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Investing in rural people

Republic of Kenya

Kenya Livestock Commercialization Project

Addendum

Executive Board — 130th Session
Rome, 8-11 September 2020

For: Approval

Kenya Livestock Commercialization Project (KeLCoP)

Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the President's report on the Kenya Livestock Commercialization Project (EB 2020/130/R.22). For ease of reference, the changes to the text of the report are shown in underscore, while deleted text is shown in strikethrough.

Page ii, abbreviations and acronyms

The first row (FIPS) should be deleted:

FIPS ~~Faster Implementation of Project Start-Up~~

Page iii, map of the project area is replaced with the below:



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.
Map compiled by IFAD | 05-05-2020

Page iv, the financing summary is replaced with the below:

Initiating institution:	IFAD
Borrower/recipient:	Government of Kenya
Executing agency:	Ministry of Agriculture, Livestock, Fisheries and Cooperatives
Total project cost:	<u>EUR 78.91</u> million
Amount of IFAD loan:	<u>EUR 23.105</u> million
Terms of IFAD loan:	Blend: The loan is provided under the phasing-in modality. The loan provided on blend terms will have a maturity of 25 years and a grace period of 5 years. A service charge and a fixed interest charge are payable semi-annually on the principal amount disbursed by the Fund and not yet repaid by the borrower.
Amount of IFAD loan:	<u>EUR 23.105</u> million
Terms of IFAD loan:	Highly concessional: The loan provided on highly concessional terms under the phasing-in/phasing out modality will have a maturity of 40 years and a grace period of 10 years. A service charge is payable semi-annually on the principal amount disbursed by the Fund and not yet repaid by the borrower. No interest is charged on the loan.
Cofinancier:	Heifer International
Amount of cofinancing:	<u>EUR 2.86</u> million
Terms of cofinancing:	In-kind contribution
Cofinanciers:	Participating Financial Institutions
Amount of cofinancing:	<u>EUR 3.84</u> million
Terms of cofinancing:	Loan
Contribution of borrower/recipient:	<u>EUR 16.01</u> million
Contribution of beneficiaries:	<u>EUR 9.99</u> million
Amount of IFAD climate finance:	<u>EUR 19.3</u> million of total IFAD financing
Cooperating institution:	IFAD

Page 2, paragraph 9

The second sentence should read:

"Concerted efforts will be made to ensure implementation readiness, in part with a start-up advance Faster Implementation of Project Start-Up (FIPS) support."

Page 2, paragraph 13

The first sentence should read:

"KeLCoP is expected to directly and indirectly benefit 110,000 households (495,000 people), of which 54 per cent will be women and 30 per cent youth."

Page 2, paragraph 14

The second sentence should read:

"In line with recommendations made in the country strategy and programme evaluation, KeLCoP's target areas will include two semi-arid counties (Elgeyo Marakwet and Baringo), and two arid counties (Marsabit and Samburu) and six other counties (Busia, Siaya, Kakamega, Bungoma, Trans Nozia and Nakuru)."

Page 3, paragraph 19 should read:

"Component 2: Support to livestock market development. This component will include: (i) market infrastructure and capacity development; (ii) building inclusive value chains; and (iii) development of value chain management systems. Matching grants will be provided to smallholder commercial producers and innovative youth, and e-vouchers and ~~(ii) investor forums to enhance private sector engagement and investments; (iii) inclusive VC development; and (iv) provision of e-vouchers and matching grants for small-scale commercial producers, innovative start-ups launched by young people, peer-to-peer exchange and learning route methodology training; training for young traders and transporters; and a dashboard for crowdfunding for entrepreneurs. Additionally, an e-marketing application will be developed to provide real-time price information and a channel for the purchase and sale of key livestock production inputs."~~

Page 3, paragraph 20 should read:

"Component 3: Project management and coordination. This component will support the development of: (i) policy and institutional support to national Government; and (ii) an enabling policy framework for the livestock sector and the formulation of a master plan for livestock development. The component will also cover the incremental costs of project management and coordination, including knowledge management (KM) and monitoring and evaluation (M&E)."

Page 4, paragraph 23

The last sentence should read:

"HI has committed to providing technical and financial support to the project and will sign a grant agreement with the Government to detail the nature and extent of their contribution."

Page 4, paragraph 26 should read:

"Total project costs, including physical and price contingencies, are estimated at ~~US\$93.5~~EUR 78.91 million over a six-year implementation period. Project costs by component are summarized in table 1."

