



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF KENYA

FOR THE

**CENTRAL KENYA DRY AREA SMALLHOLDER AND COMMUNITY SERVICES
DEVELOPMENT PROJECT**



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CURRENCY EQUIVALENTS

Currency Unit	=	Kenyan Shilling (KES)
USD 1.00	=	KES 75
KES 1.00	=	USD 0.013

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

ADGs	Agricultural Development Groups
ASAL	Arid or Semi-arid Land
AWP/Bs	Annual Work Programmes and Budgets
BSF	Belgian Survival Fund
CI	Cooperating Institution
DDC	District Development Committee
DFRD	District Focus for Rural Development
DPCC	District Project Coordination Committee
GTZ	German Agency for Technical Cooperation
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MOH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
NDAP	Nyeri Dry Areas Smallholder and Community Services Development Project
NGOs	Non-governmental Organizations
NPEP	National Poverty Eradication Plan
PAI	Poverty-alleviation Initiatives
PCC	Project Coordination Committee
PCU	Project Coordination Unit
SIDA	Swedish International Development Cooperation Agency

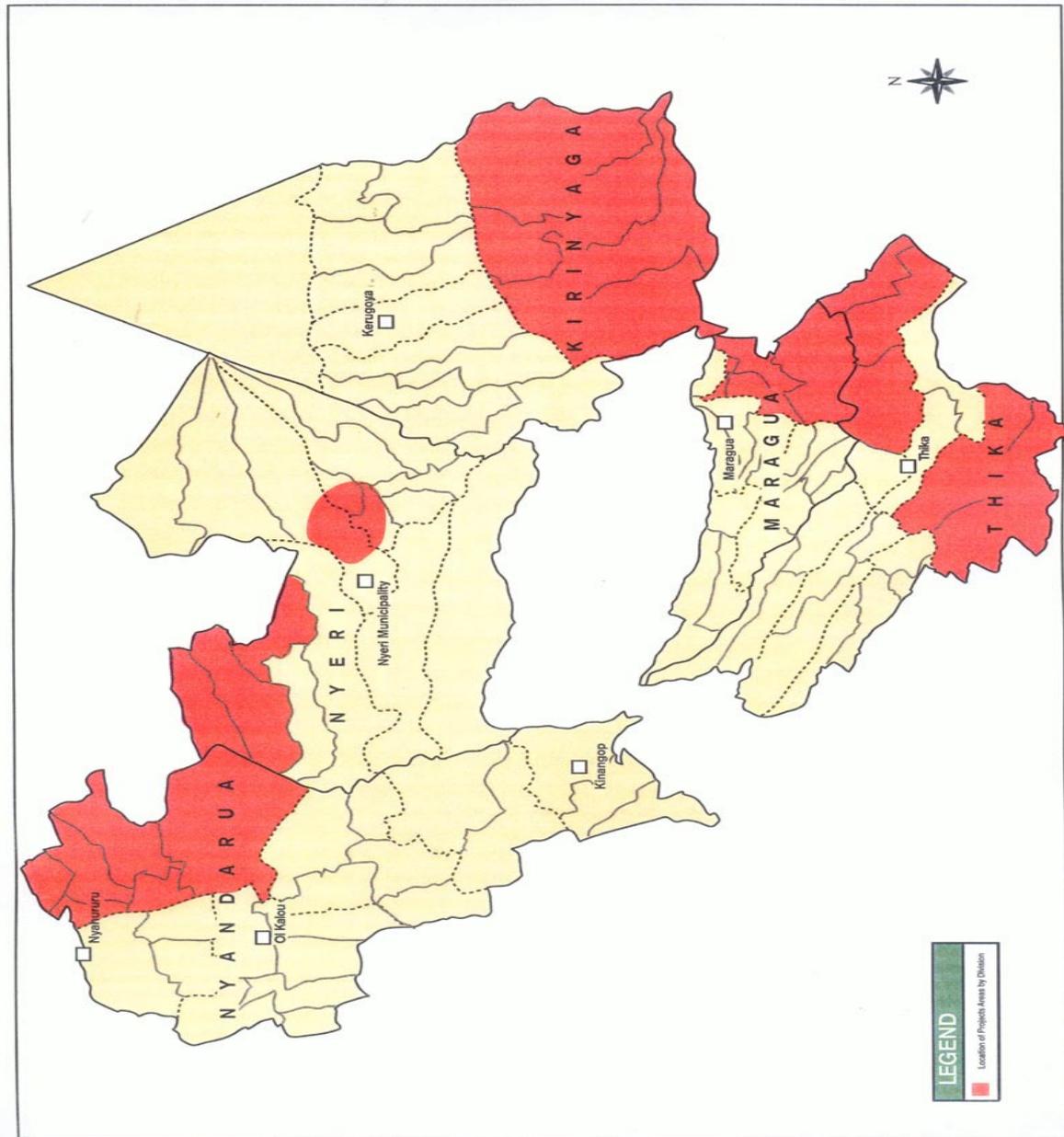
GOVERNMENT OF THE REPUBLIC OF KENYA

Fiscal Year

1 July - 30 June



MAP OF THE PROJECT AREA



Source: IFAD Appraisal Report

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.



THE REPUBLIC OF KENYA

**CENTRAL KENYA DRY AREA SMALLHOLDER AND COMMUNITY SERVICES
DEVELOPMENT PROJECT**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Kenya
EXECUTING AGENCY:	Ministry of Finance and Planning
TOTAL PROJECT COST:	USD 18.08 million
AMOUNT OF IFAD LOAN:	SDR 8.45 million (equivalent to approximately USD 10.91 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	Belgian Survival Fund (BSF)
AMOUNT OF COFINANCING:	USD 4.10 million
TERMS OF COFINANCING:	Grant
CONTRIBUTION OF BENEFICIARIES:	USD 0.41 million
CONTRIBUTION OF THE BORROWER:	USD 2.66 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services (UNOPS)



PROJECT BRIEF

Who are the beneficiaries?

The project target group is estimated at 220 000 people or the 36 400 households who live in the poorest dry areas in five districts of Kenya's central province. During the participatory formulation process, the population's perceptions of poverty revealed that being poor not only means lacking money, but is also related to demographic, gender, social, economic and environmental factors. A poor person is someone without land (landless or with a very small marginal holding) and livestock (cattle, sheep and goats), unable to feed his/her family adequately or clothe them, and who cannot afford to send his/her children to school beyond the primary level. These poor households often sell part of their produce immediately after harvest when prices are low to provide cash so as to cover school fees or pay debts. The farm size of these households is less than two acres; in addition they do not have access to drinking water. The target group is composed of settlers and squatters who migrated from higher potential areas that are under intense population pressure; and women who bear a disproportionately large share of domestic and agricultural responsibilities.

Why are they poor?

The majority of beneficiaries are settlers who are now trying to subsist on small land areas (1-3 ha), on which very low yields and inadequate rainfall lead to food insecurity. Droughts are frequent (one year in three). More recent arrivals are squatters who were displaced for various reasons. These often include women-headed households with no land who exist on earnings from casual labour. The main coping strategy is to earn money from limited, poorly-paid (less than USD 1/day) seasonal employment opportunities available from casual labour on estates and large farms in near-by higher potential areas. Other strategies include selling livestock, borrowing food from family members in different zones and occasionally abandoning the farms altogether to move in with relatives in less affected areas. The project areas are characterized by a poor level of basic socio-economic services such as health, water and education. This is the result of the Government's policies in the 1980s, which focused on providing services in higher potential areas.

What will the project do for them?

The first phase project substantially reduced morbidity and mortality and improved the nutrition and health status of project beneficiaries. The second phase project aims to cover a wider area and improve the provision of basic socio-economic services, while strengthening the poor's capacity to better their livelihoods. The project will: (i) provide primary health care (including reproductive health and HIV/AIDS control), safe drinking water (construction of protected shallow wells and roof catchments) and promote better sanitation and diet practices; (ii) raise the productivity of smallholders and improve food security by promoting drought-resistant crops and small livestock and by encouraging other income-generating activities for diversification away from agriculture; (iii) strengthen the institutional capacity of the district to plan, implement and monitor the beneficiaries' participation in the planning and development of district services; and (iv) promote agricultural techniques to protect the area's fragile environment.

How will the beneficiaries participate in the project?

Beneficiaries will participate in the project and access project resources through groups; these will function as the medium by which beneficiaries articulate their needs, prioritize the activities that they wish the project to support, carry out their contribution to project activities, and monitor implementation performance by governmental agencies. Village-level groups will be able to apply for assistance for community-based development projects to a special financing facility supported by the project. Beneficiaries will also be represented in the annual review and budgeting workshops in order to offer their views about project achievements and to influence decision-making for planned activities.

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DEVELOPMENT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Republic of Kenya for SDR 8.45 million (equivalent to approximately USD 10.91 million) on highly concessional terms to help finance the Central Kenya Dry Area Smallholder and Community Services Development Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Kenya has a land area of 583 000 km² and an estimated population of 29 million in 1999, which grew at about 3.3% per annum. Some 18% of the land is classified as medium or high potential for agriculture, while a further 9% is arable but subject to periodic drought. The balance or 73% of the country consists of arid or semi-arid land (ASAL). The high population pressure in the areas of medium to high agricultural potential is reflected in rates of over 1 000 persons per km² in many locations. Migration of the landless and very poor into the ASAL areas is of major concern to the Government and is the primary factor in the formulation of its rural and agricultural policies.

2. During the 1990s, the economy weakened to the point where real per capita income fell and poverty became more pervasive. 'Stop-go' macroeconomic policies, the slow pace of structural reform and persistent governance problems were major causes of the decline. High real lending rates and other high costs of doing business in Kenya, including corruption, lack of security and deteriorating infrastructure were reflected in low rates of investment. These, in turn, further weakened the economy. However, measures to reduce fiscal deficits and government borrowing, and the pursuit of a relatively tight monetary policy over the past two years, have begun to have positive effects. The annual inflation rate dropped from 12% in 1997 to about 5% in May 2000; it is projected to remain at this level in the medium term.

