognized by the Government of Kenya as the "go-to" partner for grass-roots development. This approach, originally developed to support a prior generation of community development projects, is now being successfully applied to value chain development in the context of the cereals, fisheries and livestock subsectors. Participatory approaches are resulting in increased buy-in and building stronger farmer organizations (FOs) as IFAD's entry point for value chain development. The COSOP will progressively integrate IFAD's rich experience in piloting innovative mechanisms to stimulate private sector engagement in agricultural value chains, for instance through risk sharing facilities, payments for environmental services and digitization of the agriculture sector.

## B. Target group and targeting strategy

21. **Target group.** The COSOP will primarily target poor, food-insecure yet economically active rural women, men and youth (including indigenous people), engaged in crop, livestock and fish production, processing and marketing, to create livelihood and business opportunities for all. This diverse target group encompasses both farmers producing small marketable surpluses and subsistence farmers and vulnerable populations.[6,7] In accordance with government priorities, a larger number of beneficiaries will reside in ASAL counties where poverty rates are highest. Particular attention will be given to women and youth. Quotas for women and youth participation in programmes will ensure equal access to project services.

22. **Targeting strategy.** To ensure effective targeting, the strategy will combine various targeting approaches (geographic, technical feasibility of selected agricultural products, poverty levels, potential for private sector-led commercial value chains, and a strong focus on gender and youth). Geographically, operations will focus mainly on the poorer ASALs, as well as pockets of poverty in other regions

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[6] The Government does not have a poverty stratification, as do Rwanda and Zambia

[7] Women-headed households, landless, and disabled or sick.

of the country. At sub-county level, selection of communities will be predicated on poverty indexes and technical feasibility to produce and commercialize products (cereals, fish, horticulture and small livestock) under a value chain development arrangement, as well as national and county development priorities, evidenced through County Integrated Development Plans (CIDPs) and productive relationships with county governments.[8]

## C. Overall goal and strategic objectives

23. As confirmed by the 2019 CSPE, the SOs set out in the 2013-2018 COSOP remain valid, and respond to the relevant Sustainable Development Goals (SDGs). The country programme goal is to strengthen participation and benefits for the rural poor in selected value chains (cereal, livestock, fisheries and horticulture), using climate-resilient, inclusive and pro-poor approaches that enhance Kenya's productive potential for future generations. The three SOs reflect a climate-resilient approach to private sector-led value chain development. The value chain approach is holistic (farm to table) and intended to achieve real transformation as it threads through the three SOs – starting with SO1, which addresses natural resource management as essential to maintaining productive potential; through SO2 to equip beneficiaries to capitalize on this potential using climate-smart production technologies; to SO3 to translate increased productivity into value addition and increased farmer revenues, subject to the Government continuing its trajectory of development priority and political stability.

24. **Strategic objective 1 (SO1): Climate-resilient (SDG 13), gender and youth responsive (SDGs 1,5,8) and sustainable community-based natural resource management (SDG 15) is improved.** Through support to local natural resource management committees and water user associations, the programme will employ community-based land-use planning and monitoring tools and locally sourced successful environmental services, including those under the Mount Kenya East Pilot Project for Natural Resource Management (MKEPP) and the Upper Tana Catchment Natural Resource Management Project (UTaNRMP), to achieve this objective. IFAD projects will employ competitively selected cost-sharing grants to fund forest, rangeland and watershed management plans, supported by capacity-building in the form of association strengthening and improved natural resource management technologies. SO1 is consistent with ASTGS flagships 6 and 9: to boost food resilience and sustainable climate-smart natural resource management.

25. **Strategic objective 2 (SO2): Access to gender and youth-responsive productivity-enhancing assets, technologies, rural finance and services (SDGs 1,2,5,8,12) is improved.** Based on IFAD's comparative advantage in using participatory approaches, the programme will expand the use of farmer field school methodologies and localized soil fertility mapping, which have proved effective under the Kenya Cereal Enhancement Programme Climate Resilient Agricultural Livelihoods Window (KCEP-CRAL). Access to inputs will be improved through a new input subsidy programme that is being designed by a taskforce composed of IFAD and other key partners in the agricultural sector. The e-voucher system developed under KCEP-CRAL will boost the effectiveness and efficiency of this critical government programme. Greater emphasis on frontline extension capacity-building will improve the quality of agronomic, livestock and fisheries advice proffered by extension personnel. Stronger synergies between projects and financial institutions will favour improved access to financing. SO2 is consistent with ASTGS flagships 1 and 2: provision of agricultural inputs and farm equipment through SMEs and the e-voucher delivery system.

[8] As per CSPE recommendation 2.

26. **Strategic objective 3 (SO3): Gender and youth responsive and sustainable access to improved post-production technologies, markets and nutrition is enhanced (SDGs 1,5,8).** The programme will expand capacity-building initiatives for FOs to improve management and develop or strengthen collective marketing arrangements, paying particular attention to women and youth since agriculture post-production is the main transformational pathway for youth. Bulk marketing will stimulate interest from larger buyers, enhance FO negotiating power and increase sales margins. Stronger FOs possessing credible business plans prepared with project support will be better positioned to access credit to engage in primary processing and storage. Such FOs will have at least 30 per cent women and 15 per cent youth. IFAD will promote local value chain stakeholder platforms that will strengthen linkages, facilitate deal making and identify policy constraints affecting the value chain. SO3 is consistent with ASTGS flagships 1 and 3: agro-processing and post-harvest aggregation.

27. **Mainstreaming themes: Gender equality and women's empowerment**. The country programme will support initiatives that: (i) promote women's economic empowerment; (ii) achieve more transformative and equitable gender balance in workloads and access to resources; (iii) promote gender-related policy engagement; and (iv) track progress towards gender equality and empowerment. The programme will continue to mainstream the Gender Action Learning System (GALS) and household methodologies and adopt a gender transformative approach to foster women's empowerment, to ensure that women have equal access to project-generated opportunities, with support from the IFAD grant project Empower@Scale being implemented by Oxfam International and Hivos International. The Women's Empowerment in Agriculture Index (WEAI) will be used to monitor gender outcomes. Investments will focus on training in improved production methods, promotion of technologies that reduce women's workloads, improved access to finance, markets, opportunities for value addition, and access to and control of resources and assets such as land.

28. **Youth.** Agriculture offers many livelihood and employment opportunities for young people but remains largely unattractive to them. The COSOP will therefore focus on: (i) facilitating financial inclusion and providing young people with opportunities in agribusiness/value addition and agro-processing; (ii) identifying and promoting affordable business opportunities in mechanization and service provision (e.g. digitization of agriculture); (iii) capacity and skills development to produce high value and short cycle crops, linking them to markets; (iv) support in accessing land for production activities; and (v) empowerment to participate and seek leadership positions in producer groups and cooperatives. Activities initiated under the ongoing Technical Centre for Agricultural and Rural Cooperation (CTA) youth grant will be scaled up to the loan portfolio.

29. **Nutrition.** The overall focus will be to support development of nutrition-sensitive value chains through strengthened nutrition awareness and dietary diversity, promotion of food safety, standards and quality control, and to provide food security and nutrition information to consumers. Nutrition action plans will be developed by projects. Actions will focus on improving the nutritional status of women and children under five, and reducing micronutrient deficiencies and malnutrition among target groups. The COSOP will explore opportunities for greater collaboration with the other Rome-based agencies (RBAs) and other organizations working on nutrition and food security in Kenya.

30. **Climate.** The country programme will continue to focus on natural resource management and climate-resilient interventions through UTaNRMP, the Upper Tana Nairobi Water Fund Project being funded by the Global Environment Facility (GEF) and KCEP-CRAL. Through expanded collaboration with the private sector, climate resilience-enhancing project activities will be sustained beyond the life of the projects. The upcoming Kenya Livestock Commercialization Programme (KeLCoP)

will focus on improved pasture and rangeland management. The COSOP will also strengthen complementarities with the upcoming GEF 7-financed Water Funds for Tropical Water Towers project.

31. **Institutions.** The programme will contribute to strengthening JASCCOM and JAS, which facilitate coordination between national and county governments. Improved coordination will result in an enabling administrative environment and quality implementation of IFAD-financed investments.

## D. Menu of IFAD interventions

32. **Loans and grants.** The IFAD Kenya portfolio currently comprises three ongoing projects: UTaNRMP, KCEP-CRAL and the Aquaculture Business Development Programme (ABDP).[9] Two new projects focusing on livestock value chains (KeLCoP) and rural finance (scaling up successful supply side interventions under PROFIT) will be designed under the Eleventh Replenishment of IFAD's Resources (IFAD11), and a natural resource management intervention will be designed under IFAD12 following on UTaNRMP. Going forward, in 2022 IFAD and the Government of Kenya will jointly consolidate the portfolio into two programmes, comprising a natural resource management programme and an agricultural value chain investment programme. The consolidation framework will ensure that rural finance investments requested by the Government respond to financing requirements in the two programmes. No new standalone projects will be designed during the second half of the COSOP period. The performance-based allocation system (PBAS) allocation for 2021-2023 will be reserved for additional funding for the two core programmes.

33. Project administrative burdens will be minimized by focusing on a limited number of counties, with a gradual shift towards the ASALs. The non-lending portfolio will be consolidated with high selectivity for initiatives that support strategic value chains. The IFAD country office (ICO) will continue to assist qualified private sector operators to access financing through the Agribusiness Capital (ABC) Fund. IFAD policy on project restructuring will be used to support portfolio consolidation under a programme approach.

Table 2
**IFAD lending portfolio 2020-2025**[10]

| Project | Coverage, objectives and linkages to strategic objectives |
|---|---|
| UTaNRMP 2012-2022<br>IFAD financing: US$46.60M | In 4 ASAL counties in the Upper Tana Catchment. Focus on soil, water and land management and climate-resilient agriculture. Contributes primarily to SO1. |
| KCEP-CRAL 2013-2022<br>IFAD financing: US$78.76M | In 13 counties. Focus on improving production, processing and marketing of maize and other cereals. Contributes primarily to SOs 1 and 2. |
| ABDP 2017-2026.<br>IFAD financing: US$67.90M | In 15 counties. Focused on aquaculture value chain. Contributes primarily to SOs 2 and 3. |
| KeLCoP: 2020-2027<br>Estimated IFAD financing: US$54.75M | In 10 counties, with focus on small ruminants and poultry. Will contribute to SOs 1, 2 and 3. |
| Two additional projects on natural resource management and rural finance as part of the consolidated programmes. Estimated total IFAD financing: US$104.8M | TBD |

34. **Country-level policy engagement (CLPE):** Focus areas will be: (i) a joint Government/ARDG fertilizer subsidy policy review, based on the KCEP-CRAL e-voucher scheme that will contribute to SO2 productivity enhancement; (ii) working with ARDG development partners, the ICO will initiate policy dialogue for a parliamentary bill to establish a single sector coordinating unit to improve programme implementation; (iii) dialogue with the Government to substantially

[9] ABDP is currently in start-up phase.
[10] Table does not include SDCP and PROFIT, which will conclude at the end of September 2019.

increase the budget share of agriculture (currently at 4 per cent); (iv) dialogue with the Government on possible participation in the expanding innovative GEF-financed Upper Tana Nairobi Water Fund Project; and (v) integration of IFAD-supported projects into CIDPs with the appropriate level of cofinancing.

35. **Capacity-building.** The programme focus areas include: contributing to ASTGS and agriculture digitalization to improve delivery of government services (SO2 and SO3); promoting good agricultural practices among extension workers and farmers; strengthening governance, management and service provision by FOs to enable rural communities to participate in investment planning and decision-making processes; promoting access to finance and business development; and building capacity among national and county governments in financial management and relevant technical areas (nutrition and climate-smart techniques). Emphasis will be on peer-to-peer learning and mentoring to help FOs identify market opportunities, develop business plans, improve quality control and facilitate collective marketing; and support county-level policy and regulatory development using multi-stakeholder and community level platforms.

36. **Knowledge management.** The programme will increase the availability of credible data to generate knowledge products and analyses, by strengthening project and government M&E systems and operations. The successful outcome of the current exercise by the East and Southern Africa Division to strengthen M&E data collection and analysis will contribute to generating quality data at country level.

37. A country portfolio knowledge management plan will be developed, as part of the annual work programme, to develop guidelines and knowledge, products to stimulate the scaling up of successful initiatives, contribute to policy engagement and support M&E functions of hub portfolios. The Kenya grant portfolio, currently under review, will be streamlined to ensure that knowledge generated contributes to improved implementation of the investment portfolio. Project management teams will participate in joint IFAD portfolio review forums, in addition to bilateral collaboration between PMUs. Strategies for brokering win-win and sustainable 4Ps will be a key learning theme.

38. **South South and Triangular Cooperation (SSTC).** Areas for collaboration are based on the scope of the portfolio (see table 2): arid pasture and rangeland management, hybrid breeding of drought-resistant maize, improved breeding technologies for sheep and goats, knowledge management and trade. SSTC will be used to finance training courses and participation in symposiums for researchers, and exchange visits and learning routes for FOs. For FOs, priorities include grain storage technologies, warehouse receipt systems and bulk marketing mechanisms. Funding will be sought from the China-IFAD SSTC Facility (see appendix VIII), the United Nations Development Partnership Fund and the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation. SSTC assistance will also be provided from IFAD's Addis Ababa SSTC and Knowledge Centre to support implementation of the corporate SSTC strategy.

39. **Communication and visibility.** The ability of the ICO to communicate results will be enhanced with the planned posting of a communications and knowledge management officer to the hub. The officer will develop a knowledge management strategy and accompanying implementation plan, and communications products to better inform stakeholders of IFAD activities and support individual projects to refine and share their results.

# V. Innovations and scaling up for sustainable results

40. **Innovations.** IFAD interventions will continue to promote promising innovations such as sustainable energy (solar and biogas), 4P environmental services that integrate community driven approaches, financial products (risk sharing facilities) and e-vouchers for input access. Knowledge generated by these innovations will be

analysed and shared via policy briefs and newsletters, and presented in policy forums. Beneficiaries will be supported to participate in innovation platforms and demonstrations driven by projects and IFAD knowledge management staff.

41. **Scaling up.** Scaling up successful approaches has been a central element in the design of IFAD-funded projects in Kenya. The closed GEF-financed MKEPP provided the basis for UTaNRMP, as did KCEP (under IFAD7) for KCEP-CRAL (under IFAD9). Reinforcing farmers' organizations and using participatory approaches to project planning and implementation have been scaled up and are now common throughout the portfolio. The upcoming KeLCoP will scale up natural resource management approaches from UTaNRMP and dairy development approaches from the Smallholder Dairy Commercialization Programme (SDCP). Through policy engagement, proven approaches will be mainstreamed into national strategies and programmes, just as the KCEP-CRAL e-voucher system has been rolled out to the rest of the country.

# VI. COSOP implementation

## A. Financial envelope and cofinancing targets

42. The IFAD11 (2019-2021) performance-based allocation to Kenya is US$78.6 million, and a similar allocation is assumed for IFAD12 (2022-2024). Since 2014, Kenya has achieved lower middle income country status and now accesses IFAD loans on blend terms. To meet the country's financing needs while lowering cost of financing, the Government of Kenya and IFAD will seek cofinancing from other development partners, targeting a ratio of 1:1.14. Discussions are under way with the International Finance Corporation, the German development agency (GIZ) and the Government of Finland to cofinance planned projects. In addition, SMEs and financial institutions have expressed interest in funding project activities. Table 3 details IFAD financing and cofinancing targets.

Table 3
**IFAD financing and cofinancing of ongoing and planned projects**
(Millions of United States dollars)

| *Project* | *IFAD financing* | *Cofinancing* | | *Cofinancing ratio* |
|---|---|---|---|---|
| | | *Domestic* | *International* | |
| **Ongoing** | | | | |
| UTaNRMP | 46.60 | 26.33 | 17.00 | 1 : 0.87 |
| KCEP-CRAL | 78.76 | 46.10 | 33.30 | 1 : 1.01 |
| ABDP | 67.90 | 61.40 | 0.60 | 1 : 0.91 |
| **Planned** | | | | |
| KeLCoP (IFAD11) | 54.75 | 43.80 | 32.40 | 1 : 1.39 |
| Rural finance (IFAD11) | 24.80 | 19.84 | 14.88 | 1 : 1.40 |
| Natural resource management (IFAD12) | 80.00 | 48.00 | 64.0 | 1 : 1.40 |
| **Total** | **352.81** | **242.80** | **162.18** | **1 : 1.15** |

## B. Resources for non-lending activities

43. The CSPE emphasized the need to reinforce non-lending activities. The ICO will proactively pursue additional funds for non-lending activities through existing and future global/regional grants to mobilize US$7.5 million during the COSOP period. Existing global and regional grants such as Empower@Scale for developing household methodologies, the Resilient Food Systems grant and a micro insurance grant, among others, will be solicited to support relevant areas.

## C. Key strategic partnerships and development coordination

44. **Strategic partnerships.** High priority potential and strategic partnerships to mobilize cofinancing will be pursued with the African Development Bank (AfDB) on infrastructure, which is relevant to all SOs, the World Bank and the Green Climate

Fund for climate financing (SO1 and 2), GIZ on renewable energy (SO2 and 3), and the International Labour Organization (ILO) as a strategic partner for COSOP development, fostering decent jobs and M&E. Engagement with the private sector will be critical to the programme's success and the overall efficiency and effectiveness of value chains. Given the need to strengthen non-lending operations, the ICO will seek strategic partnerships with the Consultative Group on International Agricultural Research Centres (CGIAR) and other knowledge and research partners through IFAD-funded studies, research and capacity-building. A comprehensive list of existing and potential partnerships for cofunding, policy dialogue, implementation and research is provided in appendix X.

45. **Development coordination**. IFAD is an active member of the Agriculture and Rural Development Donor Group (ARDG), and will continue to support the design of a country-wide e-subsidy programme, conduct an impact study of previous subsidy programs in Kenya and develop a livestock master plan. IFAD will also seek to cofinance strategic studies with other donors.

46. **Partnerships with other members of the United Nations development system.** IFAD is a contributor and signatory to the Kenya 2018-2022 United Nations Development Assistance Framework (UNDAF), and has received input from the United Nations Resident Coordinator, which facilitated COSOP alignment with the UNDAF. The COSOP is aligned with all three UNDAF results areas, with IFAD-financed programmes falling under sustainable economic growth (agricultural productivity, value chain development and natural resources management). The ICO will work with the Office of the Resident Coordinator to co-lead the development of an SDG partnership platform, under UNDAF (2018-2022) flagship programme supporting the Government's agriculture sector transformation, for the "Big Four" Agenda. Areas of focus are: joint advocacy and policy dialogue; partnership at scale for impact; maximizing investments through innovative financing; and knowledge management.

47. **Collaboration with other Rome-based agencies.** The Food and Agriculture Organization of the United Nations (FAO) and World Food Programme (WFP) actively participated in COSOP development. This close collaboration with the ICO will continue. FAO will continue to provide technical assistance to ongoing projects, such as KCEP-CRAL, and those under design, such as KeLCoP. WFP is playing an expanding role in CRAL-covered counties, providing food aid to vulnerable populations. Both WFP and FAO participate in field supervision missions of IFAD-financed projects, to identify areas for joint RBA support.

## D. Beneficiary engagement and transparency

48. **Beneficiary engagement.** The country programme will continue to promote a bottom-up, localized approach to project planning and implementation. Projects will establish regular consultations with farmers' groups, as well as formalized feedback and grievance mechanisms, and systematic evaluation and follow-up of capacity-building initiatives. Beneficiaries will play an increased role in M&E of local IFAD-funded initiatives.

49. **Transparency.** In accordance with IFAD's policies, the ICO will ensure that supervision reports, studies, outreach statistics and other data are posted in a timely manner and shared with concerned stakeholders.

## E. Programme management arrangements

50. The programme will be managed from IFAD's East Africa and Indian Ocean hub. The Country Director will have overall responsibility for programme management and will be assisted by the Country Programme Officer and, in part, a Programme Officer. The hub houses technical specialists in gender and youth, environment and climate, rural institutions, agronomy, value chain development and finance who will support project planning and supervision within the context of their broader regional mandates.

## F. Monitoring and evaluation

51. Emphasis will be on moving beyond output monitoring to capture outcome data and information, including use of the WEIA. Programme-sponsored training will be monitored systematically to assess uptake and make any needed corrective action. Within ARDG, the ICO will work closely with the Government and development partners to develop harmonized and aligned reporting formats. Mechanisms for cross-learning between projects and non-lending activities will be adopted as part of the annual COSOP review. More active contribution to and use of knowledge sharing platforms (within IFAD and with other development partners) will be pursued, and efforts put in place to better integrate IFAD project M&E systems with national and county systems and with UNDAF.

# VII. Risks management

Table 4
**Risks and mitigation measures**

| *Risks* | *Risk rating** | *Mitigation measures* |
|---|---|---|
| Political/governance: undue influence of special interest groups in project implementation. | H | Develop and adhere to stringent requirements regarding eligibility to receive project support. |
| Macroeconomic: inadequate policies to attract private sector to agriculture. | M | Support government efforts to improve the enabling environment for private sector investment in agriculture and manufacturing, e.g. improved infrastructure, regulations and business operation and tax reform. |
| Sector strategies and policies: new or updated policies with adequate farmer participation to guide sector activities. | M | Support agriculture sector policy formation and contribute to policy dialogue through the sector working group. |
| Institutional capacity: high government staff turnover due to low pay. | H | Discuss the possibility of performance-based remuneration with Government. |
| Portfolio performance generally low. | M | Promote peer-to-peer learning among PMUs. Focus on managing for results and M&E. |
| Fiduciary - financial management:** persistent project resource mismanagement as a result of corrupt practices. | M | Close monitoring of expenditures, adherence to annual workplan and budget; use of approved accounting software; adequate training of project financial managers; and limits on amounts for post review. |
| Procurement: weak planning and poor contract management. | M | Training of PMU staff. |
| Environment and climate: effects of persistent and recurrent drought. | H | Promote the use of drought-tolerant varieties and mainstream climate-smart agriculture in all project activities. |
| Social: gender balance in beneficiary targeting but not in actual implementation. | M | Ensure robust targeting criteria and implementation on behalf of women and young people of both sexes. |
| Other COSOP-specific risks. | n/a | |
| Overall | M | |

*H-high; M-medium; L-low.
**Refer to appendix X - Financial management issues summary.

