REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF KENYA

FOR THE

SOUTHERN NYANZA COMMUNITY DEVELOPMENT PROJECT
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENCY EQUIVALENTS</td>
<td>iii</td>
</tr>
<tr>
<td>WEIGHTS AND MEASURES</td>
<td>iii</td>
</tr>
<tr>
<td>ABBREVIATIONS AND ACRONYMS</td>
<td>iii</td>
</tr>
<tr>
<td>MAP OF THE PROJECT AREA</td>
<td>iv</td>
</tr>
<tr>
<td>LOAN SUMMARY</td>
<td>v</td>
</tr>
<tr>
<td>PROJECT BRIEF</td>
<td>vi</td>
</tr>
<tr>
<td><strong>PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY</strong></td>
<td>1</td>
</tr>
<tr>
<td>A. The Economy and Agricultural Sector</td>
<td>1</td>
</tr>
<tr>
<td>B. Poverty Situation and Eradication Strategy</td>
<td>1</td>
</tr>
<tr>
<td>C. The Agricultural Sector and Policy Framework</td>
<td>2</td>
</tr>
<tr>
<td>D. Lessons Learned from Previous IFAD Experience</td>
<td>3</td>
</tr>
<tr>
<td>E. IFAD’s Strategic Approach in Kenya</td>
<td>4</td>
</tr>
<tr>
<td><strong>PART II – THE PROJECT</strong></td>
<td>4</td>
</tr>
<tr>
<td>A. Project Area and Target Group</td>
<td>4</td>
</tr>
<tr>
<td>B. Scope and Objectives</td>
<td>5</td>
</tr>
<tr>
<td>C. Project Components</td>
<td>6</td>
</tr>
<tr>
<td>D. Costs and Financing</td>
<td>8</td>
</tr>
<tr>
<td>E. Procurement, Disbursement, Accounts and Audit</td>
<td>9</td>
</tr>
<tr>
<td>F. Organization and Management</td>
<td>10</td>
</tr>
<tr>
<td>G. Economic Justification</td>
<td>10</td>
</tr>
<tr>
<td>H. Risks</td>
<td>11</td>
</tr>
<tr>
<td>I. Environmental Impact</td>
<td>11</td>
</tr>
<tr>
<td>J. Innovative Features</td>
<td>11</td>
</tr>
<tr>
<td><strong>PART III – LEGAL INSTRUMENTS AND AUTHORITY</strong></td>
<td>12</td>
</tr>
<tr>
<td><strong>PART IV – RECOMMENDATION</strong></td>
<td>12</td>
</tr>
<tr>
<td><strong>ANNEX</strong></td>
<td></td>
</tr>
<tr>
<td>SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE</td>
<td></td>
</tr>
<tr>
<td>NEGOTIATED LOAN AGREEMENT</td>
<td>13</td>
</tr>
</tbody>
</table>
# APPENDIXES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. COUNTRY DATA</td>
<td>1</td>
</tr>
<tr>
<td>II. PREVIOUS IFAD FINANCING IN KENYA</td>
<td>2</td>
</tr>
<tr>
<td>III. LOGICAL FRAMEWORK</td>
<td>3</td>
</tr>
<tr>
<td>IV. FLOW OF FUNDS</td>
<td>4</td>
</tr>
<tr>
<td>V. PROJECT ORGANIZATION CHART</td>
<td>5</td>
</tr>
</tbody>
</table>
CURRENCY EQUIVALENTS

Currency Unit = Kenyan Shillings (KES)
USD 1.00 = KES 75
KES 100 = USD 1.14

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 (m²) = 10.76 square feet (ft²)
1 acre (ac) = 0.405 ha
1 hectare ha = 2.47 acres

ABBREVIATIONS AND ACRONYMS

AWP/Bs Annual Workplans and Budgets
BSF Belgian Survival Fund
CAP Community Action Plan
LLF Local Livelihood Forum
PMU Project Management Unit
PRA Participatory Rural Appraisal

GOVERNMENT OF THE REPUBLIC OF KENYA
Fiscal Year

1 July-30 June
Source: IFAD
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.
REPUBLIC OF KENYA
SOUTHERN NYANZA COMMUNITY DEVELOPMENT PROJECT

LOAN SUMMARY

INITIATING INSTITUTION: IFAD
BORROWER: Republic of Kenya
EXECUTING AGENCY: IFAD
TOTAL PROJECT COST: USD 17.8 million
AMOUNT OF IFAD LOAN: SDR 10.9 million (equivalent to approximately USD 15.6 million)
TERMS OF IFAD LOAN: 40 years including a grace period of ten years, with a service charge of three fourths of one percent (0.75%) per annum
COFINANCIERS: none
CONTRIBUTION OF BORROWER: USD 1.8 million
CONTRIBUTION OF BENEFICIARIES: USD 0.5 million
APPRASING INSTITUTION: IFAD
COOPERATING INSTITUTION: United Nations Office for Project Services
The project. Building upon 15 years of experience gained in the project area working under the Belgian Survival Fund Joint Programme, the project links social support activities with economic empowerment while emphasizing environmental conservation in order to promote sustainable livelihoods for vulnerable groups and poor farmers. The intermediate objective is to enhance gender-balanced empowerment of rural communities through improved human health and better conservation and use of natural resources.

Who are the beneficiaries? A participatory area-based approach was adopted as the first step in targeting, so that the neediest areas (i.e. divisions) have been selected at the district level. The second step in the targeting process was to identify the neediest residents and households on the basis of a number of criteria, including the nature of gender relations in the community, vulnerability to HIV/AIDS, the extent of water-borne infections and other diseases, the level of community and household food insecurity, and the agro-ecological zone and potential. This led to the identification of the following principal target groups: (i) those with a heavy disease burden, including those at risk of contracting water-borne diseases and malaria, and HIV/AIDS-infected and affected people; (ii) those who suffer frequent food shortages; and (iii) those who lack access to potable water and proper sanitary facilities.

Why are they poor? Negative economic trends at the national and international level, poor governance and a growing number of health, natural and economic shocks have all contributed to poor performance of the agricultural sector in the project area. Culturally prescribed behaviours required during critical moments of the crop calendar constrain production, while impaired health undermines the labour capacity of poor farmers. Unequal gender relations, together with poverty, have led to extremely high estimates of HIV/AIDS prevalence. The extent and degree of environmental degradation is both a cause and a symptom of poverty. Soil erosion and declining soil fertility is a result of inappropriate cultivation practices, which are contributing to land degradation and siltation of rivers and water bodies, including Lake Victoria. Linkages between government services and civil society groups and operators are generally weak, as is networking among the various civil society stakeholders.