3. With guidance from the International Monetary Fund (IMF) and the World Bank, the Government is presently embarking upon a vigorous programme of structural reform aimed at increasing the real per capita gross domestic product (GDP) growth to 2.5-3% per year, reducing inflation to less than 5% per year and maintaining the current account deficit at a sustainable level. The key elements of this policy are: (i) real progress in the area of governance and a reduction in corruption; (ii) firm policies in addressing the health and education priorities of the population; (iii) consolidation of the gains made in reducing the domestic debt burden, reducing real interest rates and increasing the national savings rate; (iv) broadening the scope of structural reform; (v) improving the regulatory environment for the priority area of agriculture, which has direct implications for

¹ See Appendix I for additional information.



poverty alleviation; and (vi) assisting the private sector in attracting foreign investment and gaining access to export markets.

4. The rural economy and agricultural production, in particular, are of primary importance for most Kenyans' livelihood. The population is predominantly rural (85%) and agriculture is the backbone of the national economy, providing employment for 70% of the national work force. It generates some 26% of GNP, 60% of the country's exports, 75% of raw materials and 45% of the Government's revenue. Smallholder production dominates the sector, accounting for over 60% of the total area cultivated, 75% of production and 85% of agricultural employment. The typical smallholding² is cultivated for family subsistence, with producers consuming much of their own output. However, smallholders also play a crucial role in the cultivation of food crops for the domestic market and for export cash crops, including almost all marketed production of rice, pulses and cotton, 60% of coffee, 35% of tea and 45% of sugar cane.

5. The rural sector's development well-being was and remains a principal objective of the Government's domestic policies. It renewed its commitment to achieving broad-based, sustainable improvement in the standards of welfare of all Kenyans by tackling the high incidence of poverty. Although poverty has been endemic in the less-favoured rural and urban areas of the country, its level has risen alarmingly. The 1997 Welfare Monitoring Survey indicates that the number of poor increased from 3.7 million in 1972-3 to 12.5 million in 1997; it now stands at some 15 million, representing more than 50% of the total population. Limited access to land and poor education are the primary characteristics of the poor, the majority of whom are found among ASAL subsistence farmers and pastoralists, agricultural and casual labourers, and unskilled and semi-skilled workers. Given that some 70% of active women work as subsistence farmers, rural women as a group are particularly exposed to the pernicious effects of poverty. Poverty is also prevalent among the physically handicapped and those suffering from HIV/AIDS. Life expectancy has fallen from an average of 59.5 years in 1989 to the present 52 years.

B. Lessons Learned from Previous IFAD Experience

6. Over the past 20 years, Kenya benefited from USD 102 million of IFAD support. IFAD has approved nine loans from its own resources for a total amount of about USD 91 million - revised to about USD 60 million after cancellation, plus three small grants for an amount of USD 600 000. Additional grant resources totalling about USD 9.6 million were available under the IFAD/Belgian Survival Fund (BSF) Joint Programme for three other interventions. All projects were multidistrict and, with the exception of the completed Animal Health Services Rehabilitation Programme, multisectoral.

7. Despite successfully implementing a number of specific components, overall project implementation during the 1990s suffered from poor management and lack of coordination and financial discipline by the implementing ministries: they failed to submit disbursement claims and monitor and evaluate. In 1995, IFAD fielded a country-wide review, and in 1996 suspended disbursements on all of its loan portfolio for one year, while it carried out intensive discussions with the Government about appropriate remedial measures. At that time, it was agreed upon that significant amounts of IFAD loan assistance be cancelled.

8. The principal problem with project implementation in Kenya has been the flow of IFAD loan funds: Government ministries did not submit disbursement claims for expenditures that were eligible for reimbursement, and so implementing ministries have not replenished their funding for project-financing activities. The overall result is a lower level of project activity than initially foreseen. The implementation of grant-financed field activities has been more successful since financial

² There are an estimated 2 million smallholdings, some 55% of which are cultivated by women.



management procedures were simplified. While management problems affect IFAD projects in Kenya, field-level implementation was well-received by the participating communities; beneficiaries demonstrated significant commitment to participating in activities that directly affect their well-being. The principal lesson learned is the need to put in place appropriate mechanisms for project management and financial operations that reflect the Government's procedures, policies and disciplinary regulations. Specifically, authoritative coordination at the national level requires the implementation of multisectoral interventions; project planning, budgeting and expenditure procedures should follow existing governmental financial procedure so that automatic and immediate sanctions for non-compliance with the Government's financial regulations can be taken. The proposed project design addressed project management issues by establishing a strong national coordination mechanism and introducing an effective management information and monitoring system. These have been extensively discussed with project stakeholders (beneficiaries and district staff, as well as with representatives of government ministries).

C. IFAD's Strategy for Collaboration with Kenya

9. IFAD's strategy in Kenya has evolved since the mid-1980s. It supports the Government's objectives for decentralization (reflected in its District Focus for Rural Development (DFRD)) and targeted assistance to smallholder agriculture. The Government has renewed its commitment to poverty alleviation through a National Poverty Eradication Plan (NPEP), coordinated through the Office of the President. The NPEP was established as a partnership framework to tackle poverty, utilizing national and local authorities and non-governmental organizations (NGOs), including religious bodies, the private sector and donors. Two elements of NPEP also reflect key IFAD concerns. First, the NPEP emphasizes the gender aspects of all poverty measures. Two thirds of the NPEP target population are women and, in some districts, over 95% of women-headed households were classified as poor or very poor. Second, solutions to poverty are to be based on social mobilization and participatory development to ensure the maximum contribution of views and solutions from the grass-roots.

The Government's Policy for Poverty Eradication

10. From its initial intervention, IFAD consistently approached poverty alleviation by focusing principally on the development of smallholder agriculture and food self-sufficiency among the most disadvantaged sections of the rural community. In the areas of high to medium agricultural potential (in which poverty results from high population densities), interventions were directed to raising crop and livestock productivity through improved and appropriate technology, and strengthening technical services. In less well-endowed ASAL areas (with much higher levels of poverty), initiatives addressed increased production in the context of protecting the fragile ASAL ecology. Grant funding available from the IFAD/BSF Joint Programme enabled IFAD to focus on community development and provide basic socio-economic services (health and water), which are key to improving living standards. Group and community mobilization undertaken in the context of IFAD/BSF-financed activities proved to be a good entry point for promoting food security and economic activities among the poorest.

11. In addition to NPEP, the Government also developed an Interim Poverty Reduction Strategy (IPRS), giving a financial and budgetary dimension to the attack on poverty. Under the Government's strategy, ministries wishing to qualify for the allocation of development funding must demonstrate that their programmes are in line with the concrete priorities and policies for growth enhancement and poverty reduction. As part of its strategy for collaborating with the Government of Kenya, IFAD supports both initiatives, as they closely match its objectives and strategies for poverty alleviation. Each of the Government's policies has budgetary and operational implications for the proposed project, which have fully figured in the design by IFAD. Furthermore, annual consultation and review meetings are planned with the target groups that benefit from project-supported activities, in this way there can be feedback to district services regarding their performance.



The Poverty Eradication Activities of other Major Donors

12. The Government's poverty-alleviation measures are receiving support from other key donors. The World Bank and IMF are providing guidance and technical assistance for developing the Interim Poverty Reduction Strategy and its associated budgeting and financing procedures. The German Agency for Technical Cooperation (GTZ) has assisted in developing NPEP strategies by designing an anti-poverty fund as a mode of financing poverty-reduction initiatives. The poverty-alleviation impact of the major bi-laterals' current interventions is also widespread. The Swedish International Development Cooperation Agency (SIDA), for example, through its National Soil and Water Conservation Project, is assisting the most disadvantaged pastoralists in selected focal areas. The GTZ has active rural sector programmes that address poor farmers.

Project Rationale

13. The proposed project builds on the success of the IFAD/BSF-financed Nyeri Dry Areas Smallholder and Community Services Development Project (NDAP), which reduced mortality and morbidity, and improved the living standards of deprived target group communities of the ASAL areas of the Nyeri District. Its most successful components were primary health care and water supply, in which the poor themselves identified their needs and the type of socio-economic infrastructure (water wells, health centres) required to provide a basic service. In these cases, the beneficiaries took full part in planning the subproject, made in-kind contributions to the costs of construction, and then managed it, thus fostering the sense of ownership of the infrastructure that is necessary for its long-term sustainability. The group and community-based approach for socio-economic infrastructure development proved effective in supporting productive activities among these poor rural groups, promoting food security and economic empowerment.

14. The rationale for the activities is based on extending the already tested approach and activities of the Nyeri project. The proposed project will shape development activities around the expressed needs of the target group. It will focus on easily managed investments and, to the maximum extent possible, will involve beneficiaries in the administration. With regard to project management, the mechanism of DFRD policy will be used. This will be based upon the procedures now being developed for the implementation of the Government's current poverty-alleviation strategies.

PART II - THE PROJECT

A. Project Area and Target Group

15. The project area is located within the designated ASAL of the five districts of the Central Province: Thika, Maragwa, Nyandarua, Nyeri and Kirinyaga. The ASAL areas of the southern district of Thika and Maragwa typify the official government classification of semi-arid lowlands: they are at an altitude of 1 000 to 1 500 m above sea level (masl), with a relatively temperate climate suitable for the production of crude grains and vegetables. Those of Nyeri and Nyandarua that lie at some 1 500 to 2 000 masl, rising in places to over 2 000 masl, fall within the semi-arid highlands category (with a cold climate). The project areas and target groups were identified during an extensive grass-roots consultation process with project beneficiaries and district services during the course of IFAD reconnaissance and formulation missions. The specific areas to be covered by the proposed project were closely reviewed to ensure that estates and large farms are excluded.

16. The target group is defined as those whose poverty exposes them to a constant threat of hunger and malnutrition, and whose lack of access to basic facilities increases the risk of poor health. The target group in the selected areas of the five districts is estimated at about 36 000 households or 218 000 people.



B. Objectives and Scope

17. The project's chief objectives are: (i) to provide basic primary health care and domestic water supply for the most disadvantaged communities; (ii) to improve household food security by providing agricultural infrastructure, including microirrigation and services adapted to the requirements of subsistence farm households; and (iii) to promote and support small-scale income and employment-generating activities for the poor through technical assistance and training, with financing, from a broad-based poverty-alleviation initiatives (PAI) grant funding facility in line with the Government's policies for poverty alleviation.