# COSOP results management framework

| **Country Strategy Alignment**<br>*What is the country seeking to achieve?* | **Related SDG**<br>**UNDAF Outcome** | **Key Results for COSOP**<br>*How is IFAD going to contribute?* | | | |
|---|---|---|---|---|---|
| | | **Strategic objectives**<br>*What will be different at the end of the COSOP period?* | **Lending investments and non-lending activities*** | **Outcome indicators****<br>*How will the changes be measured?* | **Milestone indicators**<br>*How will progress be tracked during COSOP implementation?* |
| **Agricultural Transformation and Growth Strategy 2019-2029.**<br><br>**Anchor 1:** Increase small-scale farmer, pastoralist and fisher incomes by i) developing SMEs to provide inputs, equipment, processing and post-harvest aggregation; ii) reformulation of the subsidy programme to target neediest farmers.<br><br>**Anchor 2:** Increase agricultural output and value addition by i) establishing six large-scale agro and food processing hubs with PPPs ii) creating 50 new large-scale private farms on 150 000 acres under sustainable irrigation.<br><br>**Anchor 3:** Boost household food resilience by i) restructuring the Strategic Food Reserve, ii) expanding private sector warehousing, iii) community driven design of interventions and iv) improved coordination between the private sector and development partners. | **SDG: 2, 5, 13, 15.**<br><br>UNDAF: Strategic Priority 3: Sustainable Econ. Growth | **SO1:** Gender and youth responsive, climate-resilient and sustainable community-based natural resource management is improved | **<u>Lending investments</u>**<br>**Ongoing:**<br>• UTaNRMP (soil and water conservation, climate resilient production)<br>• KCEP-CRAL (climate-resilient production)<br>**Indicative:**<br>• KelCoP (Soil and water conservation)<br>• NRM<br>**<u>Non-lending activities</u>**<br>• CLPE (Land and water management policies)<br>• Partnerships (County Govts, GEF, WFP, FAO, AGRA)<br>• SSTC<br>• Knowledge management (demo plots, scaling-up, lessons learned) | 120 000 HHs of which at least 30% are women, and 15% are youth. adopting at least one climate-resilient production practice.<br><br>Community organisations demonstrating increased capacity to manage natural resources sustainably | # of demonstration plots illustrating the use of climate resilient technologies.<br>Number of active Farmer Field Schools |
| | **SDG: 2, 5, 13, 15.**<br><br>UNDAF: Strategic Priority 3: Sustainable Econ. Growth | **SO2:** Access to gender and youth-responsive productivity-enhancing assets, technologies, rural finance and services improved | **<u>Lending investments</u>**<br>**Ongoing:**<br>• KCEP-CRAL (cereal and staples production)<br>• UTaNRMP (Irrigation, cereal production)<br>• ABDP (Fish production)<br>**Indicative**:<br>• KeLCoP (livestock, dairy, apiculture)<br>• Rural Finance<br>**<u>Non-lending activities</u>**<br>• CLPE: (Input subsidy policy))<br>• Partnerships: (EU, Spain, FAO, AGRA, ILO, County Govts.)<br>• SSTC<br>• Knowledge management: monographs on GAP, innovation platforms, mass media) | • 75% of crop farmers of which at least 30% are women, and 15% are youth, reporting increase in yields.<br>• 17,500 fish farmer HH of which at least 30% are women, and 15% are youthachieving yields of at least 3mt/ha.<br>• 75% increase of livestock producer HH of which at least 60% are women, and 20% are youth reporting increase in weight of animals at sale | • 50% of crop farmer HHs using improved seed.<br>• 17,500 fish farmer HHs using improved feeds.<br>• 30% increase in the use of improved veterinarian or feeding technologies by targeted livestock producing households. |

| **Country Strategy Alignment**<br>*What is the country seeking to achieve?* | **Related SDG**<br>**UNDAF Outcome** | **Key Results for COSOP**<br>*How is IFAD going to contribute?* | | | |
|---|---|---|---|---|---|
| | | | | • 75% increase of milk producing HH of which at least 30% are women, and 15% are youth. reporting increase in milk yields. | |
| | **SDG: 2, 5, 8, 13.**<br><br>UNDAF: Strategic Priority 3: Sustainable Econ. Growth | **SO3:** Gender and Youth-responsive and sustainable access to improved post-production technologies and markets, and nutrition enhanced | **<u>Lending investments</u>**<br>**Ongoing:**<br>• KCEP-CRAL (grain cleaning, storage, aggregation and marketing)<br>• UTaNRMP (idem)<br>• ABDP: (cold chains, market and road infrastructure development, aggregation)<br>**Indicative:**<br>• KeLCoP (slaughterhouse construction or rehabilitation, cold chains, hides and skins processing, honey production)<br>• Rural Finance<br>**<u>Non-lending activities</u>**<br>• CLPE: (grades and standards, product quality control)<br>• Partnerships: ILO, AGRA, Farm Africa<br>• SSTC:<br>• Knowledge management: Lessons learned, sectoral studies. | • 75% of targeted crop, and livestock producing HHs of which at least 30% are women, and 15% youth, reporting increase in sales.<br><br>• 17,500 targeted aquaculture practicing HHs report increase in sales of which at least 30% are women, and 15% are youth. | • 30% of targeted crop and livestock producing HHs report sales using product aggregation through cooperatives or producer groups.<br><br>• 30% of crop producing households report decrease in post—harvest losses.<br><br>• 30% of aquaculture practicing HHs report sales using product aggregation through cooperatives or producer groups. |

# Transition Scenarios

1. The purpose of this Appendix is to offer an understanding of likely and possible country trajectories and to identify the possible implications of these for IFAD's country programme, during the COSOP period.

**Table 1: Projections for key macroeconomic and demographic variables**[11]

| **Case** | **Baseline** [Unchanged Policies Scenario] | **High** [Adjustment Policies (AP) Scenario] |
|---|---|---|
| **Avg. GDP growth (2019-2022[12])** | 5.5% | 6.3% |
| **GDP/capita (2019)** | USD 1 782 | USD 1 829 |
| **Avg. Public debt (% of GDP) (2019-2022)** | 66.4 | 59.2 |
| **Debt service ratio (2019)** | 57.0 | 49.4 |
| **Inflation rate (%)(2019)** | 5.0 | 5.3 |
| **Rural population**[13] | Current: 37.9M inhabitants (2019) | |
| | End of COSOP period: 41.1M inhabitants (2024) | |
| | Annual growth rate: 1.85% | |
| **Investment Climate for rural business**[14] | **2.5/6**<br>• Kenya ranked 61 out of 190 in the 2019 World Bank Doing Business Report. Moreover, Kenya is one of the economies, which has registered the most notable improvements in "Doing Business". For instance, Kenya has simplified the process of providing value-added tax information by enhancing its existing online system, (iTax). The Ministry of Lands and Physical Planning implemented an online land rent financial management system on the eCitizen portal, enabling property owners to determine the amount owed in land rent, make an online payment and obtain the land rates' clearance certificate digitally. However, corruption does remain a challenge and concern. Kenya scored 27 points out of 100 on the 2018 Corruption Perceptions Index (CPI). The latter averaged 22.82 points from 1996 until 2018, reaching an all-time high of 28 Points in 2017.[15] | |
| **Vulnerability to shocks**[16] | **3.0/5**<br>• Kenya remains vulnerable to exogenous shocks including volatile global financial conditions and droughts. According to the IMF, endogenous shocks such as the political instability could threaten the country's overall positive outlook. | |

2. There are two foreseen[17] scenarios for the medium-term economic outlook:

**First Scenario i.e. Baseline - with current policies remaining unchanged**

- This scenario would imply slower fiscal consolidation and no adjustments of interest rate controls, lower medium-term growth, higher fiscal deficits and higher public debt.
- The Present Value (PV) of debt-to-GDP could breach its benchmark over the long term, to reach 74% in 2022. In addition, setting the primary deficit at the 2017 level (i.e. -4.8% of GDP) results in a significant increase in the debt-to-revenue ratio, which could rise to 360% in 2022.

**Second Scenario: *High* i.e. with adjustments in policies**

- Kenya's real GDP growth is expected to average 6.0–6.5%/p.a. over the medium-term, driven by the supply effects from completed investment projects, improved public investment management, and further strengthening of the business environment. Adjustments in policies and better weather conditions would result in improvements in export performance and more than offset the contractionary effects of the planned fiscal adjustment, respectively.
- The primary deficit was 2.6% of GDP in 2018 (due to both revenue and spending measures) and is expected to decline to about zero in 2020–22, resulting in a decline in

[11] The analyses undertaken by the IMF, World Bank and Economist Intelligence Unit, which guide IFAD's analysis, focus on two scenarios, and provides credible logic for this.
[12] Period covered by most recent IMF projections - IMF, Kenya: Article IV Consultation, Oct. 2018
[13] UN DESA / Population Division, World Urbanization Prospects 2018
[14] World Bank, Doing Business Annual Report, 2019
[15] https://www.transparency.org/country/KEN
[16] Rating (1-6), based on justified qualitative assessment of vulnerability to climate change; food price shocks; political risk
[17] IMF, Kenya: Article IV Consultation, Oct. 2018

debt to 56.3% of GDP in 2022. The debt's PV peaked at 60.7% of GDP in 2018 and is expected to fall in 2019. The PV of public debt-to-revenue ratio eased from 299.6% in 2018 to 261.5% in 2022.

3. **Risks to the medium-term outlook.** Significant risks include: i) new security incidents, ii) protracted weak credit growth, and iii) a larger-than-expected impact of the programmed fiscal consolidation. External shocks, which trigger capital outflows could also happen at a time when the Government has little policy space, given the urgent need for fiscal adjustment and a still-constrained monetary policy due to interest rate controls - if such a shock were to materialize, economic growth would decline. Moreover, a return of drought is rather likely to occur and would have a high adverse impact on the economy.

4. It appears that ***the most likely scenario would actually fall midway between the baseline scenario and the unchanged policies scenarios****.* The World Bank (WB) corroborates this projection[18], expecting GDP to rise to 5.8% in 2019, notably underpinned by recovery in agriculture.

**Projected implications for IFAD's country programme**

(a) *Lending terms and conditions*

- Kenya has transitioned to blend terms in IFAD11, through the phasing-out/phasing-in mechanism (EB 2018/125/R.7/Add.1), meaning a gradual transition towards less concessional terms.

(b) *PBAS allocation*[19]

- In line with the projected implications for the lending terms and conditions, if the country does not adjust policies, Kenya may opt not to use its entire IFAD11 PBAS allocation.

(c) *COSOP priorities and products*

- If the country does not adjust its policies, it is possible that the country may not request investment projects from IFAD, notably if the country's lending terms become less concessional. However, it is not deemed that the COSOP priorities would change and thus policy engagement could still be pursued within the COSOP's currently defined strategic objectives.

(d) *Co-financing opportunities and partnerships.*

- The World Bank (WB), and the African Development Bank (AfDB) were Kenya's top two multilateral donors for the period 2016-2018. These strong relationships are likely to remain in the midterm even with a decrease in the amount of gross ODA provided to the country, thus providing IFAD with co-financing opportunities, incl. in rural infrastructure.
- ICO will continue to explore opportunities for forging Partnerships with private sector actors under value chain arrangements.

[18] World Bank, Kenya Overview, Mar. 2019
[19] Considering that the PBAS allocation is also affected by project performance and RSP, and ensuring consistency between this and the COSOP main text on the financing framework

# Agricultural and rural sector issues

1. Kenya has a land area of 582 644 km² (143 974 468 acres), out of which 21 million acres (about 15%) is classified as high-potential agriculture land, 20% as medium-potential suitable for livestock and drought-tolerant crops, and the remaining 65% as marginal agriculture-potential zones (or arid and semi-arid lands) that are suitable for ranching and pastoralism. About 18 million acres of land are under agricultural production, mostly by small-scale farmers with plots of 1.2 acres or less, while less than 14% of total agricultural land is farmed by commercial growers on 250 acre fields or more.

2. Agriculture sector continues to play a vital role in the Kenyan economic development, contributing 26% of GDP and another 27% of GDP indirectly through linkages with other sectors. The sector employs more than 40% of the total population and more than 70% of Kenya's rural people. The sector accounts for 65% of the export earnings, and provides livelihood for more than 80% of the Kenyans. It is the main driver for the agriculture based manufacturing industry, contributing approximately 75% of industrial raw materials. Agricultural transformation is thus critical to growing the Kenyan economy, alleviating poverty and delivering food and nutrition security.

3. Small-scale farming systems dominate the sector, contributing 75% of total agricultural production, most of it for subsistence and surplus for sale. But it still accounts for approximately 60% of the marketed production, and dominates in both cash and food crop production. Majority smallholder farmers practice mixed farming, occupying approximately 90% of Kenya’s land under agriculture. To date, there are approximately 4.5 million smallholder farmers in Kenya, comprising of 3.5 million crop farmers, 600 000 pastoralists and 130 000 fisher-folks. Maize is the staple food and dominates smallholder agriculture, mostly intercropped with legumes, Irish potatoes and sweet potatoes in the high potential areas, while cassava, sorghum and millet are mono-cropped in marginal lands. Cash crops grown by smallholders include tea, coffee, rice, sugarcane, pyrethrum, bananas, vegetables and fruits. They also keep livestock, especially cattle, goats, sheep and poultry. Their production however is lower than for large scale farmers as they use much less inputs due to lack of working capital and low liquidity that limits smallholder farmers’ ability to purchase high breed seeds, fertilizers and pesticides. Rural finance systems are underdeveloped, hampered by high cost of delivery to small, widely dispersed customers and lack of suitable collateral. Thus commercial lending to Agriculture accounts for only 4% of the total lending and only a very small proportion of that goes to smallholder farmers. Most of the agricultural credit has been provided as components under donor-funded projects, mostly through group approaches, both in cash and in kind. Despite the project-specific successes on rural finance access, the need to expand outreach remains. Key rural financial intermediaries are Equity Bank, *Kenya* Women Microfinance *Bank* (*KWFT*) and Agricultural Finance Corporation (AFC), through agro-dealers. Farmers also join Savings and Credit Co-Operatives (*SACCOs*) through which they sell their produce, make savings and borrow at relatively lower interest rates. These have been more successful than bank lending as members guarantee each other. Farmer-based SACCOs account for 52% of SACCO membership in Kenya.

4. Farming in Kenya is predominantly rain-fed, total area under irrigation estimated at only 192 630 ha (476 000 acres), most of it under largescale farming. Irrigation thus accounts for only 4% of the total land area under agriculture and contributes 3% of the GDP. *Kenya* is a *drought*-prone country, which experiences serious food crisis and famine every 3-4 years. The growing impact of climate change is thus expected to significantly constrain the Kenyan agricultural sector. Such concerns are also reflected in Kenya’s Nationally Determined Contribution (NDC), where emphasis is placed on adaptation to climate change. Hence the need to invest in drought-

resistant farming, improved livestock management, and efficient water management practices.

5. Despite negative weather impacts on agriculture, agriculture insurance is not well developed in Kenya. It is mainly Large Scale farmers who insure their agricultural activities with the few willing local insurance companies, and only a very small group of smallholders participate. However, there is Agriculture and Climate Risk Enterprise Ltd (ACRE), which was founded as Kilimo Salama project in 2009 through the Syngenta Foundation and the Global Index Insurance Facility (GIIF), and designed as an **Index Insurance** programme specifically to help smallholder farmers cope with climate change and devastating weather shocks. It uses weather data from satellites and automated weather stations as a proxy to estimate farmers' harvest situation, and then calculate and transfer payout owed to client farmers. ACRE is a service provider working with local insurers.

6. Aquaculture is a promising subsector as a source of food security, poverty reduction, and employment creation in the Kenya’s Vision 2030 and the Big Four Agenda. The sector represents 15% of total national fish production. It grew rapidly from 4 218 MT in 2006 to peak at 24 096 MT in 2014, but it has since been dropping and reached 12 386 MT in 2017. Freshwater fish account for close to 98% of Kenya’s reported aquaculture production, and Kenya is now ranked 4th major producer of aquaculture in Africa. Common fish species are Nile patch, tilapia and African catfish.

7. Land in Kenya is either privately owned (under freehold or leasehold tenure), communal or Government owned (public). Land owned privately comprise 107 953 $Km^2$ (19%) of total land, Communal 396 315 $Km^2$ (68%) most of it in the ASAL, and public 77 792 $Km^2$ (13%). Access to land is restricted by population pressure which causes conflict and competition in the ASAL pastoralist areas while it has become very expensive in the privately owned high and medium potential areas. Women, youth and the poor are the most affected.

8. Kenya is experiencing serious negative impact from climate change that has led to deterioration of natural resources, including drying up rivers, receding ground water table, low land productivity, soil degradation and rivers clogged with sediments. Rapid population growth has increased pressure on land resources, leading to cultivation encroachment into forest reserves (leaving forest cover at 7.4% of the total land area instead of the recommended global minimum of 10%) and river banks, and unprotected cultivation on hill slopes that erode and wash soils into the rivers. This could lead to an estimated annual reduction in water availability of approximately 62 million cubic metres. Deforestation has also led to reduced precipitation and reduced water supply. For example ***Ndakaini*** dam, the main water supplier for Nairobi city is currently at 20% of its capacity (April 2019 *before the rains*). Rapid urbanization has also resulted in uncontrolled subdivisions of agricultural land to residential plots.

9. At the micro level, smallholder farmers face a myriad of constraints that result in low agricultural productivity. Some yield figures in kg/acres include: 1080 for maize; 1 215 for wheat; 668 for beans; 500 for sorghum; 774 for tea; 1 600 for rice and 22.5 litres/cow for milk, compared to Africa: 809, 1 173, 405, 283, 620, 1 416 and 27.5 litres/cow respectively. These yields have stagnated for a long time because of: limited access to affordable high-quality inputs, credit, mechanization, new technologies, irrigation, artificial insemination, commercial markets, supporting infrastructure, business and market orientation. They heavily rely on rain-fed agriculture, and extension and support services are weak. Kenya’s Total Factor Productivity (TFP) for agriculture dropped by 10% between 2006 and 2015 reflecting significantly increased production costs due to the GoK fertilizer subsidies which began in 2009 with little corresponding increase in yields for staple crops. A main pillar of the GoK’s agricultural strategy is to revamp this costly and ineffective subsidy program which should improve Kenya’s TFP. They also experience high production costs and large post-harvest losses (estimated at 30%). Moreover,

budget allocation to the sector is low (4% instead of the target 10%). Mechanization by smallholder farmers is limited because of limited financial resources while plots are small due to subdivisions. Nevertheless, a small proportion use hired tractors and animal draught power (from private owners) to plough their fields.

10. FOs in Kenya are at different levels of strength and capacity. A good number is involved in policy advocacy and take joint lobbying actions on key issues affecting their activities (e.g. the Cereal Growers Association, Kenya Coffee Producers Association, Kenya Dairy Farmers Federation, etc). These FOs continuously engage the Government in evidence-based advocacy to ensure formulation and implementation of agricultural policies that favor their members. Farmers are trained and facilitated to undertake aggregation and jointly market their produce, access affordable credit through their SACCOs and procure farm inputs in bulk to attract discounts and ensure quality. However there are many FOs that are struggling and require a lot of support to succeed.

11. The Government is addressing the above constraints through institutional and policy reforms to transform smallholder agriculture to market-oriented through: investments in infrastructure; making agricultural inputs available; promoting agricultural processing; and enhancing private sector participation. Communities are trained and sensitized on climate change mitigation and adaptation techniques such as **conservation and climate smart agriculture including** use of tolerant crop varieties, agroforestry and water harvesting. On their part, smallholder farmers form groups which enable them access financing, training, extension, marketing and agro-processing. The Government had introduced an input subsidy programme (ISPs) for fertilizer and improved seed in 2007, but studies reveal that the programme only benefited wealthy farmers and companies that supply fertiliser, leaving fertilizer use low and stagnated at 15kg/acre.

12. Vision 2030 is the county’s development blueprint whose objective is to transform Kenya into an industrializing middle income country by the year 2030 by transforming agriculture into a commercially oriented, modern sector. The Vision is being implemented through successive five-year Medium Term Plans (MTPs) – MTP I (2007 to 2012) and MTP II (2013 to 2017) have been successfully implemented, and MTP III, which was launched in 2018 is now under implementation. Kenya devolved system of Government was implemented under MTP II. On December 12, 2017, the President of Kenya announced the Big Four Agenda (2017-2022), which outlines what he will be focusing on in his last presidential term to improve the living standards of Kenyans, and grow the economy. The Big Four Agenda items are: Food security, manufacturing, affordable universal health care and affordable housing.

13. Implementation of the Vision has not achieved much of its targets due to constraints including adverse weather patterns; insecurity; slowdown in the growth of the manufacturing sector; high lending rates; financial market volatility and falling commodity prices. Nevertheless, Kenya has generally done well, earning itself a **low middle-income country** status in September 2014.

14. The Agricultural Sector Development Strategy (ASDS 2010–2020) was developed to align sector initiatives to vision 2030. Through ASDS, a number of agricultural institutional reforms, policies and regulations were prepared and approved. The strategy has now been succeeded by the Agricultural Sector Transformation and Growth Strategy (ASTGS: 2019-2029), which will continue a more focused implementation of the Vision 2030 and the “Big Four Agenda”. The ASTGS will be implemented through 3 anchors that will entail: i) increasing small-scale farmer, pastoralist and fisher folk incomes; ii) increasing agricultural output and value addition; and iii) boosting household food resilience. These will be achieved through 6 strategic five-year projects that will link farmers to SMEs; streamline the subsidy programme; promote agro-processing; establish large-scale private farming; expand irrigation; restructure Strategic Food Reserve (SFR); boost food resilience in ASALs;

train government leaders, project implementers and youth-led extension agents; strengthen research and innovation; and monitor key food system.