Page 5, table 1 is replaced with the below:

Table 1
Project costs by component and subcomponent and financier
(Thousands of euros)

Component/ sub-component	IFAD loan		Government		Government in kind		Government cash		Beneficiaries in kind		Beneficiaries cash		Participating financial institutions		Heifer International		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Climate-smart production enhancement for small livestock																		
1. Integrating vulnerable HHs ¹ into value chains	10 129	45.9	3 245	14.7	2 662	12.1	-	-	1 465	6.6	-	-	1 688	7.7	2 858	13.0	22 048	27.9
2. Climate resilient production systems	14 906	60.6	3 930	16.0	902	3.7	-	-	4 584	18.6	290	1.2	-	-	-	-	24 612	31.2
Subtotal A	25 035	53.7	7 175	15.4	3 565	7.6	-	-	6 049	13.0	290	0.6	1 688	3.6	2 858	6.1	46 661	59.1
B. Support to livestock market development																		
1. Market infrastructure and capacity development	2 393	67.5	522	14.7	494	13.9	-	-	134	3.8	-	-	-	-	-	-	3543	4.5
2. Building inclusive value chains	8 132	53.1	1 503	9.8	-	-	-	-	1 633	10.7	1 893	12.4	2 152	14.1	-	-	15 313	19.4
3. Value chain management information systems	558	84.0	106	16.0	-	-	-	-	-	-	-	-	-	-	-	-	664	0.8
Subtotal B	11 082	56.8	2 131	10.9	494	2.5	-	-	1 767	9.1	1 893	9.7	2 152	11.0	-	-	19 520	24.7
C. Project management and coordination																		
1. Policy and institutional support to national government	783	84.0	149	16.0	-	-	-	-	-	-	-	-	-	-	-	-	931	1.2
2 Project management & coordination unit support	9 310	78.9	1 162	9.8	99	0.8	1 235	10.5	-	-	-	-	-	-	-	-	11 805	15.0
Subtotal C	10 093	79	1 310	10	99	1	1 235	10	-	-	-	-	-	-	-	-	12 737	16
Total project costs	46 210	58.6	10 617	13.5	4 157	5.3	1 235	1.6	7 816	9.9	2 183	2.8	3 840	4.9	2 858	3.6	78 917	100.0

¹ HH= households.

Page 6, paragraph 27

Paragraph 27 should read:

“The financing plan covers: (i) IFAD loans totalling ~~US\$54.8~~EUR 46.21 million (58.6 per cent of total cost), of which ~~US\$22.9~~EUR 19.3 million (42 per cent of total IFAD financing) is climate financing; (ii) the Government’s contribution of ~~US\$19~~EUR 16.01 million (20.3 per cent), of which taxes and duties account for ~~US\$12.6~~EUR 10.6 million (13.5 per cent), cash for ~~US\$1.5~~EUR 1.2 million (1.6 per cent) and in-kind contributions for ~~US\$4.9~~EUR 4.2 million (~~5.25.3~~ per cent); (iii) a beneficiary contribution of ~~US\$11.8~~EUR 9.99 million (12.7 per cent), of which in-kind contributions account for ~~US\$9.3~~EUR 7.81 million (9.9 per cent) and cash for ~~US\$2.6~~EUR 2.18 million (2.8 per cent); (iv) HI’s contribution of ~~US\$3.4~~EUR 2.86 million (3.6 per cent); and (v) participating financial institutions’ contribution of ~~US\$4.6~~EUR 3.84 million (4.98 per cent).”

Page 7, table 2 is replaced with the below:

Table 2
Project costs by expenditure category and financier
(Thousands of euros)