18. Implementation of these technical, developmental and social objectives in five districts and through five implementing agencies will require careful coordination and the disciplined application of financial and administrative procedures prescribed by the Government for the administration of district-based development. Accordingly, at the district level the project will strengthen the capacity of the authorities in development planning and implementation. Nationally, it will provide for disciplined coordination through the Ministry of Finance and Planning; it will provide the administrative and financial oversight required for the orderly implementation of project activities.

C. Components

19. To achieve its objectives, the project will have six components: primary health care and domestic water supply; water development services; agricultural services; group development services; PAI and project management and coordination.

Primary Health Care and Domestic Water Supply

20. **Primary Health Care.** The subcomponent will establish project area primary health care services in accordance with national Ministry of Health (MOH) and World Health Organization (WHO) guidelines. It will:

- construct or rehabilitate and equip dispensaries and health centres and upgrade the project area, as necessary;
- train MOH health-facility staff and voluntary community health workers to undertake a community health education programme focused on nutrition, domestic hygiene, proper water treatment and sterilization, and the promotion of improved household sanitation;
- introduce a reproductive health programme for education in safe motherhood, child survival and related health issues; and
- support for HIV/AIDS control through assistance to the district health management teams in the monitoring and control of the epidemic.

21. **Domestic Water Supply.** Improved and increased access to drinking water is the overriding expressed need of the target group. This requirement is met through the provision of a basic supply to about 141 600 people. The subcomponent will provide for the rational exploitation of a range of water sources. Major investments will be made in the following areas:

- piped schemes - 12 new or rehabilitated schemes serving about 100 000 people;
- shallow wells - serving about 32 000 people;
- spring protection - protection of springs for some 1 500 people;
- boreholes - two new boreholes to provide for some 4 500 people;
- rainwater tanks - 20 rainwater tanks for primary schools; and
- dams – construction of one dam to serve about 2 000 people.



Water Development Services

22. Substantial demand is anticipated for further community-based water development to be financed through the PAI component. The Ministry of Environment and Natural Resources will be responsible for executing this activity and the project will strengthen the capacity of the district water departments in the districts of Thika, Nyandarua, Kirinyaga and Maragwa to undertake the incremental project workload. This will include financing surveys, environmental impact assessment, technical feasibility investigations and design studies required for PAI-financed investments. The project will also strengthen the Nyeri District Water Officer to consolidate and expand the ongoing NDAP domestic water supply initiatives.

Agricultural Services

23. Project agricultural intervention will be focused on the expressed farming needs of the typical target group family. The component will have three key elements:

- Agricultural development groups (ADGs). Services and the extension message will be delivered through ADGs, each made up of about 24 target group producers. Services will be tailored to ADGs demand, which is likely to focus on kitchen vegetable production, where surplus water is available, and on small stock production.
- Partnership arrangements. The project will cooperate with a broad range of agricultural service providers, such as SIDA and GTZ, already active in the project areas, whose products or services have a direct impact on improved ASAL farming and livestock production.
- Sustainable resource development. Cultivation of the fragile ASAL environment carries a constant environmental risk. The project will actively seek to promote viable conservation practice through: (i) microirrigation production; (ii) improved varieties of rainfed crops; and (iii) encouraging conservation techniques through the provision of planting materials.

Group Development Services

24. Access and provision of services to the poorest sections of the community is only feasible through groups: the successful implementation of major project components through improved public health care and domestic water supply will depend upon effective group development services. These will be provided through the Department of Social Services, which will promote, train and supervise an estimated 159 health groups and 87 water user associations.

Poverty-Alleviation Initiatives

25. This component will consist of two parts:

- (a) Savings and loan group development. The project will carry out activities to strengthen the capacity of suitable microcredit groups to consolidate and expand their promotion of small savings and credit groups and to train NGOs in microfinance throughout project districts.
- (b) Social and physical infrastructure development. Financial support to village-level subprojects in various areas, including educational development, community-based irrigation schemes, construction of access roads and the expansion of health, nutrition and safe drinking-water programmes and facilities (in addition to specific investments made under the primary health care and domestic water supply component). Eligible subprojects shall be selected on the basis of the following criteria: (i) preparation of subproject proposals by the beneficiaries themselves and approval by the district development committee (DDC); (ii) demonstrable sustainability and technical, economic and social viability; and (iii) simplicity of design and possibility of implementation within one year.

Project Management and Coordination

26. The project will strengthen the coordinating, accounting and the monitoring and evaluation (M&E) capacity of the DFRD mechanism to ensure the professional and authoritative coordination and financial management of project activities at the national and district levels. It will also strengthen the capacity of the Accountant General Inspection Unit, which was established to take timely action where there is evidence of malpractice in the district or central treasuries. The project will enable it to fully cover the five districts under the proposed project.

D. Costs and Financing

27. **Project Costs.** Total project costs are estimated at USD 18.08 million (KES 1 402.3 million), including price and physical contingencies of USD 1.13 million. Some USD 11.10 million (62% of total project costs) will be expended on activities directly affecting beneficiaries. The total cost is equivalent to approximate USD 70 per household per year over the seven-year life of the project. Table 1 summarizes project costs by component.

28. **Financing Plan.** The proposed IFAD loan of USD 10.91 million will finance about 60% of total project costs; the BSF grant of USD 4.10 million will finance some 23%. The Government of Kenya will contribute USD 2.41 million in foregone taxes (13% of total project costs) and USD 0.25 million in budgetary support (1.4% of total cost). Beneficiaries will contribute USD 0.41 million (2% of total cost) towards the cost of community-based infrastructure subprojects. Table 2 sets out the financing plan.

TABLE 1: SUMMARY OF PROJECT COSTS^{a/}
(USD '000)

Components	Local	Foreign	Total	% Foreign Exchange	% of Base Costs
A. Primary health care and domestic water supply					
1. Primary health care	2 482.2	653.5	3 135.7	21	19
2. Domestic water supply	1 651.8	184.3	1 836.2	10	11
Subtotal	4 134.0	837.8	4 971.8	17	29
B. Technical services b/	983.1	253.4	1 236.5	20	7
C. Agricultural services	2 087.9	336.3	2 424.2	14	14
D. Group development services	509.7	165.1	674.8	24	4
E. Project management and coordination	1 329.5	311.9	1 641.4	19	10
F. PAI	4 500.0	1 500.0	6 000.0	25	35
Total baseline costs	13 544.3	3 404.4	16 948.7	20	100
Physical contingencies	301.8	81.9	383.6	21	2
Price contingencies	636.2	112.0	748.3	15	4
Total project costs	14 482.3	3 598.4	18 080.6	20	107

a/ Discrepancies in totals are due to rounding up of figures.

b/ Water development.

TABLE 2: FINANCING PLAN^{a/}
(USD '000)

	BSF		IFAD		Beneficiaries		Government Foregone Taxes		Government Budgetary Contribution		Total		Foreign	Local (Excl. Taxes)	Duties and Taxes	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exchange			
A. Primary health care and water supply																
1. Primary health care	2 493.9	72.5	-	-	244.6	7.1	665.9	19.4	36.0	1.0	3 440.5	19.0	716.1	2 058.5	665.9	
2. Domestic water supply	1 608.1	77.6	-	-	89.1	4.3	372.6	18.0	2.1	0.1	2 071.9	11.5	208.2	1 491.1	372.6	
Subtotal	4 102.1	74.4	-	-	333.7	6.1	1 038.5	18.8	38.1	0.7	5 512.4	30.5	924.3	3 549.6	1 038.5	
B. Technical services b/	-	-	1 034.4	75.5	-	-	304.5	22.2	30.7	2.2	1 369.6	7.6	279.4	785.7	304.5	
C. Agricultural services	-	-	2 079.4	78.6	73.0	2.8	440.1	16.6	54.3	2.1	2 646.8	14.6	368.3	1 838.4	440.1	
D. Group extension services	-	-	538.7	72.9	-	-	174.6	23.6	26.1	3.5	739.3	4.1	181.0	383.8	174.6	
E. Project management and coordination	-	-	1 266.4	69.9	-	-	447.9	24.7	98.2	5.4	1 812.5	10.0	345.4	1 019.2	447.9	
F. PAI	-	-	6 000.0	100.0	-	-	-	-	-	-	6 000.0	33.2	1 500.0	4 500.0	-	
Total Disbursement	4 102.1	22.7	10 918.9	60.4	406.7	2.2	2 405.6	13.3	247.4	1.4	18 080.6	100.0	3 598.4	12 076.7	2 405.6	

a/ Discrepancies in totals are due to rounding up of figures.

b/ Water development.



E. Procurement, Disbursement, Accounts and Audit

29. **Procurement.** All procurement will be carried out in a manner acceptable to IFAD and in accordance with the financial and procurement regulations of the Government of Kenya. Any contract estimated to cost more than USD 200 000 will be awarded on the basis of international competitive bidding. Contracts below this threshold (but exceeding USD 50 000) will be through national competitive bidding. For contracts with a value of USD 50 000 equivalent or less, procurement will be as agreed upon by IFAD. Any contract estimated at more than USD 50 000, for whatever category of procurement, will be subject to prior review by the cooperating institution (CI). A major part of the project's civil works in the health and water components will be spread over the project period and will involve substantial beneficiary in-kind contribution through the provision of labour. The balance of construction will be mainly in small-scale office rehabilitation. Accordingly, most civil works will be carried out by force account or on the basis of local competitive bidding. Where feasible, vehicles, equipment and materials will be bulked for packaged buying. Contracts for consultants' services, partnership arrangements and studies will be on the basis of limited competitive bidding in accordance with the guidelines of CI.

30. **Disbursement.** Both the IFAD loan and the BSF grant will be disbursed over seven years. Disbursements for civil works, machinery and equipment, vehicles and consultant services will be fully documented. Disbursements for PAI, local training and operating costs will be made against certified Statements of Expenditure (SOE). Related supporting documents for SOE will be retained for supervision review and examination in the annual audit of project affairs. Due to budgetary constraints, the Government's capacity to pre-finance eligible project expenditure is limited. Accordingly, two special accounts will be opened and maintained by the Government in the Central Bank of Kenya to finance the BSF and IFAD shares of the expenditure. The special account for the IFAD loan will have an authorized allocation of USD 1 million.