15. The Ministry of Agriculture, Livestock & Fisheries is responsible for the development of the agricultural sector, that entails: i) formulation, implementation and monitoring of agricultural legislations, regulations and policies; ii) supporting agricultural research and promoting technology delivery; iii) facilitating and representing agricultural state corporations in the government; iv) Development, implementation and coordination of programmes in the agricultural sector; v) Regulating and quality control of inputs, produce and products from the agricultural sector; vi) Management and control of pests and diseases; and vii) Collecting, maintaining and managing information on agricultural sector. The ministry executes its responsibilities through three state departments headed by principal secretaries - the State Department for Agriculture responsible for policies on agriculture; the State Department for Livestock with a mandate to handle policies on livestock; and the State Department for Fisheries tasked with policies that enhance the development of the fisheries industry. The Ministry is supported by a number of agriculture based institutions.

16. Kenyan private sector is well developed and plays a pivotal role in the development of the country's agriculture sector. It is important to note that the smallholder farmer is essentially a private sector operator who makes individual decisions. Large farmers are involved in irrigated commercial farming, mainly in floriculture and horticultural crops, tea and wheat. They also produce dairy products, beef, poultry and pork. The Private sector is responsible for input supply; transport of agricultural produce; purchases agricultural produce; undertakes agro-processing and agriculture based light manufacturing; provides tractor hire services and financial services; and contracts farmers. But the sector is constrained by inadequate infrastructure especially rural roads and storage facilities, inadequate regulations, inappropriately targeted subsidies, security and politics.

# SECAP background study

### Social, Environmental and Climate Assessment Procedures (SECAP) background study

### A. Objectives

1. The Government of Kenya has developed policies and strategies aimed at environmental sustainability, social cohesion and inclusion, poverty eradication, as well as a low emission and climate resilient development pathway. This SECAP background study aims to further align the IFAD COSOP (2019-2024) with Kenya's green growth, climate resilience, environmental sustainability, social inclusion and poverty reduction goals. In particular, the SECAP study supports the IFAD Kenya - COSOP in realising cross-cutting sectoral objectives such as: i) gender equality in agriculture, ii) empowerment of women and youth in agriculture, iii) improved nutrition, iv) climate adaptation and mitigation and, environmentally sustainable agricultural development, and v) Protecting the rights and livelihoods of indigenous peoples.

2. **Approach and methodology.** The approach and methodology used for conducting this background study includes: i) literature review of relevant national policies, and strategies, ii) analysis of ongoing projects within IFAD, GoK and development partners' portfolios, iii) analysis of primary data obtained from various Governmental and Non-governmental organisations, iv) consultations with national stakeholders, civil society organisations and farmers' organisations, and v) country programme evaluations, including existing environmental, social and climate related studies and assessments.

3. This SECAP review note provides a background to enable a better understanding of the social inclusion (gender, youth, indigenous people), environment, climate change, and nutrition contexts as well as to identify underlying issues and challenges, and to provide strategic recommendations for action during the COSOP period.

### Part 1: Situational Analysis and Main Challenges

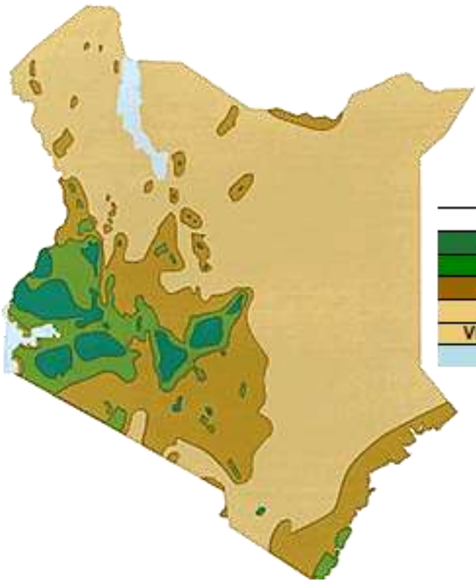
4. **Geographic context.** Located in Eastern Africa, Kenya is a Tropical country that lies between latitudes 5°N and 5°S, and longitudes 34° and 42°E. Kenya is bordered by Ethiopia, Somalia, South Sudan, Tanzania and Uganda. The country's total size is 569 140 km$^2$ of which 1.9% (11 227 km$^2$) is covered in water. The country has a variable climate that ranges from warm to humid in the coastal regions and, arid, semi-arid and very-arid in the interior. Kenya is divided into 47 semi-autonomous Counties. The country's landscape is characterized by the coast and inland plains, the Great Rift Valley and major highlands. Kenya has 18 gazetted water towers/catchments, the main ones being five, namely: Aberdares; Mt. Kenya; Mau Complex; Cherangany Hills and Mt. Elgon. Kenya experiences a bimodal rainfall pattern, with long rains occurring from March through to May, and short rains experienced between October and December.

5. **Climate**. "Kenya has a moderate tropical climate which is tempered by topographic relief, as well as the movement of the Inter Tropical Convergence Zone (ITCZ). Rainfall is also affected by large water bodies like the Indian Ocean and Lake Victoria. Most of the country is relatively dry with mean annual rainfall estimated at 680 mm per year. But this rainfall is unevenly distributed over the country in both spatial as well as temporal scales, varying from about 200 mm in the dry areas to over 2 000 mm in the humid zones, the latter being mostly in the highlands" (Ministry of Environment and Natural Resources, 2016).

6. **Demographics.** Kenya comprises of a population of over 48 million people (CIA Fact book, 2018), and has an average population density of 79.2 people per square

km, ranging from over 1 000 in Vihiga County to about 4 in Marsabit County. However, due to rapid movement of populace to the city (in 2013, it was estimated that approximately 4 million Kenyans migrated to cities), areas such as Nairobi and Nakuru are continuously increasing in density. Nairobi is also home to one of the largest slums in the world (Kibera), which houses 250 000 people out of the 2.5 million slum and high density areas in the city. Moreover, a sizable Kenyan population resides in international locations (estimated at approximately 501 200 in 2013), accounting for the large contribution to the Kenyan economy through remittances by the Kenyan diaspora (approximately USD 1.7 billion in 2017) (FAO, 2018).

7. **Agro-ecological zones.** Kenya is subdivided into several agro-ecological zones namely: "**AEZ 0** corresponds to ever wet evergreen rainforest; **AEZ 1** to evergreen rainforest; **AEZ 2** to seasonal rainforest because of one or two dry months; **AEZ 3** has three to five dry months and corresponds to seasonal semi-deciduous moist forest or a high grass - broad leaved trees savanna; **AEZ 4** corresponds to woodland, which is either deciduous in subzone with unimodal rainfall located towards West Kenya and in Tanzania, or hard-leaved evergreen in bimodal rainfall subzones with two dry seasons found in East Kenya, where plants have hard or hairy leaves to avoid shedding them off twice a year. The grass is up to 1 m high; **AEZ 5** where the natural vegetation is a short grass savannah with small leafed thorny trees and bushes; **AEZ 6** is bush land with very short but still perennial grass, and therefore it is suitable for ranching - if the grass (the standing hay for the dry season) is not eradicated by overgrazing; **AEZ 7** indicates Semi-desert; and **AEZ 8** is full desert." (FAO, 1997). Kenya has a varying range of soils, such as clay, loamy, sandy, shallow, deep, highly fertile, low fertility among others. In Agriculture, the main types of soils include: vertisols; acrisols; lixisols; ferralsols; luvisols; and nitisols (Gachene and Kimaru, 2003).



| # | Zone | Approx. Area (km$^2$) | % Total |
|---|---|---|---|
| I | Agro-Alpine | 800 | 0.1 |
| II | High Potential | 53,000 | 9.3 |
| III | Medium Potential | 53,000 | 9.3 |
| IV | Semi-Arid | 48,200 | 8.5 |
| V | Arid | 300,000 | 52.9 |
| VI - VII | Very arid | 112,000 | 19.8 |
| | Water | 15600 | 2.6 |

(USIU, 2018)

**Environment and Natural Resources Situational Analysis and Challenges**

8. Kenya's economy is highly dependent on its natural resource base and climate-sensitive sectors such as agriculture, water, fisheries, forestry and energy. Approximately 80% of Kenya's population is directly and indirectly dependent on rain-fed agriculture for basic livelihoods. The most vulnerable sectors happen to be the agricultural and water sectors where land degradation remains a major threat to the provision of environmental services, and the ability of smallholder farmers to

meet the growing demand for food and incomes. The interactions between climate change and land degradation are likely to affect a range of different social and ecosystem functions they deliver, with consequent impacts on food production, livelihoods and human well-being. The areas most affected by these impacts also happen to be the most productive in Kenya. Unless these challenges are seriously addressed, achieving the full potential of Kenya’s natural land resources could prove difficult (Ministry of Environment and Natural Resources, 2016).

9. **Agriculture.** The drought cycle in the country has progressively reduced: from 20 years (between 1964-1984) to 12 years (between 1964-1984) to two years (between 2004-2006) and the current yearly occurrence of drought (since 2007), resulting in shorter rain cycles and longer droughts, degrading the limited arable land, and adversely affecting the 75% of Kenya’s workforce that is engaged in agricultural production. As a result, multiple crops have experienced decline in national productivity (e.g. Maize by 6.3% and tea by 7% between 2016 and 2017), which in turn, has led to the overall Import Dependency Ratio of the National Food Balance Sheet that increased from 29.4% in 2016 to 42.7% in 2017 (Ministry of Environment and Forestry, 2018). The agriculture sector is one of the largest contributors to Greenhouse Gas (GHG) emissions in Kenya.

10. **Forest resources.** Kenya's forest ecosystems include savannah woodlands, *montane* rainforests, dry forests, mangroves and coastal forests. The country's forest cover is estimated at 7.4%, against the recommended global and national minimum of 10%. The forest sector is critical for Kenya's economic, social and environmental wellbeing, as well as climate resilience. It is estimated that the forest sector contributes about 7 Billion Kshs (USD 70 million) to GDP, while employing 50 000 people directly and a further 300 000 indirectly. Some environmental services contributed by forests include: to act as carbon sinks; improve water quality and quantity; and soil erosion control, among many other benefits. Kenya has experienced a rapid depletion of its forest resources, at a rate of 5 000 ha annually, resulting in reduced water availability and economic losses, currently estimated to be USD 19 million annually. The key challenges facing the forestry sector are: illegal logging; deforestation and degradation; and forest fires among others (Ministry of Environment and Forestry, 2018).

11. **Livestock.** Livestock is a key sub-sector in the agricultural sector and contributes approximately 40% of the agricultural sector’s contribution to national GDP (IGAD, EU and FAO, 2013). A large concentration of livestock activities are around Arid and Semi- Arid Lands (ASALs), and it accounts for almost 90% of employment in the ASALs. Climate has been an important factor in the selection of areas for engaging in different types of livestock rearing such as the Northern and Southern rangelands for Beef production, and the Central Rift Valley and the parts of Western Kenya for the production of poultry and cattle rearing. Livestock also contributes significantly to GHG emissions (specifically Methane gas), and is expected to account for an increase of 30% in GHG emissions by 2030).

12. Due to the fact that a significant proportion of the populace engaged in the livestock sector are smallholder farmers, the impacts of climate change are expected to be adversely felt at household level, and are particularly devastating for nomadic and semi-nomadic pastoralists who depend on this flow of income for sustenance, especially in the ASALs. The rate of cattle slaughter has increased from 2016- 2017 by 5.3% due to farmers attempting to reduce losses. Over 70% of livestock mortality in ASALs has been a result of droughts (Ministry of Environment and Forestry, 2018). It is estimated that Kenya risks losing approximately 1.7 million cattle (52% of total cattle population) in ASALs between 2017- 2027, unless current trends in climate change are mitigated. This accounts for the loss of almost KES 34 billion- KES 68 billion in a ten year period, with the largest impacts foreseen to be felt to be in Garissa, Wajir, Tana River and Turkana (Ministry of Environment and Forestry, 2018).

13. **Fisheries.** The fisheries sub-sector has been rapidly growing into an export industry in the past few years. Almost 95% of total weight of fish is sourced from fresh water (of which 50% is sourced from Lake Victoria and 4% from Kenya's coastline. The fisheries sub-sector provides employment to over 500 000 Kenyans (Ministry of Environment and Forestry, 2018). Although the fisheries sector only accounts for about 0.8%, it has vast potential for growth and numerous benefits such as increased nutrition, if scaled-up sustainably. However, impacts of climate change further hamper opportunities for improvement of deep sea fishing due to: i) changing of fish breeding patterns due to increasing water temperatures; ii) movement of marine fish deeper into waters; and iii) concurrent lack of technology of farmers to access deeper seas. Aquaculture is constrained by: i) high price of maintaining fish farms; and ii) drying up of ponds due to drought.

14. **Mining.** Kenya has known mineral deposits of oil and natural gas, soda ash, gold, coal, fluorspar, iron, gypsum, diatomite, titanium, limestone etc. The discovery of oil and gas in 2012 is expected to boost the country's economy. The Constitution of Kenya, 2010, vests all minerals under the ownership of the national government, and mandates it to ensure sustainable extraction and utilization, and conservation, health and safety of the environment (Ministry of Mining, 2017). The primary challenges experienced among smallholders in relation to mining is stone quarrying and sand harvesting which result in land degradation, as well as dust and water pollution. The development of quarry and sand harvesting management guidelines at county level could mitigate these risks if enforcement is done diligently.

15. **Water resources.** Kenya is endowed with several water resources such as lakes, rivers, dams, ocean, streams, springs, ground water resources among other sources. However, the country is still considered a water-stressed country because its renewable water resources are estimated at 650$M^3$ per annum, and a country is classified as 'water scarce' if the renewable fresh water generated per annum is below 1000$M^3$. Kenya's water scarcity is exacerbated by variable and unreliable rainfall patterns, as well as climate change. Coupled with an increasing population, the demand for water already outstrips supply. The effects of water scarcity are much more pronounced in the ASALs, which receive very low rainfall. Water resources in Kenya face several challenges such as: over abstraction in some catchments; inappropriate land use; destruction of riparian land; soil erosion; water resource use conflicts; and effluent discharge into water bodies. As such, Kenya needs to invest substantially in sustainable water management. Some approaches that have been applied successfully include, water efficient technologies, water resource financing and incentive mechanisms, sustainable land and water management approaches, and public private partnerships (2030 Water Resources Group, 2015).

16. **Land resources.** Land remains the most important resource for most Kenyans, particularly the majority of rural farmers, whose livelihoods are agro-based. Land in Kenya is either national/public land, communal land or privately owned. Only 17% of the country's total land cover is arable, and suitable for rainfall dependent agriculture, while the rest is semi-arid and arid. Although the irrigation potential is high, it is still underdeveloped and only 10% of the total land cover is under irrigation to date. Additionally, Kenya still faces land tenure issues which in some cases result in violent community conflicts or inability to access and productively utilise land resources, especially among women and the youth, and indigenous peoples. The pace of land reforms in the country, to address recurrent land use conflicts has been slow with very limited results to date.

17. Furthermore, studies are revealing that majority of the land in the country faces high risks of land degradation, particularly in the arid and semi-arid regions. Land degradation is mostly human induced and mainly manifests in the form of: soil erosion; rangeland degradation; salinity; deforestation; desertification; salinization, soil nutrient loss; sedimentation etc. At the same time, agricultural productivity is

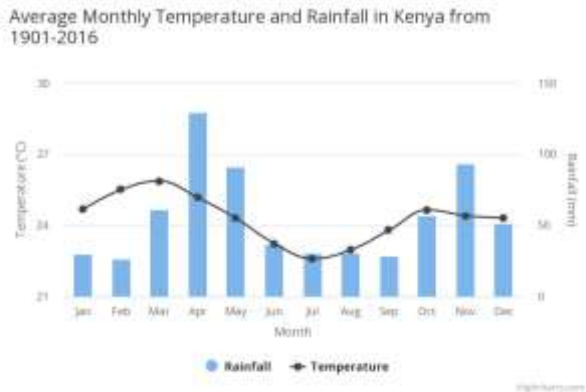
low compared to inherent potential due to limited investments in optimal productivity especially at small holder level. As such, sustainable land management is increasingly receiving prominence in government programmes and being promoted through development programmes. These efforts are also to some extent, embedded into the Nation's commitments e.g. under the UNCCD, UNFCCC, SDGs, among others (Ministry of Environment and Natural Resources, 2016).

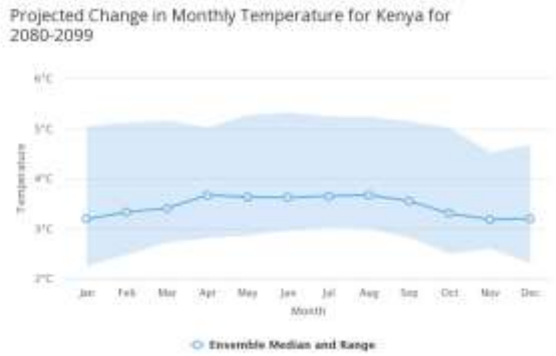
18. **Energy resources.** Kenya's energy sector is largely driven by petroleum, electricity and wood fuel/biomass, with wood fuel/biomass being the most widely used form of energy by the rural and urban poor. The government is making tremendous strides towards improving electrification from the current 15% to 65% by 2022. Much of the electricity is generated through hydropower (57%), while geothermal and thermal power account for the rest. The government has put a lot of focus in green energy use and intends to continue doing so in the long term. Solar and wind power are gaining momentum gradually, but still contribute little to the grid. The reliance on hydropower requires that water catchments continue to be well conserved in order to ensure a reliable and quality supply of water to the hydro stations. Moreover, overreliance on wood fuel has increased deforestation levels across the country, in addition to contributing to greenhouse gas emissions, thereby accelerating the rate of climate change. The move towards renewable energy sources such as biogas, solar, wind, geothermal, hydropower etc., is likely to reverse this situation (Energypedia, 2019).

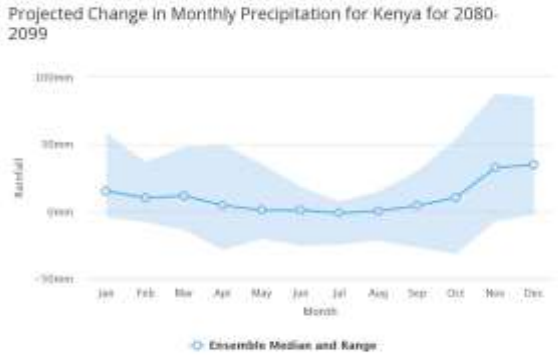
**Climate Change Situational Analysis and Challenges**

19. Kenya has been negatively affected by climate change in most sectors of its economy including agriculture, tourism and transport among others. Climate variability and climate change is increasingly being felt across the country and the duration between climate hazards such as droughts and floods has become shorter, with wide reaching impacts and losses. Kenya's mean annual temperature is expected to increase by $1.0^0$C to $2.8^0$C by 2060, while rainfall is expected to increase by up to 49 mm per month. More hotter days are being experienced in Kenya, particularly during the long rainy seasons, when most farmers do their planting. The figures below provide an indication of historical and projected trends in temperature and precipitation (World Bank, 2019).

20. Partly due to El Niño and La Niña episodes, Kenya is prone to cyclical prolonged droughts and serious floods, with climate change increasing the intensity and frequency of these events. Shorter intervals between droughts and prolonged droughts in the country have contributed to food insecurity due to loss of crops and livestock, loss of biodiversity, land degradation etc. Floods experienced after drought periods have wreaked havoc in many parts of the country, through damage to crop and livestock systems, infrastructure and loss of lives among others. Future climate models reveal that there will be more severe droughts and intense floods by 2100. "These conditions will lead to increased malnutrition among children, as parents are unable to feed their families. UNICEF estimates that if a child in Kenya is born in a drought year, the likelihood of them being malnourished increases by up to 50 per cent (UNICEF, 2017, GoK, 2015).




21. Government of Kenya confers that climate change is best addressed through the integration of climate change policy responses and actions to national, county, and sectoral planning and management processes. It encompasses both: i) horizontal integration- through the implementation of an overarching national guidance system through policy and legislature; and ii) vertical integration - incentivizing all sectors and levels of the populace to implement climate change responses in their core functions. This has allowed for the reconfiguration of Kenya’s planning process through effective integration of climate resilience and low carbon development in Kenya’s national development process through Vision 2030 to all sub-sectors. Through the Big Four Initiative, the government has put in place measures and programmes to address climate change and drought (Third Medium Term Plan, 2018-2022). Kenya’s NDC, which presents the country’s commitments at the international level, builds on this internal process.

22. The establishment of 47 semi-autonomous Counties through decentralization and devolution of the central government, has led to increased opportunities for local councils and communities to improve awareness, be consulted, and actively engaged in the design and implementation of climate change adaptation and mitigation actions. In particular, Counties are expected to actively seek and engage in climate change mitigation opportunities using financial capital such as the County budget, County Climate Change Funds (currently developed in Garissa, Makueni and Wajir Counties), and the use of social capital by sourcing and integrating locally-identified community climate change adaptation and mitigation actions. Climate smart agriculture, early warning systems, and crop and livestock insurance have been identified as some of the interventions that can strengthen adaptation to climate change.

23. Climate information services are now widely appreciated and increasingly being integrated in programming and decision making in agriculture and other sectors of the economy. The newly developed Meteorological Policy calls for the use of climate information and knowledge for appropriate evidence-based decision-making, awareness creation and preparedness, and facilitating access to climate data by

institutions and organisations, as well as development of a regulatory framework for the dissemination of climate and weather information and products(Meteorology Policy, 2019).