What will the project do for them? The project aims to build local governance capacity at the community level and strengthen linkages with government technical services to improve the economic/institutional framework for development activities geared towards supporting livelihoods in a sustainable manner. By strengthening livelihoods and fostering economic empowerment, the project also aims to address the underlying causes and social behaviours leading to HIV/AIDS transmission, while strengthening the capacity of communities to cope with the impact of the epidemic.

The project has been designed around two pillars: promotion of sociocultural change so that poor communities understand how human practices are eroding the environment and contributing to poor health; and strengthening of local-level development with a view to economic empowerment. Project components aim to: (i) enhance local governance and community capacity and strengthen linkages with government services and other operators, with a focus on empowering women and addressing land disputes, including rights of orphans; (ii) improve gender-balanced access to essential primary health care services, safe domestic water and improved sanitation and hygiene practices, and technical support services for agricultural activities; (iii) improve agricultural production, food security and nutrition; and (iv) strengthen institutional capacity at the district and division levels for integrated development support activities. About 500 000 people in six districts will benefit from improved community health services, some 110 000 area residents will receive better access to water and improved sanitation, and about 35 000 households will be targeted under agricultural and livelihood activities.

How will the beneficiaries participate in the project? A community action planning process is the principal mechanism through which communities will articulate and prioritize their needs. Self-help groups will form the contact point for economic activities, including agriculture. Local community committees will manage health care centres, water points and latrines.
I submit the following Report and Recommendation on a proposed loan to the Republic of Kenya for SDR 10.9 million (equivalent to approximately USD 15.6 million) on highly concessional terms to help finance the Southern Nyanza Community 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 as IFAD’s cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY

A. The Economy and Agricultural Sector

1. Kenya has an open economy and is a major African participant in international markets – it is the world’s first exporter of black tea and an important exporter of coffee. Liberalization measures for monetary and exchange rate policies were implemented in the early 1990s. Structural reforms have been far more difficult and slow to implement. Public operators are playing a decreasing role in the economy, and the private sector is increasingly subject to market forces and international trends, such as low international coffee prices. Kenya is feeling the effects of globalization with cheap manufactured imports and increasing competition in its domestic market for agricultural products. In 2001, Kenya’s gross domestic product stood at USD 11.4 billion, with a negative annual growth rate (-1.0%) and per capita gross national income of USD 350. Kenya is classified as a moderately (as opposed to highly) indebted low-income country, and is thus unlikely to benefit from the Debt Initiative for Heavily Indebted Poor Countries, even under the enhanced framework.

2. Major political change has taken place in Kenya following the democratic elections in December 2002. The new Government has a strong anti-corruption and pro-growth agenda, with a return to economic growth and poverty reduction as principal objectives. After having been halted in September 2000, budgetary support from the Bretton Woods institutions was resumed in July 2003.

B. Poverty Situation and Eradication Strategy

3. Population. The 2002 population of Kenya is estimated at about 30.3 million with an annual growth rate of around 1.8%. This low rate (compared with 4.1% ten years ago) is the combined result of successful family planning campaigns and an increasing toll from HIV/AIDS, now the major cause of death for young and middle-aged Kenyans. Life expectancy has fallen to 46 years, down from 59 years in 1990. The population has tripled over the past 30 years, leading to increased pressure on natural resources, income disparities and rising poverty. About 42% of the population are below 15 years of age, and nearly 67% live in rural areas. Kenya is ranked only 20th from the bottom in terms of human development indicators.

---

1 See Appendix I for additional information.
2 See Country Data Sheet, Appendix I for more information.
4. **HIV/AIDS and Other Diseases.** The HIV epidemic is a major challenge facing the country, with prevalence estimates highest among the 20-49 age group, which forms the main pool of trained labour. Other prevalent diseases are malaria, pregnancy and childbirth-related conditions, acute respiratory infections, diarrhoea and tuberculosis, in order of importance. Only about 46% of the rural population have access to an improved water supply\(^3\) through piped and point-source systems, and water-borne diseases are also a serious health problem. The impact of HIV/AIDS and other diseases is seriously undermining the capacity of the rural poor to engage in economic activities.

5. **Gender.** Despite recognition of the importance of gender-balanced development, Kenya has been slow to mainstream gender within government and national development planning. The status of women in Kenya reflects the weight of customary laws, norms and beliefs, coupled with the effects of persistent poverty.

6. **Rural Poverty.** In 1997 over half the population was classified as living in poverty, with three quarters of the poor being found in rural areas. While the poorest of the poor inhabit the marginal (mostly arid) lands in the north, the preponderant share of the poor live in the high and medium potential areas. Income distribution in Kenya is characterized by wide disparities, with the poorest 20% of the rural population receiving only 3.5% of rural income in 1994. In food-poor households, levels of stunted and underweight children were estimated at 42% and 26% respectively. The Nyanza, Coast, Eastern, and Western provinces are hardest hit, with high incidences of overall poverty that rose during the 1992-1997 period. Nyanza Province registered the highest poverty rate (63%) in the country in 1997, a 34% increase since 1992.

7. **Poverty Reduction Strategy.** The new Government has launched its economic recovery blueprint entitled *Economic Recovery Strategy for Wealth and Employment Creation*, with a return to economic growth and poverty reduction as the principal objectives. This represents a reinvigoration of the poverty reduction strategy paper (PRSP 2001-2004) and emphasizes: (i) progress in the area of governance and reduction of corruption; (ii) addressing the health and education priorities of the population; (iii) continued structural reform of the economy; (iv) equitable distribution and conservation of natural resources; and (v) promotion of the private sector. The agricultural sector is expected to play a critical role in reducing the proportion of the population living in extreme poverty.