31. **Accounts.** Project expenditure will be budgeted and accounted for through the national budgeting, accounting and treasury systems. Government accounting practices are in accordance with the accepted principles of public accounting, and the structure of the national accounts is able to identify and record project expenditures by spending agency, district and category of expenditure.

32. **Audit.** In accordance with the Government of Kenya's financial regulations, the Auditor General will have the project's financial records audited and submitted to IFAD and CI within six months of the end of each financial year. To complete the preparation and submission of audits by the due date, the Government will, if necessary, appoint independent auditors acceptable to IFAD for this task.

F. Organization and Management

33. The project will be implemented within the framework of the DFRD and NPEP policies. Both lie within the remit of the Ministry of Finance and Planning, which will have overall responsibility for project implementation. Components will be executed through the agency of the participating line ministries, and the Ministry of Finance and Planning will provide the coordination mechanism at both the national and district levels.

34. **Management and Coordination.** At the national level, a project coordination committee (PCC) will have overriding authority in all matters of policy and in the general coordination of project affairs. It will be chaired by the Financial Secretary in the Ministry of Finance and Planning, with membership made up of the permanent secretaries of participating ministries and a senior official of the Poverty Eradication Commission. In particular, it will ensure project compliance with poverty-alleviation strategies and district-focus procedures. At the district level, the management structure will replicate the one successfully established by NDAP; it will also comply with the provisions of DFRD. In each district, a district project coordination committee (DPCC) will be established.



35. **Project Administration.** The day-to-day coordination of project affairs will be the responsibility of the project coordination unit (PCU), headed by the project coordinator, who will act as secretariat to PCC. In addition to its responsibilities as the secretariat to PCC, PCU will manage the project financially through oversight of the stipulated budgeting, disbursement and replenishment procedures; the preparation of consolidated annual work plan and budgets (AWP/Bs); and the systematic M&E of project activities. At the district level, this structure and the concomitant responsibilities and duties will be assumed by DPCC and the district development officer, respectively, as a subcommittee of DDC. It will be chaired by the District Commissioner and consist of the representatives of the participating ministries, NGOs and the beneficiaries' representatives.

36. **Annual Work Programmes and Budgets.** The project will be implemented on the basis of approved AWP/Bs and funded within the Medium-Term Expenditure Framework (MTEF). Each participating department will prepare district AWP/Bs and, following approval by DDC, will submit them to PCC for scrutiny and inclusion in the composite project AWP/Bs. Prior to inclusion in the MTEF budget, the AWP/Bs will be submitted for IFAD/CI approval. The AWP/B preparation cycle will commence with the annual participatory planning workshops, thus ensuring beneficiary involvement in the process *ab initio*. It will be a condition of AWP/B approval by IFAD that the records of the annual planning and evaluation are recorded in full in the minutes of each DDC meeting.

37. **Project Implementation.** Responsibilities for component implementation are detailed in the respective Annexes to this Report. They are summarized as follows:

- **Primary Health Care, Sanitation and Nutrition.** Responsibility for implementation at the district level will lie with the district MOH, as head of the district health management teams.
- **Domestic Water Supply.** Technical development of the subcomponent will be the responsibility of the District Water Officer and, as in the health component, the organization and training of water user associations and other water user groups will be undertaken in close cooperation with the Department of Social Services (DSS).
- **Agriculture Services.** Responsibility for the implementation of the component will lie with the respective District Agriculture Livestock Extension Officer (DALEO), who will initiate and direct the establishment of a network of ADGs through which project-financed services will be delivered to target group smallholders.
- **Group Development Services.** District social development officers will have specific responsibility for the promotion, registration, development, training and subsequent regular assistance to the health and water user groups sponsored under the project. They will also provide registration services and advice to specialist NGOs engaged under the project partnership initiative to develop groups for savings and credit and on and off-farm income-generating activities.
- **PAI.** The activities under the PAI component shall be financed by proceeds of the loan, channelled by the lead project agency in accordance with budgeting and disbursement mechanisms established by the Government and agreed to by IFAD. In addition, with regard to the financing of subprojects under the social and physical infrastructure development sub-component, a minimum beneficiary contribution shall be required of 20% of the total cost of all subprojects under the sub-component, of which 5% must be in cash, and each subproject shall have a maximum value of USD 1 500 equivalent.



38. **Gender Focus and Participation.** NDAP experience demonstrated that the principal components are directed to improvements in those aspects of rural life for which women have most, if not exclusive, responsibility: the health care of the family, particularly that of young children; the provision of water for household use; and the production of enough food for family subsistence. This inherent 'gender focus' is reflected in a far greater presence of women in the management structure of community initiatives than is normally the case in such developments. Accordingly, the project will formalize this achievement by focusing on the ubiquitous village women's associations of the Central Province and by setting the following specific targets:

- 70% women's membership in active savings and credit groups;
- 70% women's membership in ADGs;
- 70% PAI funding for income-generating activities to women; and
- equal representation on management committees of all project-sponsored health and water initiatives as a condition of financing.

39. **Monitoring and Evaluation.** The lack of verifiable data and the absence of impact evaluation from past BSF/IFAD multidistrict projects underlines the need to strengthen the district level M&E capacity. From NDAP experience, it is clear that the problem lies with implementation rather than the design and specification of M&E activities. Accordingly, the proposed project will introduce a standardized and disciplined M&E system to collect, collate and report key financial and economic data in accordance with the indicators set by the project area's baseline survey. The survey, to be carried out by a national academic institution, will establish the project's M&E reporting procedures.

40. The participatory rural appraisals (PRAs) and regular sectoral studies and reports will supplement the data. However, project M&E staff will ensure that, in addition to participation in project workshops, the beneficiaries themselves will be engaged in the recording and collection of data on project activities. This will provide for a more balanced assessment of the relevance of project initiatives and of the impact of the project on the livelihood and well-being of the target group. It will also provide a continuing opportunity for beneficiaries to participate in the solution to poverty, which they face on a daily basis. In this manner, the M&E system will not merely serve as an 'audit' mechanism, but will provide a management tool to ensure that project activities are regularly re-focused on target group needs.

G. Economic Justification

41. Given the nature of the proposed project as a multisectoral intervention with substantial focus on the provision of socio-economic services such as health and clean water (and where benefits are in economic terms and are difficult to quantify), economic analysis for the project was not carried out. This notwithstanding, project activities will generate many direct and indirect benefits.

42. The primary health care programme will create substantial but unquantifiable benefits that will have an impact at the community, health facility and district levels through an improved quality and outreach of services and health-related education programmes. Importantly, NDAP experience suggests that the development of primary health care facilities is of particular importance to women and children who are the main users of these facilities. The domestic water supply subcomponent will likewise have benefits that extend far beyond the project area; they will impact on an estimated 28 000 households through the construction of gravity piped water schemes, shallow wells, spring protection, boreholes and dams.

43. Project agricultural services benefits relate chiefly to opportunities for increased profitability of farm production and enhanced environmental sustainability. Following a process of on-farm verification, ready-proven technologies will be promoted throughout the project area. To the extent that these technologies minimize exposure to drought and other production risks, the project is likely to make a substantial contribution to the improved nutritional status of the target population. Financial



analysis has been carried out to ensure that returns from the proposed activities are attractive to the poor.

44. Finally, the PAI component will generate a range of individual and communal benefits. It is anticipated that income-generating activities will figure largely in the demand for PAI assistance. Second, PAI support for community-based social and physical infrastructure will have far reaching effects in improving the quality of life in the remote and harsh ASAL environment through, for example, improved communications and educational programmes.

H. Risks

45. The principal risk for the proposed project concerns difficulties in project management, the same risk affecting previous IFAD projects. To minimize this, the project was designed to provide for: (i) strong management and coordination at both the national and district levels; (ii) implementation on the basis of AWP/Bs to be approved by IFAD; (iii) the introduction of a management information system to provide early warning of any breach of the Government's financial regulations or IFAD loan covenants; (iv) the timely application of financial sanctions to rectify any instance of such non-compliance; and (v) regularly training staff in DFRD procedures.

46. Another risk concerns the lack of involvement of future project beneficiaries in the identification and execution of socio-economic infrastructure. The approach of government agencies to development activities has been prescriptive rather than participatory; this attitude could constrain implementation uptake by beneficiaries. To counteract it, the project aims to induce attitudinal changes through: (i) the training of all staff in participatory methodology; (ii) semi-annual participatory planning and evaluation workshops in which beneficiaries can express their views on the performance of government services as a condition of AWP/B approval; and (iii) regular monitoring and participatory impact evaluation.

I. Environmental Impact

47. Project design took full account of the fragile ecology of the ASAL areas. Specifically, no road building, other than communally constructed access tracks, is envisaged; irrigation proposals are limited to the development of microirrigation of home gardens; and no proposals for extensive livestock production have been made. In contrast, many features have been included, which are intended to mitigate adverse environmental impact. In addition, provision was made for a programme of environmental monitoring to be carried out under the supervision of the National Environmental Secretariat. In view therefore of its only limited negative environmental implications, the project has been classified as Category B.