24. The impacts of climate change are expected to be felt drastically in East Africa, particularly in the Arid and Semi-Arid Lands (ASALs) of Kenya, which occupies approximately 80% of Kenya's landmass (Ministry of Devolution and ASALs, 2019). Therefore, the development of mechanisms and affordable products that are able to share the potential risk are crucial to improving climate change adaptability of farmers. The Sendai Framework for Disaster Risk Reduction (2015- 2030) also acknowledges the importance of promoting disaster risk transfer, risk-sharing and retention mechanisms. Crop insurance and climate risk insurance are seen as viable options in risk reduction. Additional risk mitigation measures include: introducing climate resilient plant varieties, improving data systems to identify risks posed by climate change on the agricultural sector); or, indirect processes (e.g.: improving farmer linkages to inputs and markets to improve income generation, which enables further investments to improve climate resilience).

25. **Disaster risk management.** Kenya experiences natural hazards such as droughts and floods. Other hazards include landslides, and resource use conflicts. Although Kenya has institutions charged with dealing with disasters, often times disaster management is reactive rather that preventive. "An evaluation of the 1999-2001 drought response estimated that out of the US$342 million spent on relief response, about half would have been utilized if appropriate mitigation and preparedness measures had been put in place prior to the crisis. With support from the UN, a national Disaster Risk Reduction (DRR) platform was established to support the Government in coordinating disaster issues at the national level. The Principal Disaster Risk Management Institutions include: the National Drought Management Authority (established after the 2011 drought) and National Disaster Operation Centre. Disaster Risk Management is coordinated by the Directorate of Special Programmes under the Ministry of Devolution and Planning while some disaster response functions are within the Ministry of Interior and Coordination of National Security" (UNDP, 2019). The government plans to: a) Increase availability of and access to multi-hazard warning systems and information for disaster risk reduction; b) Promote partnerships and service delivery agreements between the NMS and different users of products and services; and c) Promote cooperation and collaboration with other national, regional and global specialized agencies in Disaster Risk Reduction issues.

**Socio economic Situational Analysis and Challenges**

26. **Youth.** In 2018, it was estimated that approximately 42.4% of the population was under the age of 15, while approximately one third of the country comprised of youth (15-24) (CIA Fact book, 2018). According to a study conducted by UNDP, 80% of the unemployed are youth, between 15-34 years old (UNDP, 2015). With approximately 1 000 000 youth entering the labour market of Kenya annually (Kenya Country Report on Youth Employment, 2014), youth unemployment continues to become a significant concern. The Ministry of Agriculture, Livestock and Fisheries (MAL&F) acknowledges that there is high potential for addressing youth unemployment by increasing their participation along the agricultural value chains (Kenya Youth Agribusiness Strategy, 2017). MAL&F notes that engagement of Kenyan youth in agriculture presents an opportunity to not only absorb a greater proportion of populace to the workforce, but also enhances the potential for significant contribution to the achievement of food security for current and future generations.

27. However, the agricultural sector has not been able to exploit the full potential of youth yet, and the engagement of youth in the sector remains low. The situation is worsened by the perception that agriculture is an employment opportunity of last

resort, due to its manual labour-intensive nature, uncertainty in financial remunerations, and lack of availability of affordable physical capital such as cultivable land. The Kenya Agriculture Sector Transformation and Growth Strategy (2019-2029), the Kenya Youth Agribusiness Strategy (2017-2021), and the Kenya Draft National Livestock Policy (2019), mentions measures aimed at improving opportunities for sustainable participation of Kenyan youth in agribusiness: mind set change towards agribusiness; increased technical capacity; access to financial services; access to physical resources such as affordable land; etc.

28. Land tenure systems categorize available land into three categories as follows: (a) communal land (is owned based on traditional customary rights and allows every member of the community use the land but not sell it); (b) government trust land (owned by the state and utilised for public purposes such as for the development of public infrastructure and national natural reserves); and (c) privately owned land (which is registered under specific individual owners or companies). Most youth mostly acquire land through inheritance. However, due to the exponential growth of youth and communities, access to cultivable inherited land is rapidly decreasing, resulting in increased migration to urban areas. The alternative option, which is to buy and own land has its own financial restrictions, leading to reduced access of youth to cultivable land. Nevertheless, the Kenyan population should be sensitized to understand that agriculture is not just cultivation but involves the entire whole value chain, and the youth should be encouraged to participate at every level of the value chain (e.g. distribution of agricultural inputs, transport of agricultural produce, agro-processing, leasing out agricultural machinery, etc.).

29. The key challenges in engaging the youth in agriculture are identified as: i) poor and inadequate education which limits sharing of knowledge and information on development of sustainable entrepreneurial ventures, and ii) limited usage of technology in agriculture as well the ability of the youth to afford that technology e.g. smart phones, and digital platforms requiring internet use. To counter this, vocational training and extension services, as well as promotion of agriculture in schools and tertiary institutions can potentially create interest and income generation pathways for the youth in agriculture. Access to digital and mobile technology also needs to be strengthened in the sector as this is an area that has been found to appeal to the youth to join agriculture (MIJARC/IFAD/FAO, 2012; FAO, 2007).

30. **Gender.** Approximately 50.3% of the Kenyan population are women (FAO, 2018). With the introduction of the progressive rights-based Constitution of Kenya (2010), the permit of basic rights for women, children and other marginalized groups have been prioritized, and safeguarded by succeeding policy and legal frameworks. However, women continue to face barriers in accessing economic and socio-political resources and opportunities (UN Women: 2019). Moreover, incidents of gender based violence, sexual harassment and certain cultural practices such female genital mutilation further exacerbate the situation. Kenya has seen a drastic increase in the number of women engaged in agriculture. According to estimates developed by ILO, the ratio of women to men in agriculture has increased from 57%:43% in 1991 to 64%:37% in 2018 (World Bank Data 2018). According to UN Women, over 80% of Kenyan women are currently engaged (in some capacity) in smallholder farming. However, despite the large proportion of women engaged in agricultural activities, only 1% of these women own land in their own right, and less than 10% have access to any form of credit (less than 1% have access to agricultural credit: UN Women, 2019).

31. Moreover, women continue to face more challenges in agriculture and these include: limited access to agricultural inputs due to the unavailability of hard collateral such as land; lack of effective gender-sensitive M&E systems in the agricultural sector leading to ineffective capturing of information on women’s engagement in agricultural activities. This leads to continued lack of gender statistics in agriculture,

particularly in rural and remote areas. The low engagement of women in leadership positions in rural contexts, particularly in community-based decision making and management structures, leads to their further marginalization.

32. Additionally, sociocultural attitudes, particularly in rural contexts do not acknowledge engagement of women in multiple roles at household level (e.g.: child rearing and household activities), alongside agricultural activities, and are geared at prioritizing the well-being of boys rather than girls. This is especially apparent in the tendency of rural households to invest in secondary and higher education of boys rather than both boys and girls. This leads to worsening skills and knowledge gaps between men and women, further eroding opportunities available for rural women. These challenges are further exacerbated by lack of open dialogue and communication on women's issues, including opportunities for engaging in the agricultural sector, within rural communities

33. In order to combat such inequalities, agriculture sectoral actors have developed ventures aimed at promoting the development of inherent linkages between women's engagement in agriculture, agricultural growth, and sustainable food security. Key characteristics of such ventures are: i) Expanding women's access to physical capital such as land, which have traditionally been predominantly owned by men; ii) Increasing women's access to financial services; iii) Linking female farmers to agricultural value chains from production through to processing and marketing of agricultural produce; iv) capacity building through training and improved access to information; and v) developing data-driven monitoring mechanisms, which are able to gather and analyse data to understand the extent of successful integration of women into the agricultural/ agribusiness sector.

34. In order to monitor success of ventures in sustainably engaging women in agricultural development, various metrics have been developed. In particular, the Women's Empowerment in Agriculture Index calls upon agricultural actors to ensure that women are: i) at the forefront of making decisions pertaining to agricultural production; ii) have direct access to decision-making authority and productive resources, iii) have control over the income generated, iv) are empowered to become leaders in the community, and v) are trained to ensure effective and efficient use of time and resources available. The indicator also engages household indicators to ascertain the opportunities and resources available to women in comparison to men, at household level.

35. **Marginalized groups.** The Constitution of Kenya (2010) defines a marginalised community as: i) a community that has been unable to participate and integrate in socioeconomic life of Kenya, due to its relatively small population; or ii) a community that has established itself in a thinly-populated location out of need to preserve its unique culture and values; or iii) a community that identifies itself as an indigenous community and has maintained its lifestyle and livelihood on the hunter/gatherer/ pastoral economy.

36. Due to the concept of disparity being multifaceted (i.e.: encompassing multiple dimensions such as: convergence, inequality and polarisation), it has been a continued challenge for scholars and policy makers to effectively discern marginalised areas and communities. However, it is clear that previous strategies aimed at selective channeling of resources to areas of high return in order to attain rapid economic growth, was a significant contributor to the existence of marginalised communities. In this regard, marginalised areas tend to be cut off from the national axis of growth due to distance and inaccessibility. Moreover, in most locations where these communities face geographical seclusion, they continue to face lack of endowment and fail to attract potential investors, further isolating them from a rapidly developing world.

37. A significant proportion of rural populace identified as IFAD's target beneficiaries belong to the sector of marginalised groups. A predominant reason for this is their

location in rural areas, with reduced access to resources and services. The Survey Report on Marginalized Areas/ Counties in Kenya (Commission on Revenue Allocation, 2012) identifies that a high level of marginalization exists in Arid and Semi-Arid Lands (ASALs). The findings also indicate that Turkana, Marsabit, Mandera, Lamu, Wajir, Isiolo, Samburu, Tana River, West Pokot and Garissa are the most marginalized Counties in Kenya. It is also identified that in each of the 47 Counties, there is at least one marginalized area, community, or group. The same study identifies that different metrics such as: education, infrastructure, poverty index, food security, health facilities, access to water and historical injustices should be used as criteria when determining the most marginalised communities and areas, in order to design targeted development strategies accordingly (Commission on Revenue Allocation, 2012).

38. **Indigenous peoples.** It is estimated that Kenya has approximately 1.5 million people who self-identify as indigenous people (World Bank, 2016). The indigenous people in Kenya are predominantly hunter-gatherers (e.g.: Ogiek, Sengwer, Yaaku Waata and Sanya), nomadic and semi-nomadic pastoralists (e.g.: Endorois, Turkana, Maasai, Samburu) and other blacksmiths and fishing foraging communities (IWIA, 2019). Amongst pastoralist communities, livestock is a form of savings, source of food, financial capital, and the basis of wealth description, causing high dependence of pastoralist farmers on their livestock assets. Therefore, external shocks (e.g.: environment/climate-related) have the ability to significantly hinder indigenous peoples' capacity to harness optimum output from their assets for both self-sustenance and for income generation.

39. In addition to the adverse effects of climate change, indigenous communities, particularly pastoralists, face additional barriers to integration in society. Such barriers arise due to: (a) their cultures and way of life, which differ considerably from majority of society, and may not be appreciated due to lack of understanding; (b) the lack of institutional support to retain their culture, sometimes leading to extinction of cultural values; (c) the high dependence of such communities on access to rights, land, and relevant natural resources (e.g.: water bodies), paired with the lack of engagement of such communities in socio-political platforms, leading to lack of voice; (d) discrimination from society for their actions, which are at times considered ‘primitive’ or ‘less advanced; (e) geographical isolation, due to location of most indigenous communities in rural and thinly-inhabited regions (World Bank, 2016). The combination of the effects of climate change, discrimination and marginalisation, if continued, threaten the continuation of indigenous people’s cultures and ways of life, and prevents them from actively participating in decisions regarding their own future and forms of development.

40. A significant proportion of obstacles hindering effective engagement of indigenous communities in agricultural activities revolves around access to natural resources such as arable land and water, as well as conflicts arising due to the same. A study conducted by Minority Group International (2005) identifies that further action is required through national policy to address conflicts between indigenous communities arising from scarcity of natural resources. This is extremely common among pastoralists based in the Arid and Semi-Arid Lands (ASALs) of Kenya, who are in constant conflict with peers for grazing land and water for livestock.

41. Moreover, non-indigenous communities need to be better sensitized to respect traditions, values, beliefs and traditional knowledge of indigenous communities. This would enable greater understanding of sensitivity to concerns of indigenous communities with regards to cultural, religious and lifestyle choices. Indigenous communities also tend to be based around certain geographic locations, and are usually dependent on various agricultural processes for sustenance of livelihoods. This makes such communities particularly vulnerable to effects of climate change on agricultural productivity, as well as scarcity of natural resources. It is, therefore, crucial that the climate resilience of such communities are improved.

42. According to IGWIA (2019), Kenya has not yet adopted the United Nations Declaration on the Rights of Indigenous Peoples, and does not have specific national legislature on indigenous communities. However, Kenya has ratified the International Convention on Elimination of All Forms of Racial Discrimination (ICERD).

43. **Nutrition.** The population of Kenya has tripled in the past 35 years, posing significant strain on the national resources, which are not adequately equipped to meet the growing demand. This has led to a significant number of Kenyans, especially youth, women, and vulnerable groups at high risk of poverty and malnutrition. According to the data gathered by the Kenya National Bureau of Statistics (KNBS), 3.4 million Kenyans suffered from acute food insecurity in 2017. Multiple factors have contributed to this situation, including: i) increased frequency of droughts and reduced rainfall; ii) increasing costs of domestic food production, leading to high dependence on imports; iii) global food price shocks directly affecting domestic food prices; iv) decreasing purchasing power; and v) effects of political turmoil (including the displacement of farmers during the 2007 Kenyan election), leading to greater burdens on the national food production systems and processes.

44. According to USAID (2017), it was estimated that approximately 35% of Kenyans displayed stunted growth in 2008, but fell to 26% by 2014, most probably due to increase in exclusive breastfeeding patterns of mothers by an average of 10% annually (SUN, 2018). Stunting is most prevalent among children aged 18-23 months, which indicates the existence of poor nutrition, hygiene and sanitation practices among the communities. It has been estimated that the highest cases of stunting are recorded in the Rift Valley, Eastern and Coastal regions in Kenya. Acute malnutrition (wasting) is high among children under 5 years (4%), most of it recorded in the North Eastern Region (approximately 14%: USAID, 2017). Available information indicate that improper nutrition in early motherhood is the most significant contributor to malnutrition in children.

45. Multiple factors contribute to the high malnutrition rates and diseases prevalent in Kenya according to the National Nutrition Action Plan (2012-2017), that include: i) Human resources gap of nutritionists and dieticians within public health facilities at community level remains critically low (the Kenya Nutrition and Dieticians Institute estimates 1 290 nutritionists, with only 600 of them servicing public health facilities, which translates to approximately 1 nutritionist for every 31 000 citizens - Ministry of Public Health and Sanitation, 2012); ii) the National Nutrition Action Plan (2012-2017) also notes that despite the prevalence of multiple stakeholders promoting nutrition in varying sectors (e.g.: agriculture, health, WASH etc.), lack of inter-sectoral coordination mechanisms reduces the overall impact and sustainability of nutrition outcomes; and, iii) the short-term nature of nutrition development ventures, which predominantly tend to target emergency situations, lacks a holistic approach and limits their scope for impact; iv) lack of effective data monitoring, collating and reporting mechanisms on nutrition in the public sector has led to unreliable nutrition data (although these systems are gradually being improved in urban settings, nutrition surveillance continues to lag behind in rural settings, leaving out vital information about nutritional issues in rural populace); v) socio cultural attitudes towards nutrition: gathering of nutritional data and promotion of improved nutritional practices remains a challenge in indigenous communities, in particular, the lifestyles of semi-nomadic and nomadic pastoralists who heavily rely on their livestock for sustenance and tend to be high vulnerable to nutrition deficiency; vi) rapid urbanization: large migrants to urban areas have caused scarcity of cultivatable land in urban areas, increasing price of goods, and lower-income households (especially slum areas), and therefore they face challenges accessing nutritional foods; and vii) overuse of harmful chemicals such as pesticides and fertilizer in agriculture, has the potential to pose nutritional and health hazards

to consumers. Therefore, it is vital that focus is drawn upon ensuring food safety of nutrition commodities.

46. Due to the cross-cutting nature of nutrition, a high degree of co-ordination is required at national level to effectively allocate and utilize resources to achieve sustainable nutrition outcomes. Therefore, a high degree of inter-sectoral collaboration is required in the design and development of nutrition programmes. Nevertheless, Kenya is showing positive progress towards improved nutrition, as demonstrated through achievement of crucial indicators of the global Scaling Up Nutrition (SUN) movement, including: i) recognition of the right to food and nutrition in the national constitution; ii) the achievement of iodised salt consumption in 90% or more households (SUN, 2017); iii) regulation of breastfeeding substitutes; iv) provision of 14 days paternity leave for fathers; v) increased awareness of populace on improved nutrition habits through media; and vi) undertaking voluntary national reviews of country-level progress on achievement of SDG targets on food security and nutrition. These achievements are attributed to the increasing efforts of the national government and key stakeholders to collaboratively improve nutrition levels of Kenyan populace.

47. The Nutrition in Agriculture Unit of the State Department of Agriculture leads in the development of national policies and strategies aimed at integration of nutrition into agricultural value chains. The Unit priorities: i) promoting diversification of production (i.e.: crops, fisheries, livestock); ii) promoting diversification of diets through nutrition education; iii) promoting effective and efficient food preservation and processing techniques; and iv) addressing cross-cutting issues such as gender by integrating policies aimed at improving access of vulnerable and marginalised groups to improved nutrition (e.g.: through the introduction of gender-friendly technologies, which are easy to manage for both women and men, and improving access to affordable and healthy diets for pregnant and lactating women).

**Policy, Regulatory and Institutional Frameworks**

48. The GoK has put in place several policies, legislations and institutional frameworks to regulate and address issues in the various thematic areas mentioned above. Table 1 shows the list of policies, legislations, guidelines and institutions under each thematic area.

| Thematic Area | Policies/Legislations/Guidelines/Strategies/ Action Plans | Key Institutions |
|---|---|---|
| **Gender** | Kenya National Policy on Gender and Development, 2000; National Plan of Action for the Elimination of Female Genital Mutilation in Kenya (1999-2019); Sexual Violence: Setting the Research Agenda for Kenya (2009); National Guidelines on Management of Sexual Violence in Kenya, 2nd Edition (2009) | National Gender and Equality Commission (NGEC), Women Enterprise Fund, Ministry of Labour, Social Security and Services, Ministry of Public Service, Gender and Youth Affairs, National Council for People with Disabilities, National Council for Children Services |
| **Youth** | Kenya Youth Policy (2006); Kenya Youth Agribusiness Strategy (2017-2021); Kenya Youth Development Policy (2018) | Youth Enterprise Development Fund in Kenya, Ministry of Labour, Social Security and Services, Ministry of Public Service, Gender and Youth Affairs |
| **Nutrition** | National Comprehensive School Health policy (2007); National Food and Nutrition Security Policy (2011); National School Health Strategy Implementation Plan (2011), National Nutrition Action Plan (2012); The Breast Milk Substitutes (Regulation and Control) Act Number 34 (2012); Kenya National Strategy for the Prevention and Control of Non-Communicable Diseases (2015-2020) | Ministry of Health, Ministry of Education, Ministry of Agriculture, Livestock and Fisheries |
| **Climate Change** | Climate Change Act, 2016; The National Climate Change Response Strategy, 2010; Kenya Nationally Determined Contributions, 2015; Meteorology Policy, 2019; National Policy on Climate Finance, 2016; Climate Finance Bill, 2018; Green bonds Guidelines, 2019; National Climate Change Action Plan (NCCAP) 2018-2022; National Adaptation Plan (NAP 2015- 2030); Kenya Climate Smart Agriculture Strategy (2017-2026); Climate Risk Management Framework (2017); National Climate Change Policy (2018); National Climate Finance policy (2018); | Ministry of Environment and Forestry, Ministry of Water and Irrigation, Ministry of Agriculture, Kenya Meteorological Department. Water Resources Management Authority, National Disaster Management Authority |

| | | |
|---|---|---|
| | and Kenya Climate Smart Agriculture Implementation Framework (2018-2027) | |
| **Environment and Natural Resources Management** | The Environmental Management and Coordination Act 1999 and the amendment Act 2015; Wildlife Conservation and Management Act 2013; Forest Conservation and Management Act, 2016, Natural Resources Act, 2016; Water Act 2016, National Solid Waste Management Strategy, 2015; Forest Conservation and Management Act, 2016; Fisheries Act 2016; Natural Resources (Benefit Sharing) Bill, 2018; Environmental Management and Coordination (Water Quality) Regulations (2006); Environmental Management and Coordination (Wetlands, River Banks, Lake Shores and Sea Shore Management) Regulations (2009); Irrigation Policy (2011); Water Act (CAP 372) No. 8 (2002) (Revised 2012, 2016); Land Act (2012); National Environment Policy, 2013 | Ministry of Environment and Forestry, National Environment Management Authority, Kenya Forest Service, Ministry of Water and Irrigation, Water Resources Management Authority, National Environment Trust Fund, Kenya Water Towers Agency, Kenya Wildlife Services, |
| **Indigenous Peoples** | Kenya Constitution, 2010, Bill of Rights; Kenya Community Land Act (2016); Kenya Agricultural and Livestock Research Act (2013); National Cohesion and Integration Act (2008) | Ministry of Sports, Culture and Arts |

## Key National Policies on Thematic Areas

49. **Gender.** The Kenya National Policy on Gender and Development (2000) foresees a society where women, children, men and persons with disability enjoy equal rights and a high quality of life. The policy seeks to ensure that women, men, girls and boys participate and benefit equality from development processes. The policy provides a framework and pathways through which gender mainstreaming can be done in all policies and programmes, and also creates institutions to enable this. The policy seeks to create an enabling environment to deal with gender inequalities in all forms and shape across communities and institutions. This is particularly so in the access and control of resources, assets, knowledge, and communication. The Policy identifies specific thematic areas to achieve its gender empowerment and mainstreaming objectives. These are: to identify, map out and prioritize gender issues in the sector Ministries and parastatals; review proposed activities and harmonize with sector realities; build relevant capacities to mainstream gender; identify linkages and networks; coordinate sector implementation of gender strategic activities; produce gender mainstreaming sector reports and profile gender issues in all sectors.