C. **The Agricultural Sector and Policy Framework**

8. **Agricultural Sector.** Kenya’s renewable natural resources constitute its main economic asset. The country has a varied geography and climate, which provide the underlying framework for agricultural production and tourism. Agriculture is the principal livelihood activity for Kenya’s poor, with 70% of the population dependent upon crop-growing, extensive and intensive livestock-raising, fishing and forestry. The sector generates about 80% of export earnings. It also provides 70% of raw materials for agro-industrial production and a substantial share of government revenue. While recurrent droughts and low international commodity prices for its principal agricultural commodity (coffee) have contributed to the difficulties of the agricultural sector, the slow reform of agricultural parastatals, poor rural infrastructure, the poor dissemination of known appropriate technology and HIV/AIDS have also taken a heavy toll on the sector, resulting in increased poverty for small-scale, resource-poor farmers. Notwithstanding these problems, the performance of certain subsectors, such as tea and horticulture, confirms that the country’s comparative advantage continues to lie with agriculture and other rural economic activities associated with use of natural resources. Soil erosion – resulting from deforestation and inappropriate agricultural practices on fragile soils and sloping lands – is affecting agricultural productivity, contributing to the siltation of dams and the entrophication of fresh water bodies. Unless the issues of environmental conservation and protection are appropriately balanced with economic development initiatives, the country’s capacity for generating sustainable growth from agricultural activities for poverty reduction will be undermined.

---

\(^3\) Defined as 20 litres per capita per day available within a range of 0.5 km for rural communities.
9. **Evolving Agricultural Policy Framework.** World Bank financing for agricultural extension and support activities was halted in 1998 (along with IFAD cofinancing), because the pace of reform at the agricultural parastatals was considered too slow. Since 2000, two bilateral donors have provided support to the agricultural sector. The German Agency for Technical Cooperation (GTZ) has financed technical assistance for policy issues at the Ministry of Agriculture, and has been instrumental in supporting ongoing reforms in specific commodities as well as the finalization of the Kenyan Rural Development Strategy. The Swedish International Development Authority (SIDA), which previously was involved in a bilateral technical-support project for soil-and-water conservation extension activities, has since shifted its support to strengthening the institutionalization – within the Ministry of Agriculture – of a demand-driven, environmentally-focused approach to extension for poor farmers. These efforts, which have been fully integrated into the policy-making process within the Ministry, resulted in the formulation of a new National Agricultural Extension Policy in 2001.

10. **The National Agricultural Extension Policy.** The objective of the National Agricultural Extension Policy is to support the development of a pluralistic and demand-driven agricultural extension service. This is to be achieved through a three-tiered approach: better-off farmers who cultivate cash crops are expected to pay for extension advice in the medium term; less-poor “medium-income” farmers are expected to eventually start paying for some extension services; and the poorest farmers are expected to continue to benefit from public extension services. To ensure sustainability, extension services for commercial commodities (such as tea, coffee and other major export crops) will be privatized, and cost sharing will be provided for specialized services (such as the design of irrigation systems and agricultural information services). A number of commodity-based institutions have already established their own extension systems, as have some regional development authorities, non-governmental organizations and private companies. The provision of extension services for poor and vulnerable smallholder farmers is to remain a core function of the Ministry of Agriculture, and the new approach has been piloted since 2000 under the National Agricultural and Livestock Extension Programme financed by SIDA.

**D. Lessons Learned from Previous IFAD Experience**

11. **Past IFAD Support.** Over the past 20 years Kenya has benefited from about USD 138 million in loan and grant funding, representing one of IFAD’s largest country portfolios for rural poverty reduction in Africa. By the early 1990s, it became apparent that development progress was much slower than expected, and disbursement at closure on IFAD loans has totalled only about 52% of committed funds. Since 1995, IFAD’s portfolio in Kenya has undergone a long period of restructuring. Working in collaboration with the Government and on the basis of a physical and financial audit of all outstanding financial claims, non-performing projects have been closed and new procedures have been developed to address the complexity of government budgeting processes. Currently, IFAD has two ongoing projects in Kenya, down from nine in the mid-1990s, and one loan awaiting effectiveness.

12. **Lessons Learned.** A review of IFAD and Belgian Survival Fund (BSF) experience shows that: (i) local communities and self-help groups have strong traditions and can make substantial financial and labour contributions to development activities; (ii) since the capacity of poor people to engage in economic activities is determined by their state of health, investments should include measures to promote basic social services (such as access to safe drinking water, increased sanitation coverage and the promotion of health-seeking behaviour); (iii) fragmentation of development activities can lead to less impact than expected; (iv) project management arrangements should promote the integration of activities at the field level in order to respond to community priorities during implementation; and (v) project funding arrangements should be fully developed and agreed upon at appraisal.

---

4 See Appendix II for a summary of IFAD and Belgian Survival Fund operations in Kenya.
E. IFAD’s Strategic Approach in Kenya

13. The poverty reduction strategy paper has identified growth of the agricultural sector as the critical determinant for poverty reduction in Kenya, and IFAD has developed its Country Strategic Opportunities Paper (COSOP) on this basis. Maintaining and rehabilitating natural resources must be central to IFAD’s approach for poverty reduction. Agricultural growth will by necessity be linked to intensification, and, in Kenya, IFAD’s two principal areas of focus will be addressing soil erosion, which is undermining agricultural production capacity, and maintaining and improving access to clean water. It is expected that the strategy will evolve to address other structural issues in rural income and asset generation among the poor in line with the development of the institutional and policy framework.

14. Decentralized community involvement in land use, conservation and resource management will be the cornerstone of this approach, with the objective of balancing competing demands with viable and sustainable solutions to meet the needs of the poorest groups. This will be achieved by undertaking interventions that support community-identified and prioritized economic and social development activities, through consultation at every stage and by maximizing community contributions to each activity. IFAD will support the strengthened participation and inclusion of all Kenyans, especially the poor, in a transparent and open manner to promote equitable access to national resources and development initiatives.

15. Because of the strong link between poverty and those households that are affected by HIV/AIDS, IFAD will mainstream measures to address the impact of the HIV/AIDS epidemic in the design of its projects. The experience gained with the provision of primary health care under IFAD/BSF activities in Kenya will be expanded to include HIV/AIDS-related issues. The approach will focus on education and awareness-building and adaptation of project-supported activities to respond to the specific needs of HIV/AIDS-affected households. IFAD would build upon the successful community-based approach for primary health care developed with BSF, as well as improving access to clean water.

16. Within the tiered approach articulated by the Government of Kenya in the National Agricultural Extension Policy, IFAD will focus on removing constraints to learning processes and providing technology to build skills and understanding so that the poorest and most vulnerable rural households can improve their livelihoods from agriculture, which is their principal activity.