J. Innovative Features

48. The project aims to build on the sectoral achievements of the BSF-funded NDAP, to expand them within the existing administrative and financial framework for district-based development, and in so doing, focus on consolidation and institutional strengthening. However, the project was also designed to take a leading role in activating the Government's poverty-alleviation policies in three respects. First, focus of BSF and IFAD on the poorest rural communities, and the targeting of measures to improve the lot of the most disadvantaged, particularly women-headed households and the landless, closely parallels the objectives of the Government's poverty-eradication policies. Second, the consistent BSF/IFAD approach and experience in involving the poor in the identification and resolution of their most pressing needs, and in the management of the resources committed for this purpose through the beneficiaries' groups, is also a key element in the Government's planned poverty-alleviation measures. Finally, the Central Kenya Dry Area Smallholder and Community Services Development Project, as a government project, will be financed through MTEF, reflecting its priority in the national policies for poverty reduction and growth enhancement. In all three areas, the project will provide a proving ground for the array of measures proposed by the Government to



combat poverty; at the same time, its implementation will benefit from the impetus and priority generated by NPEP.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

49. A loan agreement between the Republic of Kenya and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

50. The Republic of Kenya is empowered under its laws to borrow from IFAD.

51. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

52. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Kenya in various currencies in an amount equivalent to eight million four hundred and fifty thousand Special Drawing Rights (SDR 8 450 000) to mature on and prior to 1 December 2040 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 24 October 2000)

1. The Government of the Republic of Kenya (the Government) will open and thereafter maintain in its central bank, or another bank proposed by the Government and accepted by IFAD, a special account in which the proceeds of the loan will be deposited for the purpose of financing the project.
2. The Government will, within 90 days of the date of effectiveness of the loan agreement, open and thereafter maintain in a bank agreed by the Government and IFAD, a project account (the central project account) held in Kenyan shillings for project operations. The Ministry of Finance and Planning of the Government (the lead project agency) will be fully authorized to operate the central project account. The district treasury of each of the five districts in the project area (the project districts) will open and thereafter maintain in the local branch of the same bank selected for the central project account, an account in Kenyan shillings for district project operations (the district project account or, collectively, the district project accounts). The lead project agency will transfer funds to the district project accounts as required in accordance with the AWP/Bs for the project. The district accountant, the district development officer and the authority-to-incur expenditure (AIE)-holder for each relevant project component of each project district will be designated as authorized signatories of the respective district project accounts. At least three of the aforementioned authorized signatories, two of which must be the signatures of the district accountant and the district development officer, will be required for any transactions relating to the district project account.
3. The Government will make budgetary allocations for each fiscal year equal to the counterpart funds called for in the AWP/B for the relevant project year, and make such allocations available to the lead project agency, as required, in the central project account. The Government will also exempt from taxes the importation, procurement and supply of all goods, civil works and services financed by the loan, the value of such exemptions being credited against the obligation of the Government to provide counterpart funds for the project.
4. The Government will ensure that a management information system (MIS) is set up within the PCU during the pre-project activities to continuously monitor the project. The MIS will monitor: (a) the day-to-day financial administration of project affairs; (b) the regular and systematic recording and reporting of progress against planned project targets; and (c) the assessment of the impact of project activities on the target group. The MIS will be the sole channel of project monitoring material and will form the basis of quarterly and annual reports, annual participatory planning workshops, and the resulting AWP/Bs. The key indicators of the MIS will be collated by the project coordinator annually at the commencement of the Government's national budget cycle and will be subject to prior approval by the PCC and IFAD. The project coordinator will submit to the PCC and IFAD, a "performance letter" signed by the PCC chairman, together with the proposed key indicators, setting out the financial sanctions applicable in the event of non-compliance of requirements specified in the MIS. The annual issuance of such performance letter will be a condition for transfer of funds from the special account to the project accounts.
5. (a) Within 90 days of the date of effectiveness of the loan agreement, the Government will confirm the appointment of its auditor-general to audit the accounts relating to the project. To that effect, the project coordinator will formally notify the auditor-general of the requirement to audit the project accounts in accordance with international standards on auditing and the General Conditions of IFAD.

(b) The Government will ensure that the audit report for the project will be a long form audit report based on financial statements which have been prepared in accordance with generally accepted



ANNEX

accounting principles and which adequately reflect the progress and operations of the project. The audit report will, among other things, refer to the statements of expenditure maintained under the project and special accounts.

6. The Government will ensure that the key project personnel are insured against health and accident risks to the extent consistent with its customary practice in respect of its national civil service.

7. The Government will ensure that all parties implementing the project are aiming to reach the targets established in the MIS in order to achieve a satisfactory and realistic gender balance among project beneficiaries.

8. The following are specified as conditions for each replenishment of the special account:

- (a) the accountant-general of the Government has certified that the accounting officer of each ministry of the Government implementing the project (the implementing ministries) have issued a six-monthly AIE for approved project expenditure by the due date set by Government financial regulations; and
- (b) the accountant-general of the Government has certified that each implementing ministry:
 - (i) is in compliance with prevailing Government financial regulations and the procedures for processing payments for donor-funded projects; (ii) has transferred allocated funds to the full amount of each AIE to the project account and district project accounts by the due date; and (iii) has submitted monthly statements of expenditure, including supporting documents where required, to the lead project agency for timely preparation of withdrawal applications.

9. The following are specified as conditions for disbursement of funds from the loan:

- (a) No disbursement will be made in respect of expenditures for the project before the Government has opened the special account.
- (b) No withdrawals will be made in respect of expenditures under the poverty alleviation initiatives component until the Government has established detailed regulations and operating procedures for the administration of poverty-alleviation initiatives and a mechanism for the budgeting and disbursement of funds under the poverty alleviation initiatives component, acceptable to IFAD.

10. The following are specified as conditions precedent to the effectiveness of the loan agreement:

- (a) a project coordinator shall have been duly appointed by the lead project agency and approved by IFAD;
- (b) the PCC shall have been duly established;
- (c) the loan agreement shall have been duly signed, and the signature and performance thereof by the Government shall have been duly authorized and ratified by all necessary administrative and governmental action; and
- (d) a favourable legal opinion, issued by the attorney-general, or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, shall have been delivered by the Government to IFAD.

COUNTRY DATA

KENYA

Land area (km ² thousand) 1997 1/	569	GNP per capita (USD) 1998 2/	350
Total population (million) 1998 1/	29.3	Average annual real rate of growth of GNP per capita, 1990-98 2/	0
Population density (people per km ²) 1998 1/	51	Average annual rate of inflation, 1990-98 2/	15.8
Local currency	Kenyan Shilling (KES)	Exchange rate: USD 1 =	KES ***ADD RATE***
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-98 1/	3.1	GDP (USD million) 1998 1/	11 579
Crude birth rate (per thousand people) 1998 1/	35	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1998 1/	12	1980-90	4.2
Infant mortality rate (per thousand live births) 1998 1/	76	1990-98	2.2
Life expectancy at birth (years) 1998 1/	51	Sectoral distribution of GDP, 1998 1/	
Number of rural poor (million) (approximate) 1/	9.3	% agriculture	26.1
Poor as % of total rural population 1/	46.4	% industry	16.2
Total labour force (million) 1998 1/	14.9	% manufacturing	10.8
Female labour force as % of total, 1998 1/	46.1	% services	57.7
Education		Consumption, 1998 1/	
Primary school gross enrolment (% of relevant age group) 1997 1/	84.9	General government consumption (as % of GDP)	16.1
Adult literacy rate (% of total population) 1997 3/	79.3	Private consumption (as % of GDP)	77.2
Nutrition		Gross domestic savings (as % of GDP)	
Daily calorie supply per capita, 1996 3/	1 971		6.7
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	33.6	Balance of Payments (USD million)	
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	22.5	Merchandise exports, 1998 1/	2 013
		Merchandise imports, 1998 1/	3 029
		Balance of merchandise trade	-1 016
Health		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 1990-98 1/	1	before official transfers, 1998 1/	-1 017
Physicians (per thousand people) 1990-98 1/	0.05	after official transfers, 1998 1/	- 363
Percentage population without access to safe water 1990-97 3/	47	Foreign direct investment, 1998 1/	11
Percentage population without access to health services 1981-92 3/	n.a.		
Percentage population without access to sanitation 1990-97 3/	23	Government Finance	
Agriculture and Food		Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	
Food imports as percentage of total merchandise imports 1998 1/	14.4	Total expenditure (% of GDP) 1997 1/	29
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	310	Total external debt (USD million) 1998 1/	7 010
Food production index (1989-91=100) 1996-98 1/	104.9	Present value of debt (as % of GNP) 1998 1/	45.4
		Total debt service (% of exports of goods and services) 1998 1/	18.8
Land Use		Nominal lending rate of banks, 1998 1/	
Arable land as % of land area, 1997 1/	7	Nominal deposit rate of banks, 1998 1/	18.4
Forest area (km ² thousand) 1995 1/	12.9		
Forest area as % of total land area, 1995 1/	2.3		
Irrigated land as % of cropland, 1995-97 1/	1.5		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 2000.2/ World Bank, *Atlas*, 2000.3/ UNDP, *Human Development Report*, 1999.

PREVIOUS IFAD LOANS IN KENYA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan Acronym	Currency	Approved Loan Amount	Disbursement as % of approved amount
Second Integrated Agricultural Development Project	World Bank: IDA	World Bank: IDA	HC	18 Dec 79	19 Jun 80	30 Jun 90	L - I - 25 - KE	SDR	13 000 000	15%
National Extension Project	World Bank: IDA	World Bank: IDA	HC	13 Sep 83	22 Dec 83	30 Jun 91	L - I - 132 - KE	SDR	5 600 000	83%
Animal Health Services Rehabilitation Programme	IFAD	World Bank: IDA	HC	30 Apr 86	02 Dec 87	31 Dec 93	L - I - 188 - KE	SDR	7 050 000	84%
Kwale and Kilifi District Development Project	IFAD	World Bank: IDA	HC	25 Apr 89	13 Mar 90	30 Jun 96	L - I - 238 - KE	SDR	6 200 000	45%
Farmers' Groups and Community Support Project	IFAD	UNOPS	HC	11 Dec 90	18 Oct 91	31 Dec 96	L - I - 271 - KE	SDR	4 550 000	22%
Western Kenya District-based Agricultural Development Project	IFAD	UNOPS	HC	05 Dec 94	27 Jun 95	31 Dec 03	L - I - 366 - KE	SDR	7 950 000	15%
Coast Arid and Semi Arid Lands Development Project	IFAD	UNOPS	HC	12 Dec 90	09 Jul 92	30 Jun 00	L - S - 27 - KE	SDR	11 000 000	52%
Eastern Province Horticulture and Traditional Food Crops Project	AfDB	UNOPS	HC	02 Dec 93	14 Jul 94	31 Dec 02	L - S - 39 - KE	SDR	7 900 000	10%
Second National Agricultural Extension Project	World Bank: IDA	World Bank: IDA	HC	11 Sep 96	29 Nov 96	31 Mar 98	L - I - 422 - KE	SDR	6 400 000	8%