50. **Youth.** The draft Kenya Youth Development Policy (2018) defines a 'youth' as a person aged 18 years but has not reached 35 years. The Policy seeks to scale up youth empowerment programmes and to ensure valuable contributions of the youth to the Country's development. The policy has set out the following priorities: i) alignment of the youth programmes to the Big Four Agenda of the Government (2018-2022), the Kenya Vision 2030 and its Medium Term Plans, the Constitution (2010) and the Sustainable Development Goals (SDGs) (2030); ii) establishment of a National Youth Volunteerism Strategy to allow the youth to give back to society through their competencies and talents; and iii) development of a Kenya Youth Development Index to track and measure the impact derived from all the youth programmes, projects and activities. The thematic areas of the policy are: Youth, Health and Nutrition; Patriotism and Volunteerism; Leadership, Participation and Representation; Skills Development and Employment, and Entrepreneurship Development; Creativity and Talent Development; ICT Development; Agriculture; Environment and Sustainable Development; curbing Drugs and Substance Abuse; Crime, Security and Peace Building; Youth Mainstreaming; and eradicating Radicalization and Violent Extremism".

51. **Environment and Natural Resources Management.** The Environmental Management and Coordination Act, 1999 and the 2015 amendment provides an institutional framework for environmental management in Kenya, and entitles every citizen to a clean and healthy environment. Any person may apply to the Environment and Land Court to seek redress or orders to: "a) prevent, stop or

discontinue any act or omission deleterious to the environment; (b) compel any public officer to take measures to prevent or discontinue any act or omission deleterious to the environment; (c) require that any on-going activity be subjected to an environment audit in accordance with the provisions of this Act; (d) compel the persons responsible for the environmental degradation to restore the degraded environment as far as practicable to its immediate condition prior to the damage; and (e) provide compensation for any victim of pollution and the cost of beneficial uses lost as a result of an act of pollution and other losses that are connected with or incidental to the foregoing". The ACT operates on the following principles: polluter pays; public participation; international cooperation, cultural and social principles; inter and intra-generational equity; and the precautionary principle. The ACT also provides regulations and guidelines for mitigation of environmental risks through the EIA guidelines.

52. **Climate Change.** The Kenya Climate Change Act (2016) provides a regulatory framework for an enhanced response to climate change, provides mechanisms and measures to improve resilience to climate change and promotes low carbon development. The act seeks to mainstream climate resilience in all development plans, and encourages the use of climate proof/clean/green technologies. Furthermore, the National Climate Change Response Strategy involves comprehensive strategies developed to respond to climate variability and climate change. It proposes a programme of activities and actions to adapt, mitigate, and cope with climate change management. The National Climate Change Action Plan (NCCAP) 2018-2022 facilitates mainstreaming of climate action to Kenya's Big Four Agenda in: i) improving the manufacturing sector; ii) improving availability of affordable housing; iii) Providing increased universal health coverage; and iv) improving food security. Moreover, the governmental commitment to mainstreaming climate change adaptation and mitigation has led to all sectoral Medium Term Plans encompassing goals and targets aimed at promoting climate resilience as well as low-carbon emission strategies. Moreover, Counties are required by law to prepare and implement County Integration Development Plans which mainstream climate change adaptation and mitigation actions to sectoral actions and strategies.

53. **Nationally Determined Contribution Analysis for Kenya.** Kenya is a signatory to the UNFCCC and the Paris Agreement, and as such, has committed to climate mitigation and adaptation actions under its NDCs. The NDCs set out an adaptation contribution of mainstreaming adaptation into Medium Term Plans and implementing adaptation actions. The mitigation contribution intends to abate greenhouse gas (GHG) emissions by 30% by 2030 relative to the business as usual scenario of 143 million tons of carbon dioxide equivalent (MtCO2 e). Kenya's mitigation NDC is based on its 2013-2017 NCCAP, which sets out a low carbon development pathway that supports efforts towards the attainment of Vision 2030. Policies, programs and technologies are expected to be introduced to encourage lower emissions and move Kenya on to a low carbon development pathway. The key mitigation priorities are: renewable energy (geothermal, solar, wind, biogas etc.) and energy efficiency; afforestation and reforestation (10% tree cover); climate smart agriculture; low carbon and efficient transport systems; and sustainable waste management.

54. The adaptation actions are: increasing the resilience of energy systems; development of climate smart technologies; climate proofing infrastructure; increase resilience of informal private sector; mainstream climate change into land reforms; awareness creation, training and education on climate change across all sectors; enhance climate information services; strengthening the adaptive capacity of vulnerable groups and communities through safety nets and insurance; promote climate smart agriculture, fisheries and livestock development; integrate climate resilience into the extractives sector; mainstream climate change into CIDPs; and to enhance climate resilience in the tourism value chain. The NDCs are being

implemented through the various climate related policies, Acts, action plans and strategies and also through the Medium Term Plans and Vision 2030 (GoK, 2015).

55. **Nutrition.** The National Food and Nutrition Security Policy (2011) seeks to ensure that all Kenyans enjoy safe food, in sufficient quantity and quality, to satisfy their nutritional needs for optimal health, at all times and throughout their life cycle. The broad objectives of the policy are: "to achieve good nutrition for optimum health of all Kenyans; to increase the quantity and quality of food available, accessible and affordable to all Kenyans at all times; and to protect vulnerable populations using innovative and cost-effective safety nets linked to long-term development. The Policy seeks to address associated issues of chronic, poverty-based food insecurity and malnutrition, as well as the perpetuity of acute food insecurity and malnutrition associated with frequent and recurring emergencies, and the critical linkages thereof". This includes: food availability and access: food safety, standards and quality control; nutrition improvement; school nutrition and nutrition awareness; food security and nutrition information; early warning and emergency management; institutional and legal framework and financing; and policy implementation and monitoring.

56. **Indigenous Peoples.** Kenya has no specific law on Indigenous Peoples but has ratified the: i) International Convention on the Elimination of All Forms of Racial Discrimination (ICERD); ii) the Convention on the Elimination of Discrimination against Women (CEDAW); and iii) the Convention on the Rights of the Child (CRC). Within the Kenya Constitution's Bill of Rights, Kenya guarantees the protection of minorities and marginalized communities/groups. The Constitution obliges the State to ensure adequate representation of marginalized and Indigenous peoples in all levels of government, and to promote the freedom to exercise culture and indigenous languages. To date, Kenya is yet to ratify the ILO convention on Indigenous and tribal peoples (SWEEDO,2018).

**IFAD's Internal Policies on Thematic Areas**

57. IFAD is also guided by its internal policies with regards to the discussed thematic areas, which are in line with international best practices, and which will also inform the implementation of this COSOP. These policies include: Social Environment and Climate Assessment Procedures (SECAP), 2017; Climate Change Policy; Climate Change Strategy; Gender Equality and Women Empowerment Policy; Policy on Engagement with Indigenous Peoples; Policy on Land and Tenure Security; Targeting Policy; and the Environment and Natural Resource Management Policy.

**Lessons learned from the previous COSOP (2013-2018)**

58. Relevant lessons learnt through the CSPE evaluation follow (direct excerpts from CSPE Recommendations (2018):

- **Build on IFAD's comparative advantage and retain focus on selected themes and geographic areas**. There is still "unfinished business" in the areas where IFAD has successfully worked in the past. IFAD's programme should continue its focus on NRM and climate change, value chains and rural finance. It should concentrate on consolidating its achievements (e.g. by strengthening market access), identify and strengthen linkages (e.g. between rural finance and value chains), and deepen inclusive outreach (e.g. to youth). Geographic stretch should be reduced through greater focus on selected Counties in semi-arid areas. IFAD should build on places where it has established good relations and the CIDPs can integrate IFAD activities. To ensure stringency in its selectivity, IFAD should dialogue with the Government on aligning its requests with IFAD's comparative advantage in Kenya.

- **IFAD has achieved most success in the area of NRM; value chains and rural finance have also performed well**. Working with group-based approaches to NRM has been successful and sustainable because of the favourable legal and institutional framework in Kenya. IFAD has thus been able to leverage its comparative advantage in community development. IFAD has been successful with relatively mature and better integrated value chains such as dairy, while in newer and less integrated value chains such as horticulture, it has been unable to achieve its stated objectives within limited project time frames. Progress has been made with raising the productivity of dairy, horticulture and cereal producers, but linkages with the processing and marketing aspects of the value chain have not yet been fully realized. Within rural finance, IFAD has stimulated immense interest in its efforts to: advocate for Kenya's banks and MFIs to lend to smallholder producers; and prepare poor farmers to access credit through financial graduation. There is good potential to expand these activities while monitoring their benefits more carefully. However, expected synergies between rural finance and value chain projects have yet to be fully realized.

- **Targeting of the poor has been successful in NRM and value chain projects, as well as the financial graduation component of the rural finance project**. Targeting in terms of gender was strong, with an increasingly transformative approach. However, youth were targeted less effectively: IFAD could have done more to focus on youth given that the national youth unemployment rate is double that of adults. The move toward arid and semi-arid lands, recommended by the last CPE, has been limited to semi-arid areas so far. Given that IFAD focuses on value chains and has not yet been able to reach out to pastoralists, targeting in arid areas may be difficult to realize within the COSOP objective of market access. The newest intervention, the Aquaculture Business Development Programme, does have a clear focus on arid and semi-arid lands.

**Strategic recommendations, actions and targeting**

59. The strategic actions and recommendations presented in Table 2 below are based on the Kenya Government Priorities as indicated in its policies, Legislations, Action Plans and Programmes; challenges currently faced under each thematic area; IFAD's internal policies and strategies on thematic areas; and are also informed by the IFAD IOE report on Kenya, and the Kenya Country COSOP stakeholders meeting held in May 2019.

| Thematic Area | Key Priorities | Key Proposed Actions |
|---|---|---|
| **Environment and Natural Resources Management** | | |
| Sustainable Environment and Natural Resources Management | Promote the adoption, transfer and scaling up of Sustainable Land and Water Management practices and technologies | Watershed/catchment conservation and management, afforestation and agroforestry, rehabilitation of public forests, school greening programmes, forest fire management through training and equipment provision, SLM practices to limit soil erosion and sedimentation of water bodies, soil and water conservation, integrated soil fertility management, rainwater harvesting and storage, runoff harvesting (runoff farming), tools and equipment for SLM implementation, energy saving interventions, integrated rangeland management programmes, drainage of waterlogging areas, flood management and control, climate change adaptation, mitigation and resilience, storm water management, water conservation and green infrastructure in urban and peri-urban areas, pollution control, alternative livelihoods, best practices for management of invasive species, and, development of quarrying and sand harvesting guidelines at County levels, control noise and dust pollution e.g. at quarries and sand harvesting sites, promoting earth observation based technologies for SLM such as GIS, remote sensing and the Land Degradation Surveillance Framework (LDSF), wildlife control fences to limit human wildlife conflicts and community awareness creation and capacity building on wildlife conservation |
| | Capacity building to strengthen technical support and services towards SLM | Training, capacity building and provision of extension services in SLM. The target groups are: farmers; farmer groups and organisations; service providers; extension officers; equipment and input suppliers; government staff and project staff etc. |
| | Strengthening SLM knowledge management, M&E and information dissemination | Documenting successful SLM technologies and approaches; establishing the Kenya SLM Information System (KSLM-IS); development and operationalization of a results-based monitoring and evaluation (M&E) framework; dissemination of SLM knowledge to users; development and implementation of an information management and communication strategy; and programme management |
| | Supporting SLM related policy dialogues and engagement | This will include: establishing an inter-sectoral coordination mechanism for SLM, review and support the improvement of policy environment for SLM, developing a national policy on SLM, review and support the improvement of the legal and regulatory frameworks impacting on SLM, and identify mechanisms to upscale investments for SLM |
| Climate Change | Promoting climate mitigation measures | Promotion of renewable energy use (biogas, solar, improved cook stoves etc.), promotion of afforestation, reforestation, and agroforestry, integrate climate mitigation into CIDPs, capacity building in carbon accounting and GHGs monitoring, efficient livestock production systems |
| | Mobilising climate financing | Submission of bankable proposals to the GCF, GEF and Adaptation Fund |
| | Promoting climate adaptation measures | Promoting climate smart agriculture practices (e.g. conservation agriculture, drought tolerant crop varieties, stress and disease tolerant livestock varieties, hay and silage making, soil and water conservation, agroforestry etc.), strengthening climate information systems, climate proofing rural infrastructure, crop and livestock insurance, good agricultural practices, water |

| Thematic Area | Key Priorities | Key Proposed Actions |
|---|---|---|
| | | harvesting, capacity building, small scale irrigation, climate smart aquaculture |
| Disaster risk management | Strengthening early warning systems | Building early warning systems to offer advisories on drought, floods, pest and disease outbreaks, integration of early warning systems into CIDPs |
| Youth | Enhance engagement of youth in agriculture, income generation and employment opportunities through agribusiness and service provision | Development of technical and tactical agribusiness skills, knowledge and information in agribusiness, increase access to financial services, creating opportunities for youth to own or access land, promotion of digital and mobile technologies in agriculture, increase access to enhanced inputs, increase access to targeted extension services, enhance capacity to undertake value addition, market linkages for youth agribusinesses, learning and knowledge sharing platforms, improve youth focused data collection, analysis and reporting, development of youth empowerment strategies at project level |
| Gender, vulnerable groups | Empower women, men, girls and boys, and vulnerable groups to engage meaningfully and gainfully in agriculture including in decision making processes | Application of household methodologies to identify and resolve gender disparities, application of the WEAI tool to monitor gender outcomes, training and capacity building of all stakeholder in gender and empowerment, facilitate dialogues on women land rights, improving women's access to and control of resources and assets, enhance access to climate finance for women and vulnerable groups, training women and vulnerable groups in improved production methods, promotion of technologies that reduce women's work loads, improve access to markets for women and vulnerable groups, increase opportunities for value addition, enhance participation in knowledge and information sharing platforms, improve gender disaggregated data collection, analysis and reporting, development of gender empowerment strategies at project level and training project staff on gender |
| Nutrition | Improved nutrition for all | Promote interventions to improve nutrition especially among women, children, elderly and vulnerable groups - improve the availability of nutrition data, as well as robust nutrition monitoring and evaluation systems, Improve awareness on the importance of consuming a balanced diet through nutrition education on consumption of healthy foods, promote food safety, standards and quality control, enhance school nutrition and nutrition awareness, provide food security and nutrition information to consumers, participate in institutional and policy dialogues, collect, analyses and report nutrition disaggregated data, monitor nutrition outcomes, enhance knowledge management and learning on nutrition |
| Indigenous peoples | Engagement and promotion of the rights and cultures of Indigenous Peoples | Have a do no harm approach in all interventions affecting indigenous peoples. Continue discussions with representations of indigenous people and their youth groups to explore opportunities of indigenous people participating in the activities of IFAD-financed loan investment. |

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# Agreement at completion point

Investing in rural people
Investir dans les populations rurales
Invertir en la población rural
الاستثمار في السكان الريفيين

## Country Strategy and Programme Evaluation (CSPE) - Kenya

## Agreement at Completion Point

### Introduction

1. In line with the International Fund for Agricultural Development (IFAD) Evaluation Policy and as approved by the 116th Session of the IFAD Executive Board, the Independent Office of Evaluation (IOE) undertook a country strategy and programme evaluation (CSPE) in Kenya. This is the second country programme evaluation (CPE) conducted by IOE in Kenya; the first CPE was finalised in 2011.

2. The main purpose of this evaluation is to assess the results and performance of the country strategic opportunity programmes (COSOPs) since 2011 and to generate findings, conclusions and recommendations for the upcoming COSOP to be prepared in 2019.

3. The scope of this CSPE covers the IFAD-supported activities conducted since 2011, when the current COSOP was presented to the Executive Board. The CSPE covers the lending and non-lending activities (knowledge management, partnership-building, and country-level policy engagement), including grants, as well as country programme and COSOP management processes.

4. The main mission took place from 4 to 25 June 2018. Field visits were undertaken by three teams to five counties (Nakuru, Kisii, Nyamira, Embu and Kitui). Focus group discussions were held on three thematic areas: value chains, natural resource management and youth in agriculture.

5. The CSPE concluded with a National Workshop on 5 December in Nairobi, where findings, conclusions and recommendations were discussed with a larger group of stakeholders, including Government representatives, implementing partners, civil society organisations and international development partners.

6. The Agreement at Completion Point (ACP) reflects commitment of the Government of Kenya and IFAD Management of the main CSPE to adopt and implement the CSPE recommendations within specific timeframes. The implementation of the agreed actions will be tracked through the Presidents Report of the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

7. The ACP is signed by the Government of Kenya(represented by the Cabinet Secretary of the National Treasury and Planning) and IFAD Management (represented by the Associate Vice President of the Programme Management Department. The signed ACP will be submitted to the Executive Board of IFAD as an annex to the new COSOP for Kenya.

**Recommendations**

8. **Recommendation 1. Consistent with the importance and size of the Kenya portfolio, commit sufficient effort and resources to non-lending activities.** In line with the recommendations from the last CPE, this CSPE highlights the need for engagement beyond lending, recognising the significance of Kenya as a hub for international development partners and the size of IFAD's investment in the country. The next COSOP should define specific areas for policy engagement together with an actionable strategy and dedicated (financial and human) resources. This means that additional staff with relevant technical skills will need to be added to the IFAD Country Office. Areas for policy engagement need to build on IFAD's comparative advantage in the rural sector and its long-standing experiences on the ground. It is expected that policy engagement will also benefit from the expertise available within the new Eastern Africa and Indian Ocean Hub of IFAD, based in Nairobi. Greater investment from loans and grants is needed to take stock of experiences and analysis of successful models that can effectively inform the lending operations. In addition, mechanisms for cross-learning between projects and non-lending activities should be adopted as part of the annual portfolio review. More active contribution to and use of knowledge sharing platforms (within IFAD and with other development partners) should be pursued, and IFAD should work to better integrate its M&E systems with national systems (NIMES, CIMES) as well with close partners such as FAO.

9. **Recommendation 2. Build on IFAD's comparative advantage and retain focus on selected themes and geographic areas.** There is still "unfinished business" in the areas where IFAD has successfully worked in the past. IFAD's portfolio should continue its focus on NRM, value chains and rural finance. It should concentrate on consolidating its achievements (e.g. by strengthening market access), identify and strengthen linkages (e.g. between rural finance and value chains), and deepen inclusive outreach (e.g. to youth). Geographic stretch should be reduced through greater focus on selected counties in semi-arid areas. IFAD should build on places where it has established good relations and the County Integrated Development Plans can integrate IFAD activities. To ensure stringency in its selectivity, IFAD should dialogue with the Government on aligning its requests with IFAD's comparative advantage in Kenya.

10. **Recommendation 3. Address recurrent design and institutional issues undermining programme efficiency within the context of the ongoing devolution process.** Lessons from overambitious and overly complex project designs have yet to be learned. Designs need to be realistic and implementable, supported by sound technical and institutional analysis. Given the complexity of the portfolio and the limited resources of IFAD's country office, inefficiencies in project management should be addressed by more realistic timeframes and better sequencing of activities. This would allow sufficient time to establish partnerships, recruit staff and conduct baselines. From IFAD's side, it should aim to reduce loan disbursement delays; from the Government's side, it should recruit project staff and set up Authority to Incur Expenditures in a more timely manner. Fiduciary controls should be retained in small but capable Project Management Units while at the same time seeking greater integration with devolved government planning, financial procurement and M&E systems. Greater ownership at county level is desirable and could be fostered through participation right from project design and start-up (e.g. inclusive project launches). IFAD-supported projects should make sure that they are included in the County Integrated Development Plans and that county government budgets assume an appropriate level of co-financing. IFAD and the Government should assess economic return and value for money more rigorously particularly for value chain projects.

11. **Recommendation 4. In line with the Government's strategic planning, create space and opportunities for engaging the private sector.** The success of the value chain and rural finance projects will depend to a large extent on the involvement of private sector players. Within the Government's strategy (Big Four) the private sector is expected to contribute significant financing to drive the rural economy. In the value chain projects, the role of the private sector could be enhanced through improved supply of inputs, credit and market-related infrastructure (e.g. warehouses). IFAD will need to play a stronger brokering role between farmer groups and private sector partners. The public-private-producer partnerships will require strategies to identify and mitigate the risks and transaction costs for all stakeholders.