17. Gender dimensions, especially assistance to woman-headed households, will be emphasized. A holistic approach will consider how to reduce and rationalize the workloads of women, providing key support services and introducing technical innovations (such as labour saving) as appropriate. HIV/AIDS initiatives will be targeted to women because of their higher vulnerability to the disease and their role as caretakers (e.g. of orphans, vulnerable children and people living with HIV/AIDS).

PART II – THE PROJECT

A. Project Area and Target Group

18. The project area, located about 450 km from Nairobi and bordering on Lake Victoria, covers six of the poorest districts in the country (Homa Bay, Kuria, Migori, Nyamira, Rachuonyo and Suba) in the relatively high potential agricultural area of southern Nyanza. Agriculture is the principal livelihood activity of over 70% of the productive population in the project area and represents the primary basis for building more secure and sustainable livelihoods. Negative economic trends at the national and international level, poor governance and a growing number of human health, natural and economic shocks have all contributed to poor performance of the agricultural sector in the project.

5 IFAD’s COSOP for Kenya was reviewed by the Executive Board in September 2002.
area. Culturally prescribed behaviours required during critical moments of the crop calendar constrain production, while impaired health undermines the labour capacity of poor farmers. The extent and degree of environmental degradation is both a cause and a symptom of poverty. Erosion is undermining soil fertility, and contributing to siltation of rivers and water bodies, including Lake Victoria. The population in southern Nyanza has extremely poor health status, which is attributable to the high poverty levels, lack of safe drinking water, poor environmental sanitation and hygiene, poor nutritional status, low awareness of environmental health issues, high adult HIV prevalence estimates, poor levels of health-seeking behaviour, significant gender imbalances and the negative consequences of sociocultural practices. Linkages between government services and civil society groups and operators are generally weak, as is networking among the various civil society stakeholders. The distance of the project area from Nairobi and the poor road network is a further constraint on economic activities.

19. **Targeting and Target Groups.** The targeting approach used for selecting communities to benefit from project activities is central to ensuring that the poorest and most vulnerable are reached. While the livelihood analysis has shown that about 75% of the population live in poverty, it is possible to identify specific vulnerable households within communities and to identify specific communities which are far poorer in relative terms than other communities. Thus, a vulnerability approach to targeting has been used, based on a situational assessment of divisions within districts. This has been combined with an analysis of the distribution of the population in order to identify areas where the project can have a significant impact in terms of reaching a larger absolute number of poor people, while also aiming to reduce the degree of poverty of vulnerable groups within poorer communities. Thus, the neediest divisions have been selected at the district level and, within those divisions, the neediest people and households have been identified.

20. The identification process was undertaken in consultation with selected local communities and officials from government and civil society, using a number of criteria to identify the most vulnerable. These criteria included the nature of gender relations, vulnerability to HIV/AIDS, extent of water-borne infections and other diseases, the level of community and household food insecurity, and the agro-ecological zone and potential. The following principal target groups have been identified: (i) those with a heavy disease burden, including those at risk of contracting water-borne diseases and malaria, and HIV/AIDS-infected and affected people; (ii) those who suffer frequent food shortages; and (iii) those who lack access to potable water and proper sanitary facilities.

**B. Scope and Objectives**

21. **Project Scope.** During the participatory livelihoods analysis carried out with local communities, a series of factors were identified as determining the capacity of poor people to derive their livelihoods from agriculture. At the personal level, these include culture, poor health and nutritional status, and limited skills. At the broader community level, these include sociocultural traditions and environmental and governance issues. Communities do not fully understand how their inappropriate use of natural resources undermines their health (particularly with regard to water-borne diseases) and accelerates environmental degradation. Furthermore, knowledgeable stakeholders, such as government employees and local leaders, rarely use their influence to promote social and cultural change at the community level. The project aims to build local governance capacity at the community level and strengthen linkages with government technical services to improve the economic/institutional framework for development activities geared towards supporting sustainable livelihoods. By strengthening livelihoods and fostering economic empowerment, the project also aims to address the underlying causes and social behaviours leading to HIV/AIDS transmission, while strengthening the capacity of communities to cope with the impact of the epidemic.

---

6 Cultural and Socio-economic and Environmental Assessment, ETC for IFAD, April 2003 financed with supplementary funds of the Department for International Development (United Kingdom).
22. **Project Objectives.** The overall objectives of the project are poverty reduction and improved livelihoods of the communities in the proposed project area. The project’s intermediate objective is to enhance gender-balanced empowerment of the rural communities through improved health and more rational use and management of natural resources for sustainable livelihood activities through:

(i) improved local-level governance capacity and community-driven processes for local development;
(ii) broader and sustained gender-balanced access to essential primary health care services, sustainable access to safe domestic water, and improved environmental sanitation and hygiene practices;
(iii) better on-farm labour productivity and stronger human capacity with improved food security, nutrition and livelihood activities; and (iv) heightened community awareness of social behaviours and their consequences.

23. **Project Components**

24. **Community Empowerment.** This component will address poverty by promoting local governance through strengthening the capacity of Government and local organizations, building knowledge and understanding within communities about the consequences of social behaviours, and ensuring the participation of the poorest and most vulnerable in social and economic development activities, with emphasis on women’s rights and the rapid settlement of land disputes. These will be attained by undertaking the following activities:

(i) community planning and organization to empower local populations and strengthen their capacity to plan and manage their own development;
(ii) local livelihood forums for the promotion of awareness-building and self-driven learning about a range of sociocultural, governance and environmental issues; and
(iii) implementation support enabling government technical services at the district and division level to help communities meet their own goals.

25. **Primary Health Care.** Communities in the project area have indicated poor health as being a major constraint for poor people trying to engage in economically productive activities. The approach of the project is to provide support to existing primary health care services so that they can better respond to the needs of the communities and to the increased demands arising as a result of the HIV/AIDS epidemic. The project will also aim to promote health-seeking behaviour, with special focus on the health needs of women, taking into account negative sociocultural norms and cultural practices. These will be attained by undertaking the following activities:

(i) Health planning to ensure better collection of information about diseases to guide the development of health infrastructure in a sequenced, needs-driven manner; and capacity-building for the Ministry of Health’s district staff with a focus on promotion and prevention, and training of community resource persons. The Ministry of Health’s

---

7 The smallest administrative unit in Kenya. Districts are divided into divisions, and divisions are divided into locations, which are in turn divided into sub-locations.
regulatory role for breaches of the Public Health Act will be strengthened and the number of HIV/AIDS counsellors will be increased.