LOGICAL FRAMEWORK

Intervention Logic	Key Performance Indicators	M&E Sources	Critical Assumptions/Risks (to realize Development Objectives)
Overall Project Objective To reduce mortality and morbidity and improve the well-being of target group families living below the poverty line.	1. Increase in family income 2. Improvement in nutrition 3. Improvement in living conditions and access to services 4. Reduction in mortality and morbidity	Household surveys Household and clinic surveys Project-impact monitoring Clinic records Annual workshops Quarterly/annual progress report	
A. Public Health, Sanitation and Nutrition Specific Objectives: 1. Maternal and child survival: Maternal and child morbidity and mortality reduced	1. Case fatality rate 2. Perinatal deaths 3. Infant deaths 4. Incidence of measles	Health facility records Health facility surveys	Spread of AIDS is checked
Outputs: 1.1 Utilization of quality maternal and child health service increased	1. Antenatal clinic attendance 2. Post-natal clinic attendance 3. Immunization coverage 4. Percentage of deliveries conducted by trained personnel	Health facility records and surveys	
1.2 Access to quality maternal and child care services increased	1. Percentage of pregnant women with complete antenatal profile 2. Percentage of deliveries conducted by trained personnel 3. Immunization coverage	Health facility records Surveys	
1.3 Effective referral system in place	1. Number of appropriately referred mothers 2. Perinatal deaths	Health facility records Surveys	
1.4 Health care facilities appropriately equipped to provide quality maternal and child services	1. Percentage of facility with the appropriate minimum package of equipment for their level	Facility inventory	
2. Family Planning (FP): Utilization of quality FP services increased	1. Contraceptive prevalence rate (CPR) 2. Client satisfaction	Health facility records Exit interview Observations	Supply of family planning supplies and commodities will be uninterrupted
2.1 Demand for FP services increased	1. Number of new clients seeking FP services	Surveys Health facility records	
2.2 Access to FP increased	1. No. of health facilities offering FP services 2. No of FP clients receiving services from community-based providers	CHW record Health facility records	
3. HIV/AIDS Control Specific Objectives: Transmission of HIV reduced	1. HIV prevalence among patients	Sentinel surveillance reports	
Outputs:	1. HIV prevalence among patients	Medical reports	
3.1 Vertical transmission of HIV reduced	1. Prevalence of HIV among antenatal mothers	Sentinel surveillance reports Antenatal clinics reports	Preventive and control measures will be effective
3.2 Sexual transmission of HIV reduced	2. Prevalence of syphilis among pregnant women	STIs reports	
3.3 Home-based care people living with AIDS strengthened	1. Proportion of community health workers (CHW) providing home-based care counselling and support 2. No. of people with aids (PWA) receiving home-based care	Surveys	



4. Nutrition: Nutritional status of target population improved	<ol style="list-style-type: none"> Percentage of underweight children Percentage of households with viable kitchen gardens Prevalence of acute malnutrition among children under five years 	Health facility growth monitoring records; staff work diaries Surveys	
5. Sanitation: Household sanitation and hygiene improved	<ol style="list-style-type: none"> Incidence of diarrhoeal diseases Percentage of households with functional latrines 	Health facility records Surveys	
B. Water Supply: Specific Objectives: 1. To increase and sustain access to safe water for xx% of the target population in several years.	<ol style="list-style-type: none"> Percentage of population with access to safe water 	WUA active membership records Surveys Reports	
Outputs 1.1 Capacity of District Government of Kenya staff to support water users associations(WUAs) strengthened	<ol style="list-style-type: none"> No. of water department staff trained in participatory project management No. of WUAs supervision meeting attended 	Monitoring reports WUA registration records Minutes of WUA meeting	Ongoing retrenchment will not include project staff Project trained staff will not be transferred
1.2 WUAs formed, trained and functional	<ol style="list-style-type: none"> No. of WUAs formed with functional management committees No. of households in the project area that are members Frequency of members attendance and participation in the WUAs' meetings 	WUA records and accounts Monitoring reports Membership records Observation Interviews Surveys	Water Act is revised to allow for registration of WUAs Political climate is favourable to community groups formation.
1.3 Availability and use of safe drinking water increased for 230 000 target families	<ol style="list-style-type: none"> No. of people having access to safer drinking water Installed water facilities functioning and in use Amount of used and time taken to collect water by target households 	Monitoring reports Random interviews with users Physical inspection Surveys	An effective water abstraction regulation mechanism will be put in place
1.4 Communities practising sound water resources and environmental management	<ol style="list-style-type: none"> No. of water resources and environmental management action plans developed by WUAs Percentage of households in the project area who are aware of, and practising, water and environment conservation 	Reports Interviews Household Surveys WUA records and accounts	Communities will adopt and internalize sound water resources and environmental management practices
C. Agricultural Services Specific Objectives: 1. Increased Household Food production	<ol style="list-style-type: none"> Period of food self-sufficiency from farm. Amount of off-farm work needed to buy family food 	WUA records and account Baseline and annual monitoring surveys	
Outputs: Improved and sustainable crop/livestock production	<ol style="list-style-type: none"> Percentage of increase in crop/livestock production Family food needs met for an addition 	Baseline survey Reports of FEWs Participatory monitoring reports and meetings.	Proven technical and economic viability of crop recommendations Animal diseases can be controlled without government subsidy Adequate livestock feed can be produced without affecting the amount of household food produced





<p>2. ADGs Outputs: Establishment of ADGs as key access mechanism to target group producers through participation priorities</p>	<ol style="list-style-type: none"> 1. Number of groups formed 2. Numbers of members 3. Regular update of financial viability of recommended technology 4. Specific menus of potential enterprises prepared for all groups. 5. On-farm research results 	<p>Monthly and annual reports of DDCs and FEWs Returns of Department of Social Services (DSS) on group registration and training Field dairies of divisional staff Demand for support from new groups Reports by groups at the annual workshops</p>	<p>ADGs are properly established and trained in management and leadership.</p>
<p>3. Partnership Development Outputs: 3.1 Partnership arrangements with NGOs, bi-lateral, private sector and Government of Kenya service providers 3.2 Developing community-based service providers</p>	<ol style="list-style-type: none"> 1. No. of partnerships developed 2. ADGs developed by partnerships 3. Community-based service providers established 	<p>Partnership annual reports and surveys ADG annual reports Annual client workshops Survey of clients (groups) satisfaction with service providers</p>	<p>To be sustainable, the operating costs of service providers will need to be derived from farmers in the longer term.</p>
<p>4. Sustainable natural resource development Outputs: 4.1 Rainfed agricultural and livestock development 4.2 Microirrigation development 4.3 Environmental conservation</p>	<ol style="list-style-type: none"> 1. Area of new maize and bean varieties sown 2. Area of drought-tolerant crops 3. Number of groups adopting new livestock, agriculture and irrigation 4. Area of land protected by new soil conservation measures, tree nurseries established and trees planted 	<p>Baseline survey Field diaries of DEC and other FEWs Reports of district irrigation engineers Reports of district soil conservation subject matter specialists (SMSs) Reports of home economics SMS Training returns from districts ADG annual reports</p>	<p>Target group willing to share the costs of microirrigation and buy the in-field equipment needed. Recognition by target group producers of the long-term benefits of environmental conservation and willingness to install on-farm conservation measures.</p>
<p>D. Group Extension Specific Objectives: Establishment of viable and sustainable groups for project specific public health, water supply, and on and off-farm income generation</p>	<ol style="list-style-type: none"> 1. Sensitization, training and registration of groups in accordance with AWP/B objectives 2. Compliance with by-laws in meeting held, accounts submitted elections held, transparency of management 	<p>Staff work diaries Groups records and accounts</p>	
<p>E. PAI Specific Objectives: The development of pilot programmes in each district for the promotion of savings and credit associations and by specialist NGOs and support community-based initiatives involving the Government/beneficiary/NGO partnership arrangements</p>	<ol style="list-style-type: none"> 1. The selection and training of a lead NGO in each district for the promotion of savings and loan groups by PY2 2. AWP/B provision for community-based initiatives reflecting demand expressed through annual participatory project workshops 	<p>M&E visits by District Development Officer (DDO) Groups records, accounts M&E visits by DDO Group records, accounts Minutes of annual participatory workshops</p>	<p>Establishment of clearly defined funding mechanisms for contracting of NGO partners through: (i) subsidiary financing agreement; or (ii) or adequate line item budgetary provision in accordance with composite project AWP/B provision in PCU</p>
<p>F. Project Coordination Specific Objectives: To ensure the effective coordination, financial management and M&E of project activities</p>	<ol style="list-style-type: none"> 1. Timely processing of district and HQ AWP/B in accordance with the budget time-table in accordance with MTEF procedures, Government of Kenya financial regulations and project agreement covenants 2. Timely submission by line ministries Statements of Expenditures (SOE) for withdrawal applications (WAs) in accordance with Treasury Regulations 3. Submission of consolidated quarterly progress and monitoring reports to PCC/IFAD 	<p>Inclusion in printed estimates of PCC/IFAD approved AWP/B. Reports to PCC/IFAD through project Management Information System (MIS) on key indicators of budget cycle. Minutes of all district-level annual preparation and review workshops in DDC records of proceedings External Resources Department (ERD) submissions of WAs</p>	

COST AND FINANCING

TABLE 1: COMPONENTS PROJECT COST SUMMARY

Components	(KSH '000)			(USD '000)			% Foreign Exchange	% of Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Primary health care and water supply								
1. Primary health care	186 164.1	49 012.3	235 176.5	2 482.2	653.5	3 135.7	21	19
2. Domestic water supply	123 887.9	13 823.7	137 711.6	1 651.8	184.3	1 836.2	10	11
Subtotal	310 052.0	62 836.0	372 888.0	4 134.0	837.8	4 971.8	17	29
B. Technical services <i>a/</i>	73 732.0	19 005.7	92 737.7	983.1	253.4	1 236.5	20	7
C. Agricultural services	156 595.0	25 220.7	181 815.7	2 087.9	336.3	2 424.2	14	14
D. Group development services	38 227.2	12 379.8	50 607.0	509.7	165.1	674.8	24	4
E. Project coordination <i>b/</i>	99 714.7	23 390.9	123 105.6	1 329.5	311.9	1 641.4	19	10
F. PAI	337 500.0	112 500.0	450 000.0	4 500.0	1 500.0	6 000.0	25	35
Total baseline costs	1 015 820.9	255 333.1	1 271 154.0	13 544.3	3 404.4	16 948.7	20	100
Physical contingencies	22 631.9	6 141.3	28 773.2	301.8	81.9	383.6	21	2
Price contingencies	86 933.9	15 404.0	102 337.9	636.2	112.0	748.3	15	4
Total project costs	1 125 386.7	276 878.4	1 402 265.1	14 482.3	3 598.4	18 080.6	20	107

a/ Water development services.

b/ Institutional strengthening.