12. Refer to **Annex 1: Detailed Action Matrix** for agreed actions, responsible partners and timeline.

**Signed by:**

Cabinet Secretary

National Treasury and Planning

Government of Kenya, Nairobi

Signature: ________________________

Associate Vice President

Programme Management Department

IFAD, Rome

Signature: _________________________

**Annex 1: Detailed Action Matrix**

| Recommendations | Agreed Actions | Responsibility | Timeframe | Status |
|---|---|---|---|---|
| **1. Consistent with the importance and size of the Kenya portfolio, commit sufficient effort and resources to non-lending activities.** | Design COSOP that defines specific areas for policy engagement together with an actionable strategy and dedicated resources | IFAD and GOK | 30 June 2019 | COSOP Design to commence March 2019 |
| | Deploy additional staff with relevant technical skills at the IFAD Country Office to support on non-lending activities | IFAD | Continuous | This has been partially achieved.<br>With the decentralization model, additional technical staff have been deployed at the Kenyan Hub. Policy engagement to benefit from the expertise available within the new Eastern Africa and Indian Ocean Hub of IFAD in Nairobi. Already a hub plan has been developed |
| | Pursue more active contribution to and use of knowledge sharing platforms (within IFAD and other development partners) | IFAD | Continuous | IFAD already member of Agriculture Rural Development Donor Group |
| | Develop mechanisms for cross-learning between projects and non-lending activities as part of the annual portfolio review | IFAD/GOK/Line Ministries/PMUs/Project Thematic Groups | Continuous | IFAD-funded projects have already established various thematic groups that meet regularly |
| | Integrate M&E systems for IFAD-funded projects with national and county systems (NIMES and CIMES) as well as with close partners such as FAO | IFAD/PMUs/Director M&E State Department of Planning | 31 August 2019 | IFAD M&E thematic working group already head a session in Sep 2018 with representative from COG to discuss modalities of how to integrate project M& E into CIMES. At the national level discussions have been held |

| Recommendations | Agreed Actions | Responsibility | Timeframe | Status |
|---|---|---|---|---|
| | | | | with the Director M&E State Department of Planning. |
| 2. **Build on IFAD's comparative advantage and retain focus on selected themes and geographic areas.** | Continue focusing IFAD's portfolio on Natural Resources Management, value chains and rural finance. | GOK/IFAD | Continuous | This will be reviewed during the design of new RB-COSOP. In principle, new RB-COSOP will be aligned to Government priority areas. |
| | Reduce geographic stretch through greater focus on selected counties in semi-arid areas. | GOK/IFAD | Continuous | |
| | To ensure stringency in selectivity dialogue on aligning the funding requests with IFAD's comparative advantage in Kenya | GOK/IFAD | Continuous | |
| 3. **Address recurrent design and institutional issues undermining programme efficiency within the context of the** | Set realistic time-frames and better sequencing of activities to improve project management as follows:<br>• Fast-track implementation of Start-up activities to deduce time taken from entry into force to start of project implementation<br>• Roll out of the IFAD Client Portal<br>• Regularly hold portfolio project management meetings to discuss implementation progress and address challenges | Lead and Line Ministries / IFAD / National Treasury<br>National Treasury<br>National Treasury / Desk Officers / PMUs / IFAD | Continuous<br>30 March 2019<br>Continuous | |
| | Design realistic and implementable projects supported by sound technical and institutions analysis | IFAD/GOK | 30 September 2019 and | |

| Recommendations | Agreed Actions | Responsibility | Timeframe | Status |
|---|---|---|---|---|
| ongoing devolution process | | | continuously thereafter | |
| | Provide Authority to Incur Expenditures (AIEs) in a timely manner | Accountant General National Treasury and CFOs of Line Ministries | Continuous | Government has improved on delivery of AIEs and facilitation of cash replenishments |
| | Retain fiduciary controls in small but capable PMUs | National Treasury and Line Ministries | Continuous | |
| | Foster greater ownership at the county level through participation right from project design and start-ups:<br>• Involve staff at the county as well as council of Governors in designs and start-ups<br>• Cluster counties for launching programmes transcending more than one county<br>• Establish Project Facilitation Teams at County level | National Treasury / Line Ministries / IFAD<br>Line Ministries<br>Line Ministries/PMUs | Continuous<br>Continuous<br>Continuous | Already done for SDCP and UTaNRMP |
| | Assess Economic Rate of Return and Value for Money by:<br>• Conduct rigorous Baseline, Mid-term Review and End Term Evaluation<br>• Assess physical achievement (targets) vs Expenditure to | IFAD/Line Ministries and PMUs<br>IFAD/Line Ministries and PMUs | Continuous<br>Continuous | Economic rate of t=return and Value for Money are currently being assessed during supervision mission but PMUs to improve data quality for better assessment |

| Recommendations | Agreed Actions | Responsibility | Timeframe | Status |
|---|---|---|---|---|
| | | | | |
| 4. In line with the Government's strategic planning, create space and opportunities for engaging the private sector | Involve private sector partners such as Kenya Private Sector Alliance (KEPSA) and Kenya Bankers Association during design | IFAD/GOK | Continuous | Involve private sector at design stage such as KEPSA, Bankers Association, PPP Unit |
| | Support Public-Private-Producer-Partnerships (PPPPs) to develop strategies for identification and mitigation of risks and transaction costs for all stakeholders | PMUs | Continuous | |

# COSOP preparation process

1. The COSOP preparation process was led by the IFAD Country Programme Team. The team consulted closely with relevant national ministries, County Government officials, and partners such as the FAO, UNDP and AGRA during the early stages of COSOP development. The COSOP development process benefited greatly from the recent IFAD Independent Office of Evaluation's Country Strategy and Programme Evaluation that was completed at the end of 2018 as well as the recently completed COSOP Completion Review. Both documents provided a sound basis for organizing focus areas for the consultation workshop.
2. A one day COSOP consultation workshop was held on May 14, 2019 at the UN campus in Nairobi that assembled some 40 participants including representatives from: the National Treasury, the Ministry of Agriculture and Fisheries, County Executives, The African Development Bank, FAO, World Food Programme, AGRA, farmers and farmers' organizations, NGOs and coordinators from all IFAD-funded projects and grants.
3. After introductory remarks by the IFAD Country Director, the President of AGRA and the Director General of ICRAF, an overview of the current portfolio and a review of achievements and challenges registered under the 2013-2018 COSOP was presented.
4. The remainder of the day was devoted to discussing a series of questions related to issues raised in the Country Strategy and Programme Evaluation. The discussions centered around five key themes: Priority areas for IFAD in the Arid and Semi-Arid Lands; Assisting National and County Governments in the devolution process through capacity building, Critical areas for IFAD's Country-Level Policy Engagement, Improving the effectiveness of capacity building initiatives, and developing stronger relations with private sector actors.
5. Participants formed five groups, each dealing with one key theme. Discussions continued throughout the morning. In the afternoon, each group presented its findings and recommendations to the plenary. Lively and constructive discussions ensued.
6. Key conclusions and recommendations of the participants included:
    - The need to exploit significant and often overlooked opportunities in the ASALs (livestock insurance, alternative livelihoods and diversification, beekeeping);
    - Promotion of innovative financing tools such as the ABC fund;
    - Increasing the participation of farmers' organizations in the policy development process;
    - Providing assistance to county governments to draft laws and regulations and benefit from training opportunities;
    - Improve knowledge management and lesson sharing;
    - Privilege mentoring and peer to peer learning in capacity building activities;

7. A summary report of the workshop proceedings is found below.

Investing in rural people
Investir dans les populations rurales
Invertir en la población rural
الاستثمار في السكان الريفيين

# KENYA COUNTRY STRATEGIC OPPORTUNITIES PROGRAMME (COSOP)

## STAKEHOLDER CONSULTATION WORKSHOP

## SUMMARY REPORT

## 14TH MAY 2019

## NAIROBI, KENYA

## A. Introduction

### I. Overview of IFAD in Kenya

- Commencing in 1979, IFAD has invested USD376 million via 20 projects
- Since 2013, there has been a shift from focus on Community Development Projects to Value Chain Projects (horticulture, dairy, cereals, aquaculture)
- Strategic Objectives in 2013 COSOP:
  - ✓ NRM: Gender responsive, climate resilient and sustainable community-based NRM;
  - ✓ Production: Access to productivity-enhancing assets, technologies and services;
  - ✓ Processing and Marketing: Access to post-production technologies and markets

### II. Rationale for hosting the Workshop

- To shape the direction of IFAD Kenya's 2019-2024 Country Strategic Programme COSOP)
- To help improve the effectiveness of current and future investments and non-lending activities of IFAD
- To ensure alignment of IFAD's activities with Government of Kenya policies and priorities, to achieve sustainable agricultural development

### III. What is a Kenya 2019-2024 Country Strategic Opportunities Programme (COSOP)?

- A framework for IFAD's (2019-2024) engagement in Kenya
- A statement of strategic objectives and expected results based on:
  - ✓ Kenya's goals and visions
  - ✓ IFAD's mandate and comparative advantage
  - ✓ The UNDAF
  - ✓ An assessment of livelihoods and opportunities of poor rural people
  - ✓ Lessons learned from programmes and projects
- An articulation of strategies for:
  - ✓ Targeting: Who? Where? How?
  - ✓ Policy Engagement with the Government of Kenya (priorities/approach)
  - ✓ Capacity Building
  - ✓ Knowledge Management
  - ✓ South-South Triangular Cooperation (SSTC)
  - ✓ Promotion of Innovations and Scaling Up
  - ✓ Partnership Development
  - ✓ Citizen Engagement and Transparency
  - ✓ Monitoring and Evaluation (M&E)

### IV. Ongoing IFAD project in Kenya:

- PROFIT: Rural Finance. National in scope. Implemented by National Treasury; (2010-2019)
- SDCP: Dairy Value Chain Development. State Dept. of Livestock (2005-2019)
- KCEP-CRAL: Cereal Value Chain Development. Partnership with WFP and FAO. Implemented by State Dept. of Crops. (2015-2022)
- UTaNRMP: NRM. Implemented by the State Department of Water. (2012-2022)
- ABDP: Aquaculture value chain development. (2018-2024). Implemented by State Department. of Fisheries, Aquaculture and the Blue Economy

## B. Summary of key discussions

The IFAD- Kenya COSOP Consultation Workshop engaged participants from the National Government (National Treasury and Planning and the Ministry of Agriculture), County Executive Committee (CEC) members for Agriculture, Bilateral and Multilateral Development Financiers, Private Sector, IFAD Project Management Unit Coordinators, Farmers, and Representatives of Farmers' Organizations. Multiple topics relevant to the rural agricultural sector of Kenya were discussed along the key thematic areas of: (a) agricultural development in ASALs; (b) effective IFAD Project Design, Planning and Implementation; (c) policy engagement; (d) capacity building of Implementing Agencies and Farmers; and (e) private sector engagement.

### V. What is working well and may be scaled up?

- **ASALs:**
  - Development of fodder /Hay banks and feedlots; Livestock insurance; Livestock off-take; Pastoral/farmer field school; Animal Disease surveillance and management; Alternative livelihoods/Diversification
- **Private sector:**
  - IFAD: fostering a conducive business environment by facilitating structured value chains; innovative financing tools (e.g.: ABC Fund)
- **Policy engagement:**
  - Due to experiences and expertise in agricultural development, IFAD is able to champion multiple discussions, particularly in: impacts of climate change on agribusiness development, land tenure, youth engagement in agribusiness, input subsidies, food quality and safety
- **Planning and Implementation**
  - Targeting (i.e.: rural poor, specific value chains)
  - Financial instruments used by IFAD (e.g.: highly concessional loans, grants)
- **Capacity building**
  - **Inter-linked strengths:** there are strong inter-linked:
    - ✓ **IFAD's strength:** institutional memory (40 years) and resources to build capacity
    - ✓ **County Government's strength:** sustainable skills at County level (government and beneficiaries) that are able to build capacity of national systems, processes and beneficiaries

- Demonstrations: rather than learning in lecture/seminar format environments, practical demonstrations have been proved effective for both implementing agencies (Government and PMUs), as well as for Farmers.

### VI. What areas can be further improved? How can IFAD help?

- **Policy engagement:**
  - IFAD to engage in policy and legislative development and implementation in the rural agricultural sector (e.g.: improved irrigation, climate change, land tenure, youth engagement in agribusiness, cottage and rural manufacturing, commodity marketing, agricultural finance, input subsidies, food quality and safety-*recommended increasing focus on consumer*)
  - Increased attention to data privacy (in the drive for increased use of IT and related technologies, it is imperative to ensure that data shared is kept confidential.

- Improve the capacity of existing small-holder groups to engage with County-led policy making processes (e.g.: governance within Beach Management Units)
- Develop linkages between policy and grass-roots implementation (particularly, where outdated policy conflicts may hinder development)
- Supporting county-level policy and legislative skills development capacity (e.g.: drafters of legislature; and Technical Officers in policy and legislative formulation, domestication and review)
- Promoting data-driven (evidence-based) policy development
- Facilitate farmer/farmer group involvement in National/County policy formulation and validation fora.

- **Designing, planning and implementation of IFAD projects:**
  - Strengthen KM capacity and open sharing of knowledge (currently M&E and KM are merged)
  - Need to be open to sharing lessons on what did not work well
  - Few and relevant strategic partners to be clearly identified and communicated for programme coordination in both Design and Implementation and Improved engagement of Counties
  - Projects need to have clear tangible deliverables
  - IFAD processes such as: procurement and sanctions to be clearly defined and implemented
  - Implementation teams to be ready prior to the finalization of PDR
  - Components of PDR may be modified based on data- driven evidence, in line with PIM)
  - Year-by-year preparatory activities (incl. possible grants) and Exit Strategy to be made clear: to improve transparency and accountability
  - Value for money: need to be borne in mind (how much money reaches our beneficiaries?)

- **Private sector:**
  - Develop clear Framework for engagement of private sector in sectoral development action plans
  - Encourage blended financing
  - Improved data management (KM) in order to make the agricultural sector more credible and investable to private sector, by:
    - ✓ Developing knowledge platforms (to continuously engage in SWOT analyses to identify opportunities)
    - ✓ Develop cohesive data management system to link farmers and private sector partners
    - ✓ Continuous capacity building of all stakeholders (including farmers and extension officers) to ensure up-to-date information
  - Engage private sector in development of and financing of innovative technological solutions for:
    - ✓ Data capturing and collating
    - ✓ Production inputs (competitive inputs)
    - ✓ Developing organized marketing systems (e.g.: through cooperatives and SACCOs)

- Encourage development of incubation tanks/ accelerators (expand on TFCs) and one-stop-shops (e.g.: production, marketing, weather)
- Encourage development of affordable risk mitigation instruments (e.g.: agricultural risk insurance)
- Review and amend policies and regulations dis-incentivizing private sector investments in agribusinesses (e.g.: streamlining of licensing etc.)

- **Capacity building:**
  - Needs assessment: essential to identify gaps and ensure need for and type of training required
  - Targeting: ensure right target groups (including beneficiaries and youth are developed), and engaging Counties (implementers)
  - Service providers: ensure relevant and capable service providers; streamlining of training to align with Government systems and processes
  - Alignment:
    - ✓ Align capacity building strategy with devolved systems of government
    - ✓ Alignment of M&E systems and processes between County and National Government (through framework/ policy streamlining)
  - Retention of trainees: through rules/regulations, as well as incentives
  - Provision of hardware to implement training received
  - Private sector engagement in capacity building (from strategy to project design and implementation)
  - Develop extension methodology (e.g.: increase number of extension workers/improve capacity of projects, e.g. Extension Services: *eWallet*)
  - Develop framework for engagement and coordination (including domesticating of 4P policy and Accountability Framework)
  - Improve capacity evaluation systems to include ex-post evaluation
  - Engage County Governments in identifying beneficiaries to partake in training activities (e.g.: adopt Anchor-model similar to that used by AFC)
  - Integrate trained staff in program activities
  - Continuous capacity building and strengthening to ensure up-to-date knowledge (e.g.: refreshers courses, eLearning, short and frequent video/audio clips-based training, social media-based networking and KM, farmer to farmer training using Anchor Model)

- **Arid and Semi-Arid** Lands: require policy engagement and interventions in:
  - Sustainable NRM (e.g.: improve land use and planning, address fragile ecosystems, conflicts over resources (e.g.: availability of water for animals and for irrigation), which may be minimized by mapping of available resources
  - Capacity building: build existing farm capacities to train peer beneficiaries in ASALs, and promote cross-County learning and knowledge management
  - Climate mitigation
  - Manage invasive plant species: surveillance management is currently working well (some financial set-backs)
  - Risk management (e.g.: agricultural risk insurance)

- Reduce the high per capita investment costs (need to identify if National and County Governments are willing to invest (i.e.: borrow) to reduce these costs)
- Increase human resource capacity (currently over-crowding in high-potential areas)
- Financial literacy access and management (e.g.: targeted table banking/ microfinancing – e.g.: for youth)
- Invest in agricultural outputs (i.e.: reduce overstocking, improve market access and linkages and reduce post-harvest losses)
- Improve project design: by developing thorough baseline studies and adopt bottom-up approach
- Diversifying engagement in ventures (e.g.: same group of youth engaging in financial and agricultural products processing ventures)

## Annex 1: Key Questions for COSOP Workshop Group Discussions

(i) One of the key conclusions of the Country Strategic and Programme Evaluation (CSPE) conducted by IFAD's Independent Office of Evaluation was a need to focus programme resources on ASALs to support the economically active rural poor.
- What intervention areas should IFAD prioritize in the ASALs?
- What specific activities should figure within each priority area and why?
- Are there lessons (both positive and negative) that can be drawn from current and past interventions in the ASALs?
- Are there gaps that need to be addressed?

(ii) Another key conclusion of the CSPE is that devolution in its early stages has presented challenges to effective project planning and implementation as new roles are assumed and new systems and processes put in place.
- How can IFAD assist in ensuring sound integration of its interventions with systems and processes of both national and county governments?
- What are the modalities that IFAD should put in place to facilitate planning, implementation, M&E and knowledge management at county level?

(iii) Country Level Policy Engagement (CLPE) is increasingly important to IFAD and figures prominently in the current IFAD Strategic Framework.
- Which areas of agricultural development and poverty reduction policy is IFAD best placed to lead in discussions with the government? Suggest four or five areas.
- How can IFAD encourage greater participation of smallholders in policy processes?
- How can IFAD influence effective policy development and review in the agriculture sector?

(iv) IFAD-funded projects in Kenya and elsewhere invest heavily in capacity building but knowledge transfer has often been only modestly successful.
- How can IFAD be more effective in building capacity of beneficiaries and their institutions to better contribute to the national development agenda. What should we do differently?
- How can IFAD support the Government in developing a strategy to ensure that officials trained through capacity building initiatives are retained by the Government and/or projects?
- What mechanisms can be put in place to ensure that individuals trained through such initiatives will contribute to strengthen systems and processes within government institutions?
- How can IFAD better assess the effectiveness of its training activities?

(v) The CSPE concluded that in the future, "IFAD will need to play a stronger brokering role between farmer groups and private sector partners".
- What actions can IFAD-funded interventions take to be more effective in brokering between farmer groups and private sector operators?
- How can IFAD's interventions establish closer links with the private sector?
- What role can IFAD play to support the Government of Kenya to improve the enabling environment for private sector investment in agriculture?

**Annex 2: List of workshop participants**

| | Name | Organisation |
|---|---|---|
| 1 | Sammy Macaria | ABDP |
| 2 | Dennis Mulongi | AFC |
| 3 | Millicent Omukaga | AFC |
| 4 | Mohamud Mohammed | AfDB |
| 5 | Agnes Kalibata | AGRA |
| 6 | Thierry Houmit | AGRA |
| 7 | Ezra Anyango | AGRA |
| 8 | John Macharia | AGRA |
| 9 | Julius Tuei | Bomet County |
| 10 | Benson Siango | County |
| 11 | John N. Nyaga | Embu County |
| 12 | Tito Arunge | FAO |
| 13 | Charles Mbani | Farmer (AAK) |
| 14 | William Kiama | Farmer (AAK) |
| 15 | Suzanne N. | Farmer (Kamuti and Sons Intg Farm) |
| 16 | Caroline Teti | Give Directly |
| 17 | Peter G. | ICRAF |
| 18 | Nelima Kally | Kakamega County |
| 19 | Boniface Akuku | KALRO |
| 20 | Maryann Njogu | KCEP-CRAL |
| 21 | Wilson | KEPSA |
| 22 | Luciana Senzua | Kilifi County |
| 23 | Esman Onsarigo | Kissi County |
| 24 | Gilchrist Owuor | Kisumu County |
| 25 | Lawrence Nzunga | Makueni County |
| 26 | Elly Matende | Matende Farm |
| 27 | Valentine O. | Migori County |
| 28 | Dr. Immaculate Maina | Nakuru County |
| 29 | Muthoni Livingstone | PMU Coordinator (UTaNRMP) |
| 30 | John Nganga | PMU Coordinator (UTWFP) |
| 31 | Geoffrey Ochieng | SDCP |
| 32 | Leah Tharau | SDCP |
| 33 | John Olwande | Tegeme Institute |
| 34 | Elizabeth C. | The National Treasury |
| 35 | Dorothy Kimeu | The National Treasury |
| 36 | Dr. Tony Simmons | The World Agroforestry Centre (ICRAF) |
| 37 | Mary Nzomo | Trans Nzoia County |
| 38 | Eric Bosire | USTADI |
| 39 | Jeremiah Kinyua | UTaNRMP |
| 40 | Nichols Kwyu | WFP |
| 41 | Tiina Honkanen | WFP |
| 42 | Harun Khatia | |

**Republic of Kenya:**
**Country Strategic Opportunities Programme (2020-2025)**

VALIDATION WORKSHOP – Record of deliberations
*22 October 2019, UN Complex, Nairobi*

**Welcome and Introductory Remarks**

The meeting started with the laying down of the goals and objectives of the workshop by Mr. Ronald Ajengo of IFAD. This was followed by introduction of participants. Attendance was drawn from National and County Governments' representatives, Multilateral and Bilateral Development Partners, International Research Organizations and Coordinators of IFAD financed projects. The list of participants is attached to these minutes.

Mrs. Esther Kasalu-Coffin, Director, Eastern Africa and Indian Ocean Hub, welcomed and thanked the participants, and gave introductory remarks. This was followed by a word of welcome and introductory remarks from Ms. Emma Mburu from Treasury, on behalf of the Government of Kenya.

**Presentation of the Draft Kenya COSOP (2020-2025)**

As a way of introduction, Mrs. Kasalu-Coffin reminded the participants that the draft COSOP was presented in in May 2019, and a number of participants present also attended the May presentation. She advised the participant's that the issues and comments that were raised in that workshop were incorporated into the current COSOP, which had been sent to the participants with the invitations. She re-emphasized the importance and IFAD's appreciation of the input provided by the May workshop as the COSOP is for the people of Kenya jointly owned by IFAD and GoK. She also informed the workshop the review process that the report has been subjected to, and the steps remaining for the COSOP to be approved by the IFAD Executive Board.

Mrs Kasalu-Coffin then made a Power Point Presentation of the COSOP, highlighting what the COSOP is all about and how it is aligned to the Country's Agriculture Strategy.