(ii) Community-based health care will include the provision of logistical support for an outreach programme to be conducted within priority divisions at schools and sites of economic activity in order to promote health-seeking behaviour. The outreach programme will also provide supervisory visits for peripheral health staff and community resource persons, collection of health information data and voluntary counselling and testing.

(iii) Health infrastructure development through the construction of two new health centres and four dispensaries, the rehabilitation of 12 health centres and 14 dispensaries, and the construction of mortuaries at district hospitals. The project will also provide a communication system between the district hospital (referral centres) and the health facilities to provide supervision, monitor diseases and put in place an effective referral system. A system for ensuring essential drugs and supplies required for treating opportunistic infections (a significant component of ‘positive living’ for people with HIV/AIDS) will also be put in place.

(iv) Identification of environmental sanitation and hygiene practices that contribute to the high burden of disease and inhibit socio-economic development. The project will use the participatory hygiene and sanitation transformation (PHAST) methodology to promote health awareness and understanding, which, in turn, will lead to environmental and behavioural improvements.

26. **Domestic Water Supply.** The critical role of water supply in improved health is well known. Water-borne diseases arising from the use of contaminated water is second only to malaria in terms of preventable diseases in the project area. HIV/AIDS, highly prevalent in the area, increases vulnerability to water-borne diseases. For people who are HIV-positive, the provision of ‘safe water’ can significantly prolong life and improve their quality of life. Only 15-40% of the population in the project area have access to safe drinking water. The productive potential of poor and vulnerable households, in particular woman- and child-headed households, is significantly reduced not only by the time spent fetching water but also by the increased demand for caring for the chronically ill. If the project’s target groups are to enjoy lasting improvements in their health status and socio-economic development, they need to have access to safe and secure sources of domestic water.

27. All activities under this component will be identified as part of the PRA/CAP process. The project will invest in activities that directly contribute to the supply of safe household water for the targeted communities. Communities that lack access to a safe household water supply within the walking distance prescribed by the national standard or that have severe shortages of safe household water will be assisted in installing a water supply scheme or rehabilitating their own scheme to meet the national standard set for per capita supply of water.

28. **Agriculture.** The project will build on the experience gained in the project area over the past three years in order to institutionalize a demand-driven extension approach for poor farmers and vulnerable households. The PRA/CAP process will be expanded to include investments in water and health, while continuing the focal area approach for agricultural extension. The project will focus on bringing together local partners and stakeholders to help farmers develop and implement their own solutions to their problems. Some of the activities that could reasonably be expected to be requested by farmers are: soil and water conservation and conservation farming for erosion control, stabilizing yields and reducing labour requirements; the promotion of labour-saving techniques; crop production improvement, mainly for food crops but also cash crops; improved livestock production, particularly with regard to upgrading the local zebu breed, the introduction of dual-purpose goats and poultry improvement; and nutritional and home economics training for women. Agricultural extension will
focus on poorer farmers, women and vulnerable groups. A modest pilot activity for rural finance has been included in order to improve access to financial services and to stimulate the development of a savings culture.

29. **Project Management.** A project management unit (PMU) will be established in Homa Bay to supervise the coordination and implementation of activities in accordance with approved annual workplans and budgets (AWP/Bs). Institutional support will focus on improving the coordination between line ministries and training in participatory planning processes with local communities. The project will finance the salaries, allowances and incentives for the project manager and other PMU technical and support staff. Institutional support for improved coordination of the project activities will include: (i) preparation of a project implementation manual to streamline technical, administrative and financial management of the project; (ii) a project launch workshop and district start-up workshops to familiarize implementing staff with the objectives of the project, its components, implementation strategy, and administrative and management procedures; and (iii) annual review workshops to assess the progress of component implementation as the basis for preparing the AWP/Bs for the following fiscal year. An HIV/AIDS workplace programme will also be put in place to assist the project staff and implementing officers (and their immediate families) in addressing the vulnerabilities, risks and impact of HIV/AIDS.

30. **Monitoring and Evaluation.** A baseline survey would be funded in each division prior to the initiation of project activities in order to better define community needs, priorities, resource availability and institutional capacities, as well as to identify the key socio-economic status of the target population. A participatory monitoring and evaluation system will be put in place to monitor physical and financial progress, as well as impact at the community level. Overall impact assessment will be carried out at mid-term review and project closing.

### D. Costs and Financing

31. The total project costs stands at USD 17.8 million over a seven-year implementation period. The foreign exchange element is estimated at USD 3.7 million and represents 21% of the total project cost. The physical and price contingencies total USD 1.4 million and represent 8% of the base cost. The summary table below presents the costs by component.

#### TABLE 1: SUMMARY OF PROJECT COSTS*

(USD million)

<table>
<thead>
<tr>
<th>Components</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>% of Foreign Exchange</th>
<th>% of Base Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community empowerment</td>
<td>1.6</td>
<td>0.8</td>
<td>2.4</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td>Primary health care</td>
<td>3.9</td>
<td>0.9</td>
<td>4.8</td>
<td>19</td>
<td>29</td>
</tr>
<tr>
<td>Domestic water supply</td>
<td>1.9</td>
<td>0.6</td>
<td>2.5</td>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2.6</td>
<td>0.4</td>
<td>3.0</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Project management</td>
<td>2.9</td>
<td>0.7</td>
<td>3.7</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total base costs</strong></td>
<td>13.0</td>
<td>3.4</td>
<td>16.4</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>0.1</td>
<td>0.0</td>
<td>0.2</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Price contingencies</td>
<td>1.0</td>
<td>0.2</td>
<td>1.2</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total project costs</strong></td>
<td>14.1</td>
<td>3.7</td>
<td>17.8</td>
<td>21</td>
<td>109</td>
</tr>
</tbody>
</table>

* Discrepancies in totals are due to rounding.
The proposed project will be financed by: a loan of USD 15.6 million on highly concessional terms from IFAD; USD 1.8 million from the Government to cover taxes and duties; and an in-kind contribution from the beneficiaries equivalent to USD 500 000. The financing plan is summarized below:

### TABLE 2: FINANCING PLAN*a

(USD million)