TABLE 2: COMPONENTS BY FINANCIER

	BSF		IFAD		Beneficiaries		GoK Foregone Taxes		GoK Budgetary Contribution		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amount t	%	Amount	%	Amount t	%	Amount t	%	Amount t	%	Amount	%			
A. Primary health care and water supply															
1. Primary health care	2 493.9	72.5	-	-	244.6	7.1	665.9	19.4	36.0	1.0	3 440.5	19.0	716.1	2 058.5	665.9
2. Domestic water supply	1 608.1	77.6	-	-	89.1	4.3	372.6	18.0	2.1	0.1	2 071.9	11.5	208.2	1 491.1	372.6
Subtotal	4 102.1	74.4	-	-	333.7	6.1	1 038.5	18.8	38.1	0.7	5 512.4	30.5	924.3	3 549.6	1 038.5
B. Technical services a/	-	-	1 034.4	75.5	-	-	304.5	22.2	30.7	2.2	1 369.6	7.6	279.4	785.7	304.5
C. Agricultural services	-	-	2 079.4	78.6	73.0	2.8	440.1	16.6	54.3	2.1	2 646.8	14.6	368.3	1 838.4	440.1
D. Group development services	-	-	538.7	72.9	-	-	174.6	23.6	26.1	3.5	739.3	4.1	181.0	383.8	174.6
E. Project coordination b/	-	-	1 266.4	69.9	-	-	447.9	24.7	98.2	5.4	1 812.5	10.0	345.4	1 019.2	447.9
F. PAI	-	-	6 000.0	100.0	-	-	-	-	-	-	6 000.0	33.2	1 500.0	4 500.0	-
Total Disbursement	4 102.1	22.7	10 918.9	60.4	406.7	2.2	2 405.6	13.3	247.4	1.4	18 080.6	100.0	3 598.4	1 2076.7	2 405.6

a/ Water development.

b/ Institutional strengthening.



ECONOMIC AND FINANCIAL ANALYSIS

1. Given the nature of the project as multisectoral (in which exact benefits are unknown), an economic analysis for the entire project is neither feasible nor applicable. Although the project will have many direct and indirect benefits, these do not lend themselves to direct quantification. Access to improved health facilities, for example, will be of obvious and significant benefit to the target community, but it is not appropriate to estimate the value of lives that will be saved or to project the value of increased labour productivity. Likewise, improved access to safe drinking water will be of considerable benefit to the rural poor in the domestic water supply component. Yet it is not possible to quantify this impact in terms of reduced exposure to waterborne disease, savings of time spent collecting water or potential for new economic activity.

2. Although an economic analysis of the entire project is not appropriate, the opportunities for improved agricultural production and new income-generating activities were considered from the financial perspective. Three farm models were prepared to represent the opportunities for improved crop and livestock production in each of the major agro-ecological zones covered by the project area. In all cases, the results of this analysis are good, showing that farmers can benefit from the adoption of the technologies likely to be promoted. Similarly, a set of three potential income-generating models were considered to show the benefit of improved access to financial services provided by participating NGOs such as the Kieni Revolving Fund Savings and Credit Cooperative (KIREFU). Again, these models demonstrate a good potential for high financial returns and indicate that project services could be of substantial benefit to rural income. Key results are summarized below:

Table 1: Returns for the Agricultural Models

Agro-Ecological Zone	Increase in Household Income (KSH/year)	Return Per Labour Day (KSH)	
		Without Project	With Project
Lower Highlands	32 590	15	114
Upper Midlands	19 683	84	137
Lower Midlands	28 415	23	91

Table 2: Summary of Returns for Selected Income Generating-Activities

IGA Model	Operating Profit After Debt Service	
	KSH per month	KSH per day
Posho Mill:		
• 90kg milled per day	1 127	49
• 180kg milled per day	3 967	159
• 270 kg milled per day	6 717	269
• 360 kg milled per day	9 467	379
• 450 kg milled per day	12 217	489
Clothes Trading:		
• 1 lot sold per month	1 006	40
• 2 lots sold per month	4 006	160
Egg Production:		
• 23 producing birds in month 12	1 127	282
• 19 producing birds in month 12	479	120

Note: Returns per day based on 25 days labour per month for the posho mill and clothes trading enterprise and 4 days per month for the layer chicken operation.



ORGANIZATION AND MANAGEMENT

A. Project Coordination and Management

1. The project will be implemented within the framework of the DFRP and NPEP policies, 1999 – 2015. Both policies lie within the remit of the Ministry of Finance and Planning (MOFP). Accordingly, the OP will have overall responsibility for project implementation. Execution of components will be through the agency of the participating line ministries; MOFP will provide the coordination mechanism at both the national and district levels.

Policy Coordination Committee (PCC)

2. A PCC, chaired by the Financial Secretary of MOFP, will have overriding authority in all matters of policy, particularly those touching upon DFRP and poverty-alleviation strategies, and in the general coordination of project affairs. Membership will consist of the Permanent Secretaries of participating ministries. The PCC will meet quarterly and will have the right to coopt such other members, and to form such executive subcommittees as deemed necessary for the conduct of its business. Its duties and responsibilities, *inter alia* will be: (i) to ensure that project activities are in compliance with the Government's policies and that participating departments fulfil the terms and conditions of the project agreement(s); (ii) to ensure compliance with MOFP requirements for the processing of project financing and the submission of withdrawal applications (WAs); (iii) to approve the consolidated project AWP/B; (iv) to provide a forum for the resolution of any interagency, bureaucratic or financial impasse; and (v) to generally oversee the project's systematic implementation. The establishment of a PCC acceptable to IFAD will be a condition for effectiveness.

Project Coordination Unit (PCU)

3. A PCU will act as the secretariat to PCC, and will be established within MOFP. A small but highly professional staff, consisting of a project coordinator, a field services director, a financial accountant and an M&E officer, together with the necessary complement of administrative staff, will enable it to provide all necessary project administrative services. PCU duties will include: (i) the provision of assistance to participating ministries in the preparation of AWP/Bs and their timely submission for inclusion in budget estimates under MTEF procedures; (ii) checking the progress of WAs and ensuring that participating ministries are in compliance with Treasury regulations on WA submission; (iii) maintaining memorandum accounts and such other financial records as may be required for timely financial oversight of project expenditure; (iv) preparation of consolidated AWP/Bs for submission to PCC and IFAD; (v) supervision of all district level activities; (vi) installing and maintaining a Management Information System (MIS), acceptable to IFAD, as the basis for the orderly monitoring of the administration; and (vii) the prescription, oversight and direction of project M&E, particularly impact monitoring.

District Level Management

4. The District-level management structure will replicate that successfully established by NDAP, and will comply with the provisions of DFRD. In each district a district coordination committee (DPCC) will be established as a subcommittee of DDC. It will be chaired by the District Commissioner and made up of the representatives of participating ministries and NGOs and beneficiaries' representatives from each of the divisions of the project area. The District Development Officer (DDO) will serve as Secretary to DPCC. The DPCC will be responsible for: (i) ensuring that participatory workshops are held at six monthly intervals for AWP/B preparation and progress review, respectively; (ii) reviewing the consolidated project district AWP/Bs and their submission for DDC approval; (iii) receiving and reviewing all progress monitoring and impact evaluation reports



submitted by participating departments and DDO; and (iv) generally overseeing the implementation of project components.

B. Project Financial Administration

5. The financial administration of the project will be in accordance with the Government's financial regulations and, subject to Treasury procedures for processing payments for donor-funded projects, to the financial management and accounting procedures of DFRD.

6. Preparation and Submission of Statements of Expenditure (SOE) and (WAs). In past BSF/IFAD projects, delay in the submitting of WAs constrained implementation. To resolve the problem, the services of the Paymaster General's Office (PMG) will be used. All government expenditure is recorded on diskettes and forwarded weekly to the Computer Centre, PMG, by each district/ministry treasury. The record of expenditure, duly supported with copies of the treasury's accounts, form the basis of the claim for the reimbursement of each treasury's bank account. Thus, the PMG is a single source within Government of all expenditure, duly certified by the Internal Auditor.

7. The PMG will provide PCU with a copy of the weekly computer print-out for all project expenditure, which is automatically identified by a discrete account code allocation. From these print-outs, PCU will prepare a draft SOE, which will be provided to each spending ministry for verification. The ministry will then be required to submit a full SOE, documented as necessary, within seven days to the External Resources Department (ERD), MOFP. Such submissions will be key MIS indicators. Non-compliance will trigger immediate suspension of disbursements for that ministry and of the reimbursement by PMG of the district/central treasury floats in respect for any further payments following the date of non-compliance. A flow of funds chart incorporating the recommended procedures is set out at the end of this Appendix.

Financial Monitoring

8. Management Information System (MIS). The MIS will monitor compliance with Treasury regulations and project agreement covenants on financial processing and procedures by all participating agencies. The system framework will be the budget timetable, which sets the dates for each step in the budget estimates and allocation processes, and the Treasury Circular detailing the procedures for processing payments for donor-funded projects. At the commencement of the budget cycle, the project coordinator will prepare and submit to PCC, to all participating ministries and districts, and to IFAD and CI an annotated list setting out the key indicators of financial performance. The indicators will cover: (i) the necessary steps respective officers must take to ensure the timely funding and subsequent reimbursement of project expenditure; and (ii) the dates by which these steps must be taken. The list will be accompanied by a covering letter ('performance letter'), signed by the Chairman, PCC, setting out the financial sanctions that will be applied for non-compliance with specified requirements. The annual issue of the letter will be a condition of IFAD approval of the consolidated AWP/B, a condition of replenishment of the special account and a condition of the transfer of funds from the special account.

9. The PC will submit a status report by e-mail every two weeks to PCC, the Accountant General (AG) (MOFP), IFAD and CI on compliance with the indicators and the action taken to rectify any non-compliance.