**Plenary Discussions on the COSOP:**

In order for the participants to provide feed-back on the COSOP, four points of discussions were presented for discussions as presented below. The participants' feed-back is also presented below:

- ✓ Policy Engagement
- ✓ Targeting (Geographic and Thematic) Areas
- ✓ Capacity Building
- ✓ Private Sector Pro-Poor Development Approach

**(a) Policy Engagement:**

1. Participants especially from the donor community welcomed the proposed policy dialogue for GoK to enact a parliament bill for establishment of a single sector Coordinating Unit to improve programme implementation;
2. There is need to take stock of existing policies to identify gaps;
3. As Counties are also formulating policies at the county level, IFAD should engage counites directly on policy issues
4. The national Government need to involve counties on policy development from initiation stage and not to involve them at the end of the process to just rubber stamp as counties also need to buy into the policies given that in most cases they implement them;
5. There are legislative agenda that need to be enacted at county level to improve the enabling environment but capacity is lacking. IFAD could assist by engaging lawyers experienced in agriculture to train the counties on how to draw the necessary regulations;
6. Appropriate implementation framework for policies is necessary at the county level to ensure proper and efficient implementation of enacted policies;
7. Good policies make it possible for the Private Sector to drive the economic development
8. National and County Governments need to enact policies that enable the Private Sector growth in the rural areas;
9. Appropriate policy instruments help policies to work;
10. Need for policy domestication and to avoid piecemeal policies which are very difficult to implement;
11. There are donor sector working groups that address policies that cut across various areas;
12. There is need for harmonization of the different sectors' policies as some sectors like NRM have different policies for project implementation which makes the rules of engagement unclear;
13. IFAD can engage in policy dialogue directly or indirectly, e.g. by strengthening FOs to enable them engage the Government directly in policy formulation;
14. Sector Working Groups should be the starting point for policy formulation

### *(b)* **Targeting *(Geographic and Thematic) Areas:***

1. Focusing on ASALs should not be in isolation but should be integrated with the other regions;
2. The economies of the ASALs, especially their selected value chains should also be integrated with the national economy;
3. Why area targeting? Shouldn't all farmers in all counties be supported?;
4. We should look at the counties with their uniqueness and opportunities;
5. Why align with the big 4 which are national instead of aligning with the county development plans?
6. As 80% of Kenya fall on the ASALs, it is important to indicate in the COSOP which ASAL counties will be targeted for collaboration with other DPs;
7. Focus on Gender and Youth should add another category for the vulnerable;
8. Demography should take cognisance of the entry point for the youth – should it be production or processing?;
9. High rainfall areas have 80% of the Kenya population. IFAD should assess how many people it would pull out of poverty given its geographic focus;
10. Should consider that some counties are very good producers and others very good consumers;
11. Most farmers are now very old;

### (c) Capacity Building

1. Research is well funded through the CG system but the weak areas is taking the technology to the farmers;

2. (ii) There should be deliberate efforts by the DPs to help get research out to the farmers, as AfDB has started through TAAT; and UTaNRMP is working with KARLO to do the same;
3. The Private Sector can also be involved in taking out the research output;
4. Extension in Kenya is dead through natural attrition and the Government is not recruiting to replace, which has contributed to the weak capacity in extension, and so capacity building is not the answer here;
5. There is need to enhance e-extension such as mobile based platform, and train farmers where possible, as some regions still do not access digital technology, such as in the pastoral areas;
6. Area of data analysis also need to be addressed as it aids economic development;
7. There is emergence of private sector extension providers but there is need to identify credible service providers;
8. Extension services should be demand driven and if farmers are sensitized, they can still get support from the County Agriculture Offices;
9. IFAD should look at the Youth Strategy and see where it can support the Government in its implementation;
10. There is a lot of fragmentation with different prayers providing capacity building which need to be harmonized;

**(d) Private Sector Pro-Poor Development Approach**

1. In Private Sector we have a tendency of thinking big companies yet the farmer is a private operator, and is the biggest private sector. Only that they are not organized and trained to think business. The issue is how to organize them to think business;
2. We need the financial institutions to provide friendly financial packages to farmers so that many smallholder producers will access credit;
3. Farmers also need training to develop bankable business plans;
4. Some farmers are too poor for any intervention as they cannot even contribute in kind;
5. Kenya needs to finalize its Private-Public Partnership policy;
6. Youth needs to be natured and so they can be supported with agri-business incubation.

In conclusion, Participants validated the proposed 2020-2015 IFAD/GOK Country Strategic Opportunities programme **List of participants**

| NAME | FIRST NAME | POSITION | ORGANIZATION | Tel | Email |
|---|---|---|---|---|---|
| ABUKARI | Moses | Regional Programme Manager | IFAD | | |
| AJENGO | Ronald | Country Director | IFAD | | |
| BOSIRE | Eric | Head of Programme | Youth Grant / Ustadi | 07 25 11 05 79 | |
| COOMPSON | Joseph | Agriculture, Water and Social Sector Manager | AfDB | 07 95 36 73 68 | j-coompsom@afdb.org |
| CREMEL | Amandine | UNV | IFAD | | |
| KASALU-COFFIN | Esther | ESA Hub Director | IFAD | | |
| KETER | Daniel | IFAD Desk Officer | State Department of Livestock | | dankketer@yahoo.com |
| KISOYAN | Philip | NRM Officer | FAO | 07 22 87 25 80 | |
| MACARIA | Sammy | Project Coordinator | ABDP | 07 246 819 54 | |
| MACHINI MABEYA | Justin | Technology Transfer | CIAT | 07 228 297 43 | j.machini@cgiar.org |
| MAKENZI | Rose | | Emnassy of netherlands | 07 153 914 56 | |
| MAZURI | George | Director / CEO | Youth Grant / Ustadi | 07 24 10 55 22 | |
| MISIKO | Michael | Innovation Scientist | CIMMYT | 020 722 42 46 | mimisiko@cgiav.org |
| MJOGU | Maryann | Programme Coordinator | KCEP-CRAL | 07 22 813 441 | |
| MUTHONI | Faith | Project Coordinator | UTaNRMP | 07 225 969 87 | fmlivingstone2004@gmail.com |
| MWANGI | Josephine | IFAD Consultant | IFAD | | |
| NZOMO | Maria | Chairperson, CECs Caucus on Agriculture | County Government of Trans Nzoia | 07 228 757 81 | |
| ORORA | Alfred | | AGRA | 07 229 132 03 | aorora@agra.org |
| WAMBUGU | Carol | Country Operations Analyst | IFAD | | |

# Appendix VII: Strategic Partnerships

| Partnering Functions | Partners/Networks/Platforms | Specific Results and Outcomes from Partnership | Justification for Partnership | Monitoring & Reporting (to be completed for CRR and CCR) |
|---|---|---|---|---|
| Mobilizing Co-financing | AfDB | IFAD could Complement AfDB interventions in the Semi-Arid Lands | AfDB is already implementing infrastructure activities in the Semi-Arid Areas under the Drought Resilience and Sustainable Livelihoods Programme. Such infrastructure will support investments that will be made by IFAD in the Semi-Arid Areas. | |
| | World Bank and Green Climate Fund. | unlocking USD 2.7 billion for climate action | Potential for sharing of technical knowledge (engaging in missions) and co-financing in Climate change interventions. | |
| | United Nations Industrial Development organization (UNIDO) | UNIDO interested in collaboration in identifying potential areas to design/develop programs under GEF 7 funding. | UNIDO expressed interest in collaboration | |
| | India - United Nations Development Partnership Fund | United Nations Office for South-South Cooperation (UNOSSC), Government of India | Potential opportunity to tap in Fund (including 150 million supported by GoI who leads the Fund), and USD 50 million dedicated to developing country members; the Fund especially focuses on Least Developed Countries, Land-locked Developing Countries, and Small Island Developing States (SIDS) | |
| | The Rockefeller Foundation | Potential Collaboration in blended financing of IFAD projects | Rockefeller to provide a grant on Food Loss Reduction | |
| | Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) | (i) IFAD-GIZ joint project proposals in: a). promotion of Smallholder Rural Youth Enterprises and Job Creation; and b) Promotion of Solar-powered Irrigation for Kenya Smallholders.<br>(ii) IFAD invited by GIZ to support “Youth Employment and Agro-business in Western Kenya, an initiative by GoK and GIZ by being a key stakeholder e.g.: joining design and supervision missions etc. | IFAD has an MOU with GIZ and discussions have been held with GIZ East Africa Hub Manager for Powering Agriculture. | |
| | Japan International Cooperation Agency (JICA) | Opportunity to collaborate and co-finance projects with IFAD. | Collaboration of JICA's ongoing SHEP PLUS programme with IFAD UTaNRMP in Embu, Meru, Muranga and Kiambu; including training opportunities | |
| | BRAC USA | Potential to co-finance future projects, as well as share technical expertise and knowledge | Currently partners in IFAD-financed Kenya PROFIT | |
| Engaging in **policy** and influencing development agendas | Alliance for Green Revolution in Africa (AGRA) | Joint discussions on input subsidy reforms | Discussions with President of AGRA; and AGRA Partners with IFAD in PROFI project | |
| | GoK and United Nations- Kenya | The SDG Partnership Platform, a UNDAF (2018-2022) flagship programme in support of the GoK's "Big Four" agenda by promoting: i) joint advocacy-developing dialogue to develop enabling environment that helps | Meeting carried out on providing inputs to SDG Platform for Food Nutrition Security | |

| **Partnering Functions** | **Partners/Networks/Platforms** | **Specific Results and Outcomes from Partnership** | **Justification for Partnership** | Monitoring & Reporting (to be completed for CRR and CCR) |
|---|---|---|---|---|
| | | partnerships thrive; ii) Support to identify large scale public-private sector partnerships and collaborations that align with UNDAF iii) Maximizing investment through innovative financing; iv) Facilitating improved data. | | |
| | Africa Harvest (Biotech Foundation International) | Africa Harvest interested in collaborating with IFAD on Kenya COSOP | Already engaged with multiple projects in IFAD | |
| | Agricultural Rural Development Donor Group (ARDG) | Subsidy program designed and an impact study on the previous subsidy program | IFAD is a member of ARDG which engages with government on polices and transformational investments to achieve SDGs. | |
| | GoK (National and County Governments):Partnerships with Private Sector | Successful implementation of: Upper Tana Natural Resource Management Program (UTaNRMP); Kenya Cereal Enhancement Program – Climate Resilient Agricultural Livelihoods Window (KCEP-CRAL); Aquaculture Business Development Program (ABDP); Kenya Livestock Commercialization Programme (KeLCoP). | To use the Kenya Government Structures to implement IFAD-financed projects for capacity building and sustainability purposes. | |
| Implementation | Food and Agriculture Organization (FAO) | To collaborate on the development of Country COSOPs; sharing of Interns; and FAO implements IFAD grants | IFAD and FAO have standing arrangements for FAO to implement whole or some activities of IFAD-financed projects. e.g. FAO will implement some activities of the proposed Kenya Livestock Commercialization Programme (KELCOP) | |
| | World Food Programme (WFP) | IFAD to support WFP on implementation of its Country Strategic Plan (Kenya CSP) 2018-2023 | WFP activities of emergency relief complements IFAD's investment programmes in times of disaster. | |
| | International Labour Organization (ILO) | Collaboration on the development of COSOPs; M&E and fostering inclusive growth through creation of decent jobs. | ILO and the ICO have identified preliminary area of collaboration | |
| Research | World fish (leads CGIAR Research Program on Fish which focuses on improving productivity of fisheries & aquaculture | Collaboration in research into aquaculture | World Fish is one of the identified service provider for research under the IFAD funded Aquaculture Business development Program | |
| | World Agroforestry (ICRAF) | Collaboration on Land Degradation Surveillance Framework (LDSF) | Biophysical baseline for sampled IFAD project site in Embu has been completed by ICRAF and findings report submitted. | |

# South-South Triangular Cooperation Strategy

## I. Introduction

1. South-South Cooperation (SSC) is a broad framework of collaboration among developing countries of the South (Africa, Latin America, Asia and Middle East) in areas of trade, foreign direct investment flows, technology transfers, sharing of solutions and experts, and other forms of exchanges.

2. South-South Triangular Cooperation (SSTC) is collaboration in which traditional donor countries and multilateral organizations facilitate South-South initiatives through provision of funding, training, management and technological systems and other forms of support. IFAD promotes SSTC as a key mechanism for delivering relevant, targeted and cost-effective development solutions to beneficiaries and partners across the globe. This is an integral part of IFAD's business model and country programming process, but also serves as part of IFAD's partnerships development and strengthening. Under IFAD's new 2016-2025 Strategic Framework, it intends to play a more significant role as a knowledge-broker for SSTC.

## II. Opportunities for Rural Development Investment Promotion and Technical Exchanges in Kenya

3. Kenya has enjoyed a decade of strong economic growth, enabling the country to ascend to the status of Low Middle-Income Country in 2016. In 2018, GDP growth accelerated to 6% (from 4.9% in 2017), driven primarily by a vibrant service sector. While growth in the agriculture sector has consistently under-performed relative to the economy as a whole, the sector has seen increased growth due to favorable weather conditions. IMF estimates the growth to remain at 6% level in 2019.

4. Despite this impressive performance, the majority of Kenyans continue to live in the rural areas, depending on the agriculture sector that is hampered by low productivity, poor markets access, high cost of inputs, under employment, and poverty. In 2017, the "Big Four Agenda" was introduced to promote manufacturing, affordable housing, universal health coverage, and food and nutrition security. In May 2018 the Agricultural Sector Transformation and Growth Strategy (ASTGS: 2019-2029) was launched, as a vehicle for implementing the "Big Four Agenda" by: linking farmers to SMEs; streamlining the subsidy programme; promoting agro-processing; establishing large-scale private farming; expanding irrigation; restructuring the Strategic Food Reserve (SFR); boosting food resilience in ASALs; training government leaders, project implementers and youth-led extension agents; and strengthening research and innovation. These are areas that Kenya can draw from others' experiences, while sharing its knowledge and experience in its digital platform especially M-pesa and other related mobile phone enabled activities. As a member of COMESA and EAC, and also home to the leading regional economy, Kenya is well placed to employ its public and private sector networks to promote SSTC both within the region and throughout the South.

## III IFAD - Kenya SSTC Engagement Rationale

5. IFAD has comparative advantage in Technical Cooperation and Investment Promotion and engages in SSTC in several ways: i) integrating SSTC into country programmes and regional initiatives (e.g. project design and implementation); ii) piloting and scaling-up innovative SSTC approaches through grant-funded programmes (e.g. flexi biogas); iii) partnership-building and resource mobilization; iv) support in policy and strategy formulation and knowledge management.

6. IFAD's commitment to support SSTC is demonstrated by its establishment of the China-IFAD South-South Triangular Cooperation Facility in February 2018. The Facility will focus on smallholder agriculture and rural development, with specific attention to poverty reduction, fighting malnutrition and promoting rural youth employment in developing countries. It is a key instrument to help advance the

objectives of IFAD's SSTC strategy for promoting rural transformation, critical for meeting the Sustainable Development Goals. The Facility will finance activities through calls for proposals, open to all countries including Kenya.

7. On its part, Kenya is a committed participant in the SSTC, actively exchanging in knowledge sharing, and also receiving financial support. E.g. it participated in a seminar and training on building smallholder farmers' resilience through value chain management in 2017, and developed policies and frameworks for national school feeding programmes, both financed by WFP; attended a Ministerial Conference on *Population and Family Planning* in Bali, Indonesia, in September 2018; FAO and the Africa Solidarity Trust Fund (ASTF) has supported aquaculture programs in Kenya; Kenyans trained in Indonesia on implementation of food security and nutrition systems under decentralized governance structure through FAO SSTC facilitation; financed by China to develop diverse infrastructure; supported by Japan, Malaysia and the Philippines to strengthen Mathematics and Sciences in Secondary Education; JICA funded a forestry initiative that led to the founding of the Kenya Forestry Research Institute (KEFRI); participated in the Indonesia-Japan support on Institutionalizing micro-finance in Africa; hosted a South-South Cooperation Workshop in Kenya on clean cooking in July 2018; etc. It is these experiences and benefits from SSTC that motivates Kenya to continue its participation in the SSTC as it implements the Food Security and Manufacturing components of the Big Four Agenda; the ongoing IFAD-financed ABDP, design and implementation of the planned Livestock Project (KelCop) and other projects to be designed under this COSOP.

## IV. Identified partnerships and initiatives for SSTC in Kenya

8. As Kenya implements its Big Four Agenda, it could benefit through exchange of knowledge, expertise and resources through SSTC in the following areas: i) strengthening research and innovation (including crop and livestock animal breeding); ii) promoting agriculture based manufacturing (e.g. in the development of leather and textile industry, promoting agro-processing, packaging and standardization of agricultural products; iii) linking farmers to SMEs; iv) expanding irrigation and promoting manufacturing of agro-inputs, simple farm equipment and implements; and climate change adaptation practices. Potential development partners include IFAD, the World Bank, AfDB, FAO, WFP, UNDP, and bilateral development partners.

## V. Conclusion

9. SSTC is an important platform that brings together developing countries to share knowledge and exchange resources with support of the developed world. These are exchanges that are helping to tackle and accelerate progress on development issues. Kenya has tangible results from these exchanges for example in fish farming, and energy saving stoves to name a few. It is expected that under this COSOP, Kenya will continue to both provide and receive SSTC to gain more knowledge and technological advancement that it will apply in its development programmes while sharing its expertise with other partners from the South.

# Country at a glance

## Country Profile

| | 1990 | 2000 | 2010 | 2017 |
|---|---|---|---|---|
| **World view** | | | | |
| Population, total (millions) | 23.4 | 31.45 | 41.35 | 49.7 |
| Population growth (annual %) | 3.3 | 2.7 | 2.7 | 2.5 |
| Surface area (sq. km) (thousands) | 580.4 | 580.4 | 580.4 | 580.4 |
| Population density (people per sq. km of land area) | 41.1 | 55.3 | 72.7 | 87.3 |
| Poverty headcount ratio at national poverty lines (% of population) | . | . | . | 36.1 |
| Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population) | 31.4 | 31.9 | . | 36.8 |
| GNI, Atlas method (current US$) (billions) | 8.85 | 13.17 | 40.44 | 72.73 |
| GNI per capita, Atlas method (current US$) | 380 | 420 | 980 | 1,460.00 |
| GNI, PPP (current international $) (billions) | 34.46 | 52.59 | 99.91 | 161.94 |
| GNI per capita, PPP (current international $) | 1,470 | 1,670 | 2,420 | 3,260 |
| **People** | | | | |
| Income share held by lowest 20% | 3.4 | 5.6 | . | 6.2 |
| Life expectancy at birth, total (years) | 58 | 52 | 63 | 67 |
| Fertility rate, total (births per woman) | 6.1 | 5.2 | 4.4 | 3.8 |
| Adolescent fertility rate (births/1,000 women ages 15-19) | 128 | 107 | 91 | 80 |
| Contraceptive prevalence, any methods (% of women ages 15-49) | 27 | 39 | 46 | 62 |
| Births attended by skilled health staff (% of total) | 50 | 43 | 44 | 62 |
| Mortality rate, under-5 (per 1,000 live births) | 104 | 105 | 58 | 46 |
| Prevalence of underweight, weight for age (% of children under 5) | 20.1 | 17.5 | 16.4 | 11 |
| Immunization, measles (% of children ages 12-23 months) | 78 | 78 | 86 | 89 |
| Primary completion rate, total (% of relevant age group) | . | . | . | 102 |
| School enrollment, primary (% gross) | 100.5 | 94.9 | 106.3 | 105.3 |
| School enrollment, secondary (% gross) | 40 | 39 | 58 | . |
| School enrollment, primary and secondary (gross), gender parity index (GPI) | 1 | 1 | 1 | . |
| Prevalence of HIV, total (% of population aged 15-49) | 5.5 | 9.3 | 5.6 | 4.8 |
| **Environment** | | | | |
| Forest area (sq. km) (thousands) | 47.2 | 35.6 | 42.3 | 44.5 |
| Terrestrial and marine protected areas (% of total territorial area) | . | . | . | 10.5 |
| Annual freshwater withdrawals, total (% of internal resources) | 9.9 | . | 15.5 | 15.5 |
| Urban population growth (annual %) | 4.9 | 4.5 | 4.4 | 4.3 |
| Energy use (kg of oil equivalent per capita) | 458 | 445 | 472 | 513 |
| CO2 emissions (metric tons per capita) | 0.25 | 0.33 | 0.29 | 0.31 |
| Electric power consumption (kWh per capita) | 125 | 106 | 150 | 167 |
| **Economy** | | | | |
| GDP (current US$) (billions) | 8.57 | 12.71 | 40 | 79.26 |

**Country Profile**

| | 1990 | 2000 | 2010 | 2017 |
|---|---|---|---|---|
| GDP growth (annual %) | 4.2 | 0.6 | 8.4 | 4.9 |
| Inflation, GDP deflator (annual %) | 10.6 | 6.1 | 2.1 | 8.6 |
| Agriculture, forestry, & fishing, value added (% of GDP) | 25 | 29 | 25 | 35 |
| Industry (including construction), value added (% of GDP) | 16 | 15 | 19 | 17 |
| Exports of goods and services (% of GDP) | 26 | 22 | 21 | 13 |
| Imports of goods and services (% of GDP) | 31 | 32 | 34 | 24 |
| Gross capital formation (% of GDP) | 24 | 17 | 21 | 18 |
| Revenue, excluding grants (% of GDP) | . | . | . | 21.9 |
| Net lending (+) / net borrowing (-) (% of GDP) | . | . | . | -10.9 |
| **States and markets** | | | | |
| Time required to start a business (days) | . | 60 | 33 | 23 |
| Domestic credit provided by financial sector (% of GDP) | 35.8 | 35.7 | 41.1 | 40.3 |
| Tax revenue (% of GDP) | . | . | . | 15.6 |
| Military expenditure (% of GDP) | 2.9 | 1.3 | 1.6 | 1.2 |
| Mobile cellular subscriptions (per 100 people) | 0 | 0.4 | 60.4 | 86.1 |
| Individuals using the Internet (% of population) | 0 | 0.3 | 7.2 | 17.8 |
| High-technology exports (% of manufactured exports) | 4 | 4 | 6 | 3 |
| Statistical Capacity score (Overall average) | . | . | 62 | 58 |
| **Global links** | | | | |
| Merchandise trade (% of GDP) | 38 | 38 | 43 | 28 |
| Net barter terms of trade index (2000 = 100) | 70 | 100 | 97 | 109 |
| External debt stocks, total (DOD, current US$) (millions) | 7,055 | 6,148 | 8,848 | 26,424 |
| Total debt service (% of exports of goods, services and primary income) | 35.4 | 21 | 4.4 | 14.8 |
| Net migration (thousands) | 222 | 25 | -50 | -50 |
| Personal remittances, received (current US$) (millions) | 139 | 538 | 686 | 1,962 |
| Foreign direct investment, net inflows (BoP, current US$) (millions) | 57 | 111 | 178 | 671 |
| Net official development assistance received (current US$) (millions) | 1,181.3 | 513.9 | 1,631.3 | 2,474.8 |

*Source: World Development Indicators database*

Figures in blue refer to periods other than those specified.