<table>
<thead>
<tr>
<th>Components</th>
<th>IFAD Amount</th>
<th>%</th>
<th>Beneficiaries Amount</th>
<th>%</th>
<th>Government Amount</th>
<th>%</th>
<th>Total Amount</th>
<th>%</th>
<th>Duties and Taxes Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community empowerment</td>
<td>2.4</td>
<td>93</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>7</td>
<td>2.6</td>
<td>15</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Primary health care</td>
<td>4.6</td>
<td>86</td>
<td>0.1</td>
<td>2</td>
<td>0.7</td>
<td>13</td>
<td>5.3</td>
<td>30</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Domestic water supply</td>
<td>2.0</td>
<td>71</td>
<td>0.4</td>
<td>13</td>
<td>0.4</td>
<td>16</td>
<td>2.8</td>
<td>16</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.0</td>
<td>94</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>6</td>
<td>3.2</td>
<td>18</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Project management</td>
<td>3.6</td>
<td>93</td>
<td>-</td>
<td>-</td>
<td>0.3</td>
<td>7</td>
<td>3.9</td>
<td>22</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total project costs</strong></td>
<td><strong>15.6</strong></td>
<td><strong>87</strong></td>
<td><strong>0.5</strong></td>
<td><strong>2.5</strong></td>
<td><strong>1.8</strong></td>
<td><strong>10</strong></td>
<td><strong>17.8</strong></td>
<td><strong>100</strong></td>
<td><strong>1.8</strong></td>
<td></td>
</tr>
</tbody>
</table>

*a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

33. **Procurement.** Goods and services to be financed from the proposed IFAD loan will be procured in accordance with IFAD procurement guidelines. Contracts for the supply of goods and civil works estimated to cost USD 200 000 equivalent or more will be awarded following international competitive bidding procedures. Contracts for the supply of goods and civil works estimated to cost less than USD 200 000 but more than USD 20 000 equivalent will be awarded on the basis of local competitive bidding, in accordance with procedures satisfactory to IFAD. Goods costing USD 20 000 or less will be purchased through local shopping and awarded on the basis of evaluating and comparing bids invited from at least three eligible suppliers in accordance with procedures acceptable to IFAD. Short-term national and international technical assistance will be procured in accordance with the guidelines of the cooperating institution.

34. **Disbursement.** The proposed loan of USD 15.6 million equivalent will be disbursed over seven years for eligible expenditures contained in approved AWP/Bs. To ensure the timely availability of loan funds and to facilitate implementation of the project, the Government will open a special account in United States dollars in an offshore commercial bank acceptable to IFAD. The authorized allocation to the special account will be USD 1.2 million, which is equivalent to the expected semi-annual loan disbursement by the project less the expected direct disbursements. The initial disbursement will be an advance of the authorized allocation to the special account. Subsequent disbursements will be made against statements of expenditure for any payment in respect of contracts for USD 20 000 or less.

35. **Accounts and audit.** All participating implementing agencies responsible for executing project components or activities will keep account of expenditures under their respective project component. Independent project accounts will be kept apart from other (non-project) activities. All project accounts, including the special account, all local accounts and statements of expenditure for each fiscal year will be consolidated and audited in accordance with appropriate auditing principles and practices consistently applied by the Office of the Auditor General. Each year a physical audit will be carried out to confirm the conformity of quantities delivered and used relative to signed contracts.

* See Appendix V for the organizational chart of the project.
F. Organization and Management

36. The Ministry of Planning and National Development – acting as the lead project agency – will be responsible for coordinating project activities at the field level, with specific responsibility for leading the district-level planning process and the subsequent monitoring and reporting process. Responsibility for the execution of individual components will lie with the concerned line ministry. The Ministry of Agriculture and the Ministry of Livestock and Fisheries Development together with the Department of Social Services will be responsible for leading PRA/CAP processes at the sub-location level. The lead project agency will ensure that each implementing ministry has a desk officer to support and facilitate the mechanisms for proposed project implementation, especially in terms of ensuring the release of funds and the return of the statements of expenditure.8

37. A high-level project steering committee (PSC) will be set up for overall policy decisions at the national level. The PSC will be chaired by the permanent secretary of the lead project agency, or its representative, and be composed of permanent secretaries or their representatives of the implementing ministries, a representative from the Ministry of Finance, the Provincial Planning Officer of Nyanza Province, and other co-opted members. The project manager will be an ex officio member of the committee and will serve as its secretary. At the district level the coordination of project activities will be ensured through the establishment of a district project coordination committee as a standing committee of the district development committee. The committee will be composed of all the heads of the implementing departments and will select its own chairman from among its members for a six-month renewable period. Other members of the committee will be the project manager (or his/her representative), the district accountant, representatives of non-governmental organizations, community-based organizations and faith-based organizations from the priority divisions.

G. Economic Justification

38. Benefits. Without the project, the ongoing process of environmental degradation and impoverishment will continue in southern Nyanza. With the project, poor communities will be able to strengthen their capacity to manage their development activities; at the same time, the project will aim to promote a process of social change relative to sociocultural practices affecting agricultural activities and the use of natural resources. Through the community-level participatory processes, women and vulnerable groups are expected to become better informed about their rights under traditional customs so that their access to land resources is more secure.

39. The construction and rehabilitation of health facilities will serve a population of about 500,000 people. The provision of about 250 rural water supply facilities and latrines will benefit an estimated total population of about 110,000 who currently do not have access to safe water. It is expected that about 35,000 vulnerable and poor households (170,000 people) will be able to improve their food security with better nutrition, while an important number will also cultivate some cash crops and raise improved traditional livestock for marketing. HIV/AIDS-affected and infected households will have some improvement in their situation, through the integration of health activities, improved access to safe water and appropriate agricultural activities.