C. Implementation Arrangements and Responsibilities

Annual Work Programmes and Budgets

10. The project will be implemented on the basis of approved AWP/Bs and funded within the MTEF framework. Each participating department will prepare district AWP/Bs and, following approval by DDC, will be submitted for PCC scrutiny, and include the composite project AWP/B. Prior to inclusion in the MTEF budget, the project AWP/B will be submitted for IFAD/CI approval.

11. The AWP/B preparation cycle will commence with the annual participatory planning workshops, thus ensuring beneficiary involvement in the process *ab initio*. It will be a condition of AWP/B approval by IFAD that the records of the annual planning and evaluation are recorded in full in the minutes of each DDC meeting.

Project Implementation

12. Responsibilities for component implementation are detailed in the respective Annexes to this Report. They are summarized as follows:

- (i) **Primary Health Care, Sanitation and Nutrition.** Responsibility for implementation at district level will lie with the district MOH, as head of the district health management team (DHMT). The district MOH will act under the general direction of the Principal Secretary, MOH, who will ensure compliance with national policies on public health care (PHC), the Bamako initiatives on community pharmacies and full beneficiary participation in the management of project-funded facilities. In particular, attention will be paid to measures that will ensure greater transparency and accountability in management committees. The DHMT will rely on the service of Department of Social Services (DSS) to ensure the businesslike management of the committees and full compliance with the letter and spirit of their by-laws.
- (ii) **Domestic Water Supply.** Technical development of the subcomponent will be the responsibility of this District Water Officer (DWO) and, as in the health component, the organization and training of WUA and other water user groups will be undertaken in close cooperation with DSS. In view of the fact that beneficiaries will make substantial in-kind contribution to the facilities constructed, and will be responsible for their subsequent operation and maintenance, it is important that DSS pay close attention to: (i) the initial training of committees; (ii) the establishment of simple record keeping and accounting systems; and (iii) maintaining a regular programme of inspection and advisory visits. Experience has shown that compliance with by-laws and transparency of operations is essential for sustainability and efficient operation of the component.
- (iii) **Agriculture Services.** Responsibility for the implementation of the component will lie with the respective District Agriculture Livestock Extension Officer (DALEO), who will initiate and direct the establishment of a network of ADGs, through which project-financed services will be delivered to target group smallholders. It will be the specific responsibility of DALEO to ensure, through regular ADG contact, that the extension programme is responsive to the expressed needs of the target group. In particular, each DALEO will: (i) prepare a programme, for participatory on-farm validation, to establish which improved crop and livestock technologies, currently available or under development are effective are best suited to the client; (ii) arrange, as required, for the bulking of improved planting materials through ADGs; (iii) draw up the partnership



agreements with participating NGOs and other service deliverers; and (iv) coordinate with MENR's project initiatives for sustainable natural resource development.

- (iv) **Group Development.** District Social Development Officers (DSDOs) will have specific responsibility for the promotion, registration, development, training and subsequent regular assistance to the health and water user groups sponsored under the project. They will also provide registration services and advice to specialist NGOs engaged under project partnership initiative to develop groups for savings and credit and on and off-farm income-generating activities.
- (v) **PAI.** The activities under the PAI component shall be financed by proceeds of the loan, channelled by the lead project agency in accordance with budgeting and disbursement mechanisms established by the Government and agreed to by IFAD. In addition, with regard to the financing of subprojects under the social and physical infrastructure development sub-component, a minimum beneficiary contribution shall be required of 20% of the total cost of all subprojects under the sub-component, of which 5% must be in cash, and each subproject shall have a maximum value of USD 1 500 equivalent. Furthermore, no withdrawals shall be made in respect of expenditures under the PAI component until the Government has established detailed regulations and operating procedures for the administration of PAI and a mechanism for the budgeting and disbursement of funds, acceptable to IFAD.

Gender Focus and Participation

13. NDAP experience demonstrated that principal components are directed to improvements in those aspects of rural life for which women have most, if not exclusive, responsibility: the care of the health of the family, particularly that of young children; the provision of water for household use; and the production of enough food for family subsistence. This inherent 'gender focus' has been reflected in a far greater presence of women in the management structure of community initiatives than is normally the case in such developments. Accordingly the project will formalize this achievement by focusing on the ubiquitous village women's associations of Central Province and by setting the following specific targets as:

- (i) 70% women's membership of active savings and credit groups;
- (ii) 70% women's membership of ADGs;
- (iii) 70% PAI funding for income-generating activities to women; and
- (iv) equal representation on management committees of all project sponsored health and water initiatives as a condition of financing.

D. Monitoring and Evaluation

14. The dearth of verified or verifiable data, and the absence of any impact evaluation from past BSF/IFAD multidistrict projects underlines the need to strengthen district-level M&E capacity. From NDAP experience, it is clear that the problem lies in the application, rather than in the design and specification of M&E routines. Accordingly, the project will introduce a standardized and disciplined M&E system to collect, collate and report key financial and economic data in accordance with the indicators set by the project area baseline survey. The survey, to be carried by a national academic institution, will establish the project M&E reporting procedures. The Deputy DDO/M&E Officer will have overall responsibility for district-level M&E, under the direction of the PCU M&E officer, who will collate and submit quarterly project M&E reports to PCC, IFAD CI and the respective participating agencies. A mid-term review will be carried out in PY4.

15. **Participatory Monitoring and Impact Evaluation.** The data will be supplemented by participatory rural appraisals (PRAs) and regular sectoral studies and reports. However, project M&E

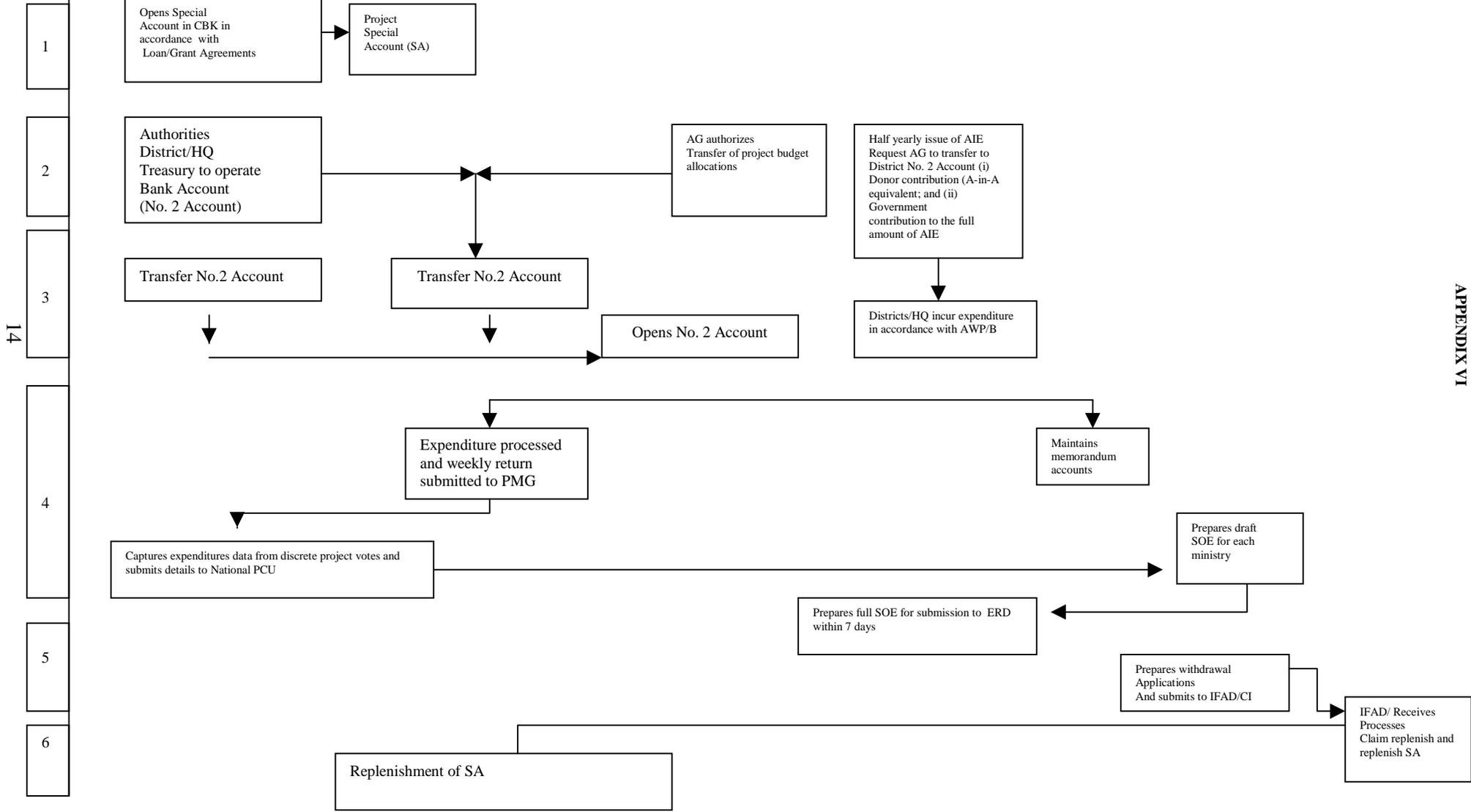


APPENDIX VI

staff will ensure that, in addition to participation in project workshops, beneficiaries themselves will be engaged in the recording and collection on project activities. This will provide for a more balanced assessment of the relevance of project initiatives, and of the impact of the project on the livelihood and well-being of the target group. It will also provide a continuing opportunity for beneficiaries to participate in the solution to the problems of poverty, which they face on a daily basis. In this manner, the M&E system will not merely to serve as an 'audit' mechanism, but will provide a management tool to ensure that project activities are regularly re-focused on target group needs. The systematic maintenance of simple daily work diaries by all staff engaged in project activities, and regular progress reporting will be a condition of AWP/B approval by IFAD.

FLOW OF FUNDS

S T E P	MOFP Pay Master General (PMG)	MOFP Treasury	Central Bank of Kenya (CBK)	District/HQ Treasuries	MGFP Account General (AG)	Implementing Ministries	District PCU	National PCU	MOFP External Resources Department (ERD)	IFAD
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ORGANIZATIONAL CHART