**Data from database: World Development Indicators**

**Last Updated:04/24/2019**

https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=KEN

# Appendix X: Financial management issues summary

**FIDUCIARY SUMMARY OF COUNTRY PORTFOLIO**

| **COUNTRY** | **KENYA** | |
|---|---|---|

***COUNTRY* and *CURRENT PROJECT* -Fiduciary KPIs:**

| | | |
|---|---|---|
| Country Fiduciary Inherent Risk | **High** | **Transparency International (TI)**<br>Kenya's inherent risk is **high** as measured by Transparency International's 2018 Corruption Perceptions Index score of 27 out of 100, has not changed from 2015, with the country ranked 144 out of 180 in 2018.<br>**PEFA**<br>The last published PEFA assessment for the country at national level was done 2012 succeeding that of 2008. The report showed low (poor) rating on the ensuing areas: timeliness and regularity of accounts reconciliations; availability of information on resources received by service delivery units; scope and nature and follow up of external audit. Further, there was a follow up by World Bank which has not yet been published. The main areas of improvement noted included annual budget preparation process; increased capacity in both internal and external audit. Further to this, another PEFA assessment report was published focusing on the County level by a consortium led by Kenya Institute of Public Research (KIPPRA) for six counties (Kakamega, Kajiado, Makueni, Baringo, Nakuru and West Pokot) in 2018 and it reveals weakness noted at rating of a D, which is the lowest. The concern was on the following areas: accounting for revenue; public investment management; debt management; financial data integrity; annual financial reporting; external audit follow-up. The report shows progress in information in revenue collection; transfer of revenue collection; internal control on non- salary expenditure. Overall, public financial management at county level received very poor ratings. While accounting for donor funds is poorly done, the amounts received which are not donor funds also receives poor rating since in most cases it is not included in the budgets.<br>**Debt Sustainability Analysis**<br>According to IMF report on Debt Sustainability of May 2018, Kenya's public debt has been increasing rapidly since 2013 and exponentially to the run-up to the 2017 elections pushing debt up to a projected 60.7 percent of GDP by June 2018. The higher level of debt together with raising reliance on non-concessional borrowing have raised fiscal vulnerabilities and increased interest payment on public debt to nearly one fifth of revenue, placing Kenya in the top quartile among its peers. As a result, Kenya's risk of debt distress has increased from low to moderate. The ratio of debt service to revenues increased to 33.8% by end June 2018 from 23.6% by end June 2017. This was as a result of higher stock of external commercial debt maturing in 2017/18 which was largely repayments done in the year on the external syndicated debt. As a percentage of the total public debt service, external and domestic debt service was 47.9 per cent and 52.1 per cent by June 2018 compared to 31.0 per cent and 69.0 per cent respectively as at end June 2017.<br>From the report, overall public-sector debt dynamics continue to be sustainable subject to reducing the fiscal deficit over the medium term, restricting borrowing to finance project with high social and economic return, and lengthen the maturity of non-concessional borrowing which are essential to limit and eventually reverse the rise in public debt ratio, ad reduce refinancing risks. |
| Pending Obligations (Overdue obligation related to pre-financed amount from IFAD's resources to cover for government's contribution) | **none** | |
| Country Income Classification | lower-middle-income economy (WB, 2018) | |
| Country Contribution in IFAD Replenishments | IFAD-11: USD 1 million | |
| PBAS – Programme's cycle coverage | ***Indicative IFAD 11 allocation: USD 78.6 million*** | |
| Country Fiduciary Risk | **High** | |
| Disbursement - Profile | **Moderately unsatisfactory** | |
| Counterpart Funding - Profile | **Satisfactory** | |
| Previous lending terms | **HC** | |
| IFAD lending terms for IFAD 11 | **Blend** | |

***Existing Portfolio:***

| Project | Financing instrument | FLX Status (1) | Lending Terms | Currency | Amount (million) | Completion date |
|---|---|---|---|---|---|---|
| **Dairy Programme** | 200000140800 | DSBL | HIGHLY CONCESSIONAL TERMS 0.75 pc | XDR | 12.05 | 30/09/2019 |
| | G-I-C-815- | DSBL | LOAN COMPONENT GRANTS | XDR | 0.59 | 30/09/2019 |
| | L-I--678- | DSBL | HIGHLY CONCESSIONAL TERMS 0.75 pc | XDR | 12.10 | 30/09/2019 |
| **PROFIT** | G-I-C-1218- | DSBL | LOAN COMPONENT GRANTS | XDR | 0.40 | 30/06/2019 |
| | L-I--814- | DSBL | HIGHLY CONCESSIONAL TERMS 0.75 pc | XDR | 19.30 | 30/06/2019 |
| **UTaNRMP** | 200000259700 | APPR | HIGHLY CONCESSIONAL TERMS 0.75 pc | EUR | 11.75 | 30/06/2020 |
| | L-E--8- | DSBL | HIGHLY CONCESSIONAL TERMS 0.75 pc | EUR | 12.80 | 30/06/2020 |
| | L-I--867- | DSBL | HIGHLY CONCESSIONAL TERMS 0.75 pc | XDR | 21.25 | 30/06/2020 |
| **KCEP-CRAL** | 200000152200 | DSBL | SUPPLEMENTARY FUNDS GRANTS | EUR | 8.58 | 19/06/2021 |
| | 200000112100 | DSBL | HIGHLY CONCESSIONAL TERMS 0.75 pc | XDR | 43.85 | 30/09/2022 |
| | 200000112200 | DSBL | ASAP GRANTS | XDR | 7.10 | 30/09/2022 |
| | 200000062300 | DSBL | SUPPLEMENTARY FUNDS GRANTS | EUR | 15.65 | 19/06/2021 |
| **ABDP** | 200000261400 | APPR | HIGHLY CONCESSIONAL TERMS 0.75 pc | EUR | 24.15 | 30/06/2026 |
| | 200000205200 | ENTF | HIGHLY CONCESSIONAL TERMS 0.75 pc | USD | 40.00 | 30/06/2026 |

(1) APPR – SIGN – ENTF – DISB – EXPD – SPND

## B. PORTFOLIO, FM RISK & PERFORMANCE

| Project | Financing instrument | Curr | Amount (million) | Project Risk rating | PSR quality of FM | PSR audit | PSR disb. rate | Disbursed to approved |
|---|---|---|---|---|---|---|---|---|
| Dairy Programme | 200000140800 | XDR | 12.05 | Medium | Mod. unsatisfactory | Satisfactory | Mod. unsatisfactory | 77 % |
| | G-I-C-815- | XDR | 0.59 | Medium | Mod. unsatisfactory | Satisfactory | Mod. unsatisfactory | 100 % |
| | L-I--678- | XDR | 12.10 | Medium | Mod. unsatisfactory | Satisfactory | Mod. unsatisfactory | 100 % |
| PROFIT | G-I-C-1218- | XDR | 0.40 | Medium | Mod. unsatisfactory | Highly satisfactory | Mod. unsatisfactory | 79 % |
| | L-I--814- | XDR | 19.30 | Medium | Mod. unsatisfactory | Highly satisfactory | Mod. unsatisfactory | 84 % |
| UTaNRMP | 200000259700 | EUR | 11.75 | Low | Satisfactory | Highly satisfactory | Satisfactory | 0 % |
| | L-E--8- | EUR | 12.80 | Low | Satisfactory | Highly satisfactory | Satisfactory | 78 % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | L-I--867- | XDR | 21.25 | Low | Satisfactory | Highly satisfactory | Satisfactory | 88 % |
| KCEP-CRAL | 200000152200 | EUR | 8.58 | Medium | Mod. unsatisfactory | Highly satisfactory | Unsatisfactory | 0 % |
| | 200000112100 | XDR | 43.85 | Medium | Mod. unsatisfactory | Highly satisfactory | Unsatisfactory | 17 % |
| | 200000112200 | XDR | 7.10 | Medium | Mod. unsatisfactory | Highly satisfactory | Unsatisfactory | 19 % |
| | 200000062300 | EUR | 15.65 | High | Mod. satisfactory | Highly satisfactory | Mod. satisfactory | 75 % |
| ABDP | 200000261400 | EUR | 24.15 | High | Not rated | Not rated | Not rated | 0 % |
| | 200000205200 | USD | 40.00 | High | Not rated | Not rated | Not rated | 0 % |

IFAD portfolio in Kenya comprises two project (SDCP and PROFIT) that are ending in 2019; two (UTaNRMP and KCEP-CRAL) that are more than 50% implemented; and one (ABDP) that has just started implementation. As of January 2019, SDCP had disbursed 92.7% and PROFIT – 84.4%. Although mature, the quality of financial management of the projects in the portfolio varies. As of end of June 2019, one was rated satisfactory and low risk (UTaNRMP); one rated moderately satisfactory and medium risk (PROFIT); two rated moderately unsatisfactory and medium risk (SDCP and KCEP-CRAL). The recently launched project (ABDP), 14 months after Entry Into Force, and to be supervised during the last quarter of 2019, is rated high risk, and yet to be rated.

Key financial issues that dominate the portfolio relate to the failure to fully utilise computerized accounting system. With further analysis, the weakness is on the lack of capacity among project staff, most of whom are former government staff. Internal audit is conducted irregularly by the lead ministries. The country team has embarked on harmonizing the accounting systems for all projects in the portfolio. The portfolio disbursement rate is moderately unsatisfactory. Kenya's disbursement target for 2019 is USD 24.5 million and the YTD disbursement for Kenya as of 12 June 2019, is USD8.19 million (33%)

**UTaNRMP:** The project risk is **Low risk** and the quality of the project’s financial management is satisfactory. The audit risk rating is low, while the quality and timeliness of the audit is highly satisfactory. Counterpart funding is moderately satisfactory. The GoK has committed to meeting their obligation in 2019/20.

**ABDP:** Being the latest project that is yet to disburse has the risk rating of **High.** All the key personnel are in place and they have received the financial management training, and they will hence start implementing. in due time. Staff is scheduled to receive ICP training. The AWPB and the PIM have been cleared and implementation has commenced.

**SDCP:** Project implementation is ending in September 2019. While it has the risk rating of medium, the quality of financial management is moderately unsatisfactory. The June 2019 FM assessment had a risk rating of high, on account of not using a computerized accounting software. The project had an additional financing which is currently 77% disbursed. The initial loan and grant are fully disbursed.

**PROFIT:** The risk rating is **medium** and the quality of financial management is rated as moderately satisfactory. Project implementation completed in June 2019. The final audit will be prepared The Loan is disbursed at 85% and the grant 79% with disbursement rate being moderately unsatisfactory. The project's quality of financial management is moderately unsatisfactory due to the non- renewal of the SAGE software license and not being able to configure templates for IFAD in the FMS.

Prepared by: Caroline Alupo Date: 4 July 2019

# Appendix XI: Kenya Procurement Risk Analysis

## KENYA: Procurement Risk Assessment

## Background

1. The public procurement system in Kenya is governed by the Public Procurement and Asset Disposal Act (PPADP) of 2015, which came into effect in January 2016. The PPADP introduced a number of procurement reforms, renewing Kenya's commitment to ensuring accountability of public funds. The national procurement systems are thus consistent with the core principles of procurement such as: efficiency, transparency, effectiveness, fairness, value for money, integrity, fit for purpose, accountability and appropriate competition. The Public Procurement Regulatory Authority (PPRA) is the regulator of Procurement Law and ensures strict compliance. PPRA also undertakes activities to enhance capacity of the national procurement processes. Fighting corruption is a high priority in the agenda of the Government of Kenya, as outlined in the National Anti-Corruption Plan. The Plan aims to institutionalize efficiency, accountability and transparency in the public sector as well as the private sector, by conducting effective investigations and prosecution of corrupt conduct.

2. The Kenya Country Procurement Assessment Report (CPAR) published by the World Bank (2011) identifies that Kenya's current Procurement Policies and Legal Frameworks provide reasonable assurances that development investments are being managed appropriately to achieve their intended purpose. Yet, despite of the strong regulatory environment in Kenya, compliance of public entities to procurement law and regulations remains a challenge. Moreover, Kenya's annual Corruption Perceptions Index (published by Transparency International) holds a score of 27 out of a possible 100 (2018), and is ranked 144$^{th}$ out of 180 countries (2019). This further signifies the need to put in place measure to ensure Governance and promote integrity in the management of public funds.

## Procurement monitoring

3. The Public Procurement Regulatory Authority's (PPRA) Excel-based Procurement Database is used to monitor procurement activities. This database captures at least 80 percent (value) of public procurement activities, including those of semi-autonomous government agencies (SAGAs), state corporations, and County Government. It details contract awards, values of awards and successful bidders. However, the PPRA website contains little information on the nature of contracts awarded, and lacks a comprehensive contracts classification system. Often, there is a time lapse of approximately one year between implementation of activities and their publication on the website.

## Procurement complaints

4. The Public Expenditure and Financial Accountability (PEFA) Report notes that the National Procurement Complaints Framework meets five of the six criteria outlined in the PEFA methodology. However, it notes that criterion 2 is not fully met due to its requirement for payment of a fee by the party filing procurement complaints. Procurement complaints are addressed by the Public Procurement Administrative Review Board (PPARB), under the Public Procurement Regulatory Authority (PPRA). The PPRA is an external independent authority that is not involved in national procurement processes at any capacity. Moreover, Section 27 of the Public Procurement and Disposal Act (PPDA) established an independent PPARB to improve the effectiveness and efficiency of the PPRA. The process for submission and resolution of Procurement complaints is clearly indicated in the Public Procurement and Disposal Act (PPDA) Section 27, which is also publicly available. The decisions of the PPARB are final and binding to all parties involved. The PPARB also exercises the authority to suspend any procurement process, if deemed necessary.

**Frequency of supervision of procurement activities by IFAD**

5. As recommended by the Procurement Capacity Assessment, IFAD undertakes one field supervision mission per year for each active IFAD-financed project. During these missions, IFAD undertakes prior-review, technical reviews and post-review of project procurement activities. Procurement post-reviews and technical reviews cover at least 15 percent of contracts that are subject to post-review. In addition, post-reviews of in-country training are conducted periodically, as well as review of ongoing procurement of goods and civil works, justifications thereof, and costs incurred. Post-reviews involve analysis of technical, financial, and procurement reports developed by project implementing agencies and/or consultants hired to support the implementation of IFAD-financed projects, in accordance with established IFAD HR procedures for hiring contractual staff.

**Procurement gaps identified at Project level:**

(i) failure to comply with procurement law due to capacity constraints within PMUs;
(ii) poor procurement planning and delays in processing procurement activities (preparation of Terms of References and Technical Specifications, conducting bid evaluations);
(iii) weak contract management resulting in cost overruns;
(iv) excessive use of non-competitive procurement methods, without proper justification;
(v) lack of accountability of procurement decisions; and
(vi) perceptions of lack of competition, perpetuated by limited competition, due to a weak private sector.

**Procurement Risk rating**

6. Based on the above Risk Analysis, the Procurement Risk rating for Kenya is **2.78**.

7. **The following are key mitigation measures put in place by IFAD to address procurement capacity gaps:**

(i) The Project Implementation Manual (PIM) includes detailed and clear Sections on: (a) adherence to IFAD procurement guidelines; (b) preparing Procurement Plans; (c) thresholds for procurement methods and prior review; (d) listing of procurement tasks and responsibilities; (e) procurement categories and procurement steps; (f) managing contracts and expenditure reports; (g) transparent publications of awards and debriefings; (h) guidelines for reporting and handling fraud and corruption; (i) managing and documentation filing systems (online and hardcopies); and (j) robust action plan for strengthening procurement capacity of PMUs. Annexes to the PIM also include templates for bidding documents, including the PPRA templates and other project-specific templates. The PIM is considered a live document and is updated periodically, in order to reflect agreed refinements to project procedures.
(ii) During the preparation of the Procurement Plan, low-value procurement activities are often grouped under one tender for the purpose of benefitting from economies of scale. Where it is determined that separation was made to avoid using the specified procurement method, defined by the relevant financial threshold, IFAD withholds its No-Objection to the Plan until such arrangements are rectified.
(iii) PPRA undertakes annual procurement audits.

(iv) Optimize use of experts at National and Local levels, and utilise the support of external specialized consultants, particularly for preparation of Terms of Reference, Requests for Proposals, and Bid Evaluations;
(v) Clearly identifying the roles and responsibilities of PMU staff in the preparation of Contract Management Plans for complex and high-value contracts, in order to improve accountability;
(vi) Improve contract supervision and monitoring, and application of the conditions of contracts to minimize poor performance of service providers; and
(vii) In addition to advertisement in the national newspapers, projects are encouraged to utilize other reliable media such as websites, including the PPRA Portal, to announce all available procurement opportunities in IFAD projects.

## IFAD Procurement Risk Matrix

| | | | | | | |
|---|---|---|---|---|---|---|
| | **Division** | East and Southern Africa Division | | | | |
| | **Country** | KENYA | | | | |
| | **Project** | Country Strategic Opportunities Programme (COSOP) | | | | |
| | **Date** | 24-Jul-19 | | | | |
| | **INHERENT RISK RATING** | **2.30** | | | **NET RISK RATING** | **2.78** |
| # | Description of Risk Feature | Rating | Assessment Basis | Remarks | Recommendation /Mitigation | Rating |
| **A** | **COUNTRY RISK ASSESSMENT** | **2.30** | | | | **2.78** |
| **1** | **Legal and Regulatory Framework** | **2.00** | | | | **2.75** |
| a | Country procurement law, regulations and manual exist | 3 | 3 they all exist, 2 only two exist, 1 only one exist or none | | | 3 |
| b | Existence of Standard Bidding Documents for Goods, Works and Services | 2 | 3 all exist, 2 only for NCB & ICB, none for Shopping, 1 none exists | The PPRA has issued several bidding document templates for procurement using NCB. However, template for NS was found inadequate | The Projects will develop more comprensive template for procurement using shopping method. | 3 |
| c | Procurement Monitoring | 2 | Use PEFA Framework, see worksheet for details | The PPRA database captures at least 80 percent (by value) of public procurement including semi-autonomous government agencies (SAGAs), state corporations, and Counties, detailing the contract award, value and the successful bidder. However, the PPRA website contains little information about the nature of contracts awarded, and lacks a comprehensive contracts classification system. Often, there is also a time lapse of approximately one year between implementation of activities and their publication on the website. | The website of each IFAD financed Project/Programme will include all procurement realted information. | 3 |
| d | Procurement Methods | 1 | Use PEFA Framework, see worksheet for details | The procuring entity leaned heavily on restricted tendering and request for quotations, which are not highly competitive procurement methods. | During the preparation of the Procurement plan, low-value procurement activities will be grouped together under one tender for purposes of economies of scale | 2 |
| e | Public access to procurement information | 2 | Use PEFA Framework, see worksheet for details | | | |
| **2** | **Accountability and Transparency** | **2.60** | | | | **2.80** |
| a | Procurement Complaints Management | 3 | Use PEFA Framework, see worksheet for details | | | 3 |
| b | Country Corruption Perception Index score | 1 | The score is published on Transparency.org. 0 to 29 = 1, 30 to 60 = 2, 61 to 100 = 3 | Kenya ranks 144 out of 180 countries in the 2018 Corruption Perception Index according to Transparency International which indicates that integrity and ethical values still require strengthening. | All procuring entities as well as bidders and service providers, that is: suppliers, contractors, and consultants shall observe the highest standard of ethics during the procurement and execution of contracts financed under the IFAD funded Projects in accordance with paragraph 84 of the Procurement Guidelines. The Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to all projects, in addition to the relevant Articles of the Kenya Public Procurement Act and other national legislation which refers to corrupt practices | 2 |

| # | Description of Risk Feature | Rating | Assessment Basis | Remarks | Recommendation /Mitigation | Rating |
|---|---|---|---|---|---|---|
| c | 2-tiered system to handle complaints | 3 | 3 as stated, 2 only a single level system, 1 no system | | | 3 |
| d | Existence of a debarment system | 3 | 3 full existence, 2 existence of complaints body that is the authority, 1 does not exist | | The Government of Kenya will ensure IFAD's debarment list are respected in awarding contracts under the IFAD finances; and assist IFAD investigations pertaining to the funded activities. | 3 |
| e | Existence of an independent and competent local authority responsible for investigating corruption allegations | 3 | 3 existence of independent Anti-Corruption agency, 2 existence of an office within a government ministry/agency that carries out some/all of these functions, 1 does not exist | | | 3 |

*Risk Rating System*

| | |
|---|---|
| ***3*** | ***L**: Low Risk* |
| ***2*** | ***M**: Medium Risk (ratings between 2.5- 2.8 are categorised as medium- low risk, hence the color-coding is green)* |
| ***1*** | ***H**: High Risk* |