40. Economic Analysis. Since the project is based on a demand-driven approach, it is not possible to determine the type of on-farm activities that will be undertaken. However, a financial and economic analysis has been carried out in a broad illustrative manner. There is certainly good potential for farmers to earn substantially higher returns from agricultural activities with modest improvements in technology and human labour productivity. However, over one half of the project costs are channelled to strengthening socio-economic infrastructure (access to primary health care, clean water and environmental sanitation). On this basis, the project will have an economic rate of return of about 8.4% over 20 years, which would drop to 4% if there were an implementation delay of two years.
H. Risks

41. Risks include the possibility of weak participation by the communities in the planning process. The project is designed to gain the trust and involvement of the communities and their leaders from the start and to generate a sense of ownership in project activities. Training activities and local livelihood forums (LLFs) will be undertaken at the community level so that people do not have to leave their communities. These two measures aim to minimize the risk of weak participation. Some or many community members may be unwilling to change their behaviours which, at present, have adverse impacts on the well-being of their households and the community. The LLFs are meant to build knowledge and consensus, using their own opinion leaders and groups. This approach aims to reduce the risk of unwillingness to change behaviour. Many community development initiatives are constrained by the devastating impact of the HIV epidemic, leaving households with insufficient time and other resources to participate in the development initiatives. To address this risk, project activities have been designed in light of the constraints communities face as a result of HIV/AIDS. Health care activities have been designed to reduce the risk of opportunistic infections and to promote positive living with HIV/AIDS. Economic activities include special measures, such as the promotion of labour-saving technologies and dual-purpose goats. The capacity of district and divisional staff of the implementing ministries to work directly with communities on a regular basis is currently limited, so there is a risk of delay and non-performance. The establishment of an autonomous PMU together with capacity-building measures for district staff should ensure timely and proper implementation of the proposed activities and thus reduce this risk.

I. Environmental Impact

42. The project area is considered sensitive and hence the environmental classification “B” was suggested by the environmental screening and scoping note prepared for the project. While a full environmental assessment was not recommended, a limited environmental analysis showed that human activities linked to agriculture and waste disposal have resulted in dramatic soil erosion, which in turn has led to siltation and pollution of water bodies, including Lake Victoria. The project is not expected to have a negative environmental impact, and will aim to address these issues through a focus on soil and water conservation for agricultural activities and improved environmental sanitation for waste. Through the process of community participatory planning and LLFs, one of the outcomes expected is a better understanding of the consequences of human activities on the environment. Awareness-building will focus on two principal environmental issues that are key to the sustainable livelihoods of the target group: (i) the land degradation process (as a result of inappropriate agricultural practices) and its visible consequences in the project area, such as massive gully and rill erosion with the development of badlands, and an increased silt load in rivers and water bodies; and (ii) the pollution of water sources as a result of poor sanitation and the processes associated with the transmission of water-borne diseases.

J. Innovative Features

43. While IFAD has previously undertaken substantial socio-economic analysis for project design, this is the first IFAD project in the region to be explicitly designed within the Sustainable Livelihoods Framework, and the emphasis on sociocultural issues is a direct outcome of this process. While it has long been recognized that development efforts should be integrated in order to achieve impact, this project aims to put in place local-level community action planning as a mechanism for achieving integration of social investments with economic empowerment activities to address poverty. Under this project, IFAD has started to develop approaches for mainstreaming activities to address transmission and mitigation for HIV/AIDS. This is also the first IFAD project in Kenya that explicitly aims to support local dispute-resolution mechanisms relative to access to land.
PART III – LEGAL INSTRUMENTS AND AUTHORITY

44. 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.

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

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

PART IV – RECOMMENDATION

47. 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 ten million nine hundred thousand Special Drawing Rights (SDR 10,900,000) to mature on or prior to 15 December 2043, with 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.

Lennart Båge
President
1. The Government of the Republic of Kenya (the Government) will ensure that the Ministry of Planning and National Development (the lead project agency) opens, within the 90 days following loan effectiveness, and thereafter maintains at a commercial bank agreed by the Government and IFAD an account denominated in Kenyan shillings for project operations (the project account). The project account is to be protected against set-off, seizure or attachment on terms and conditions proposed by the Government and accepted by IFAD. The Government will also ensure that the district treasury of each project district opens and thereafter maintains at the local branch of the same bank selected for the project account an account in Kenyan shillings for district project operations (the district project account(s)). The PMU will transfer funds from the project account to the district project accounts as required in accordance with the approved AWP/Bs.

2. The Government will make available to the lead project agency counterpart funds from its own resources in an aggregate amount of approximately USD 1,800,000 equivalent, in accordance with its customary national procedures for development assistance. The counterpart funds will cover all taxes incurred under the project and, accordingly, the Government will exempt from taxes the importation, procurement and supply of all goods, civil works and services financed by the loan.

3. The Government will ensure that a deputy district development officer is appointed to each project district within the six months following the date of effectiveness of the loan agreement. The Government will also ensure that, at the district and divisional level, each implementing ministry will post an adequate number of qualified staff to implement the project activities.

4. The Government will ensure that district development officers and the Ministry of Gender, Sports, Culture and Social Services include the following topics in the local livelihoods forums: (i) land rights; (ii) gender issues at the community level, with special emphasis on women’s empowerment for economic activities; (iii) environmental sanitation; (iv) awareness of the impact of human activities on environmental degradation; and (v) HIV/AIDS.

5. To ascertain that the investments in health activities play a catalytic role in community development, the Government will ensure that a health facility management committee is mobilized and trained before initiating the construction and rehabilitation of health facilities.

6. The Government will ensure that the Ministry of Health appoints, upon completion of the newly constructed health facilities, appropriately qualified staff to these facilities from headquarters, rather than reallocating staff from within the districts.

7. In order to ensure rapid intervention by public health services in rural areas, the Government will permanently waive the annual license fees for the radio call communication system and for six outreach vehicles used for public health activities in Suba, Kuria, Rachuonyo and Nyamira Districts.

8. The Government will ensure that the Ministry of Health establishes and registers three voluntary counselling and testing sites in the first six priority divisions selected in the project area within the 12 months following the date of effectiveness of the loan agreement, and in three of the second group of priority divisions by the end of the third project year.
9. The Government will ensure that appropriate water committees are mobilized and trained before initiating the community water supply scheme under the water supply and environmental sanitation component.

10. The Government will ensure that: (i) the district development officers will follow up on community action plans and requested activities for rural roads under the road programme financed by the Swedish International Development Agency and Kreditanstalt für Wiederaufbau in the project districts; and that (ii) the lead project agency and the Ministry of Finance ensure that financing is provided in that road programme for road rehabilitation in the project area.

11. The Government will ensure that the project manager, in collaboration with the monitoring and evaluation (M&E) officer of the PMU, establishes a participatory monitoring and evaluation (M&E) system no later than 12 months after the date of effectiveness of the loan agreement, and that refinements are introduced by the PMU in the light of experience during the first project year. All the technical officers of the PMU will be responsible for monitoring the implementation of project activities within the components under their mandate and ensuring that the data is fed into the participatory M&E system. At the district level, all district project implementation officers will be responsible for monitoring the implementation of project activities and reporting monthly to the PMU.