Expenditure category	IFAD loan		Government		Government in-kind		Government cash		Beneficiaries in-kind		Beneficiaries cash		Participating financial institutions		Heifer International		Total		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
I. Investment costs																			
A. Civil works	10 757	58.9	2 916	16.0	764	4.2	-	-	3 824	20.9	-	-	-	-	-	-	-	18 261	23.1
B. Equipment, goods and vehicles	4 691	58.5	1 280	16.0	450	5.6	-	-	874	10.9	290	3.6	-	-	434	5.4	8 019	10.2	
C. Technical assistance	13 555	63.6	3 228	15.1	2 845	13.3	-	-	114	0.5	-	-	-	-	1 571	7.4	21 313	27.0	
D. Grants and subsidies	8 445	58.4	2 166	15.0	-	-	-	-	3 004	20.8	-	-	-	-	854	5.9	14 470	18.3	
E. Credit lines	1 853	23.4	321	4.1	-	-	-	-	-	-	1 893	23.9	3 840	48.6	-	-	7 906	10.0	
Total investment costs	39 302	56.2	9 911	14.2	4 058	5.8	-	-	7 816	11.2	2 183	3.1	3 840	5.5	2 858	4.1	69 969	88.7	
II. Recurrent costs																			
A. Salaries and allowances	3 197	72.1	-	-	-	-	1 235	27.9	-	-	-	-	-	-	-	-	-	4 432	5.6
B. Operating costs	3 712	82.2	705	15.6	99	2.2	-	-	-	-	-	-	-	-	-	-	-	4 516	5.7
Total recurrent costs	6 909	77.2	705	7.9	99	1.1	1 235	13.8	-	-	-	-	-	-	-	-	-	8 948	11.3
Total project costs	46 210	58.6	10 617	13.5	4 157	5.3	1 235	1.6	7 816	9.9	2 183	2.8	3 840	4.9	2 858	3.6	78 917	100.0	

Page 7, table 3 is replaced with the below:

Table 3
Project costs by component, subcomponent and project year
 (Thousands of euros)

<i>Component/subcomponent</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Total</i>
A. Climate-smart production enhancement for small livestock							
1. Integrating vulnerable HHs into value chains	2 672	4 856	4 462	4 841	3 921	1 297	22 048
2. Climate resilient production systems	1 459	5 790	7 904	6 313	3 146	-	24 612
Subtotal climate-smart production enhancement for small livestock	4 131	10 646	12 367	11 154	7 067	1 297	46 661
B. Support to livestock market development							
1. Market infrastructure and capacity development	118	933	1 575	826	46	46	3 543
2. Building inclusive value chains	-	1 543	4 803	5 134	3 061	772	15 313
3. Value chain management information systems	32	262	200	170	-	-	664
Subtotal support to livestock market development	150	2 737	6 579	6 130	3 106	817	19 520
C. Project management and coordination							
1. Policy and institutional support to national government	931	-	-	-	-	-	931
2. Project management & coordination unit support	2 975	1 447	2 056	1 537	1 568	2 223	11 805
Subtotal project management and coordination	3 907	1 447	2 056	1 537	1 568	2 223	12 737
Total project costs	8 187	14 830	21 001	18 820	11 741	4 337	78 917

Page 8, paragraph 29

The second sentence should read:

"KeLCoP's net present value is positive (EUR 77.1 million [US\$91.3 million]; 10.1 billion Kenyan shillings)."

Page 10, paragraph 40

The first sentence should read:

"External audits will be provided by the Office of the Auditor General of Kenya, as is the case for the existing portfolio."

Page 11, paragraph 46 should read:

"Important lessons learned from investment projects financed by IFAD and other development partners relate to implementation start-up delays that are often triggered by delays in recruitment and in setting up PMCUs, the procurement and installation of appropriate financial management software and the fulfilment of other disbursement conditions. ~~KeLCoP will therefore utilize the FIPS to implement key start-up activities in the first six months of the project.~~ A start-up advance of ~~US\$500,000~~ EUR 400,000 is proposed for the following purposes: recruitment of PMCU staff and establishment of PMCU offices; procurement of FM software; initial baseline survey activities; salaries for key PMCU staff; start-up operating costs, including PMCU staff mobility expenses; and establishment of M&E systems and related training."

Page 11, paragraph 47

The first sentence should read:

“Supervision. IFAD and the Government (represented by the National Treasury and ~~its~~ Planning Office and the State Department for Livestock) will jointly supervise the project on an annual basis in conjunction with shorter follow-up and implementation support missions.”

Page 12, paragraph 53

The recommendation should read:

“I recommend that the Executive Board approve the proposed financing of two loans amounting to ~~fifty four million eight hundred thousand United States dollars (US\$54,800,000)~~ forty-six million two hundred ten thousand one hundred euros (EUR 46,210,100) in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on blend terms to the Republic of Kenya in an amount of ~~twenty seven million four hundred thousand United States dollars (US\$27,400,000)~~ twenty-three million one hundred five thousand euros (EUR 23,105,000) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a second loan on highly concessional terms to the Republic of Kenya in an amount of ~~twenty seven million four hundred thousand United States dollars (US\$27,400,000)~~ twenty-three million one hundred five thousand euros (EUR 23,105,000) upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.”

A new version of appendix III has been provided in the revised President’s report.