12. The participatory M&E system will monitor: (i) the financial information of the project; (ii) the regular and systematic recording and reporting of progress against planned project targets; and (iii) the assessment of the impact of project activities on the target group.

13. The Government will ensure that, as from the second project year, the project’s AWP/Bs will be prepared on the basis of community action plans and that the full budgetary amounts contained in the approved AWP/Bs are entered into the Government’s Printed Estimate. The annual budgeting for investments in planning areas will be discussed transparently with local communities by government technical services at local information meetings.

14. In addition to a financial audit, the Government will ensure that its Auditor-General, or other independent auditors satisfactory to IFAD, undertake internal physical audits to ensure conformity with the contracts for the procurement of equipment and materials. The audit reports are to be submitted to the PMU no later than six months after the end of the audited period.

15. The Government will ensure that women are represented in the organization and management of the project. In addition, the Government will give priority to the appointment of qualified women as chiefs and assistant chiefs in the project area and will ensure that qualified women applicants are given priority for district and divisional technical staff posts in the project districts. In implementing the project, the Government will also ensure that gender equity considerations are integrated into all project activities during the project implementation period and that each implementing agency aims at reaching targets established in the participatory M&E system in order to achieve gender balance among project beneficiaries.

16. As part of maintaining sound environmental practices as required by IFAD, the Government will ensure that all implementing agencies maintain appropriate pest management practices under the project and, to that end, the Government will ensure that pesticides procured under the project do not include any pesticide proscribed by either the Food and Agriculture Organization of the United Nations or the World Health Organization.
16. The following are specified as conditions for disbursement of funds from the loan:

(a) the Government has opened the special account; and

(b) the Government has entered the project-related budget estimates for the first project year in its Printed Estimates, based on the AWP/B for project year one as approved by IFAD.

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

(a) a project manager has been recruited and appointed by the lead project agency and approved by IFAD;

(b) the PMU has been established in offices in Homa Bay and at least the project accountant and the M&E officer have been appointed;

(c) the project steering committee has been established;

(d) the loan agreement has been signed, and the signature and performance thereof by the Government has been duly authorized and ratified by all necessary administrative and governmental action; and

(e) a favourable legal opinion, issued by the Government’s Attorney-General or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.
# COUNTRY DATA

## KENYA

<table>
<thead>
<tr>
<th>Land area (km² thousand) 2001 1/</th>
<th>569</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (million) 2001 1/</td>
<td>30.74</td>
</tr>
<tr>
<td>Population density (people per km²) 2001 1/</td>
<td>54</td>
</tr>
<tr>
<td>Local currency</td>
<td>Kenyan Shilling (KES)</td>
</tr>
</tbody>
</table>

### Social Indicators

- Population (average annual population growth rate) 1995-2001 1/ | 2.4 |
- Crude birth rate (per thousand people) 2001 1/ | 35 |
- Crude death rate (per thousand people) 2001 1/ | 15 |
- Infant mortality rate (per thousand live births) 2001 1/ | 78 |
- Life expectancy at birth (years) | 60 |
- Number of rural poor (million) (approximate) 1/ | 14.3 |
- Poor as % of total rural population 1/ | 46.4 |
- Total labour force (million) 2001 1/ | 15.91 |
- Female labour force as % of total 2001 1/ | 46 |

### Education

- School enrolment, primary (% gross) 2001 1/ | 94 a/ |
- Adult illiteracy rate (% age 15 and above) 2001 1/ | 17 |

### Nutrition

- Daily calorie supply per capita, 1997 2/ | 3155 |
- Malnutrition prevalence, height for age (% of children under 5) 2001 3/ | 37 a/ |
- Malnutrition prevalence, weight for age (% of children under 5) 2001 3/ | 23 a/ |

### Health

- Health expenditure, total (as % of GDP) 2001 1/ | 8 a/ |
- Physicians (per thousand people) 2001 1/ | n/a |
- Population using improved water sources (%) 2000 3/ | 57 |
- Population with access to essential drugs (%)1999 3/ | 0.49 |
- Population using adequate sanitation facilities (%) 2000 3/ | 87 |

### Agriculture and Food

- Food imports (% of merchandise imports) 2001 1/ | 14 a/ |
- Fertilizer consumption (hundreds of grams per ha of arable land) 2001 1/ | 353 a/ |
- Food production index (1989-91=100) 2001 1/ | 106 |
- Cereal yield (kg per ha) 2001 1/ | 1662 |

### Land Use

- Arable land as % of land area 2000 1/ | 7 |
- Forest area as % of total land area 2000 1/ | 30 |
- Irrigated land as % of cropland 2000 1/ | 2 |

### Economic Indicators

- GNI per capita (USD) 2001 1/ | 350 |
- GDP per capita growth (annual %) 2001 1/ | -1.0 |
- Inflation, consumer prices (annual %) 2001 1/ | 6 |
- Exchange rate: USD 1 = KES 75 |

### Government Finance

- Overall budget deficit (including grants) (as % of GDP) 1999 1/ | 1a/ |
- Total expenditure (% of GDP) 1999 1/ | 26 a/ |
- Total external debt (USD million) 2001 1/ | 5833 |
- Present value of debt (as % of GNI) 2001 1/ | 39 |
- Total debt service (% of exports of goods and services) 2001 1/ | 15 |
- Lending interest rate (% 2001 1/ | 20 |
- Deposit interest rate (% 2001 1/ | 7 |

---

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* CD ROM 2003
## PREVIOUS IFAD FINANCING IN KENYA

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Project Type</th>
<th>Initiating Institution</th>
<th>Cooperating Institution</th>
<th>Approval Date</th>
<th>Loan Effectiveness</th>
<th>Current Closing Date</th>
<th>Loan/Grant Acronym</th>
<th>Approved Amount (SDR)</th>
<th>Disbursed Amount (SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National Programmes co-financed with the World Bank</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Integrated Agricultural Development Project</td>
<td>Agricultural</td>
<td>WB/ IDA</td>
<td>WB/ IDA</td>
<td>18 Dec 79</td>
<td>19 Jun 80</td>
<td>30 Jun 90</td>
<td>L-I-25-KE</td>
<td>13 000 000</td>
<td>15%</td>
</tr>
<tr>
<td>National Extension Project</td>
<td>Research/Ext</td>
<td>WB/ IDA</td>
<td>WB/ IDA</td>
<td>13 Sep 83</td>
<td>22 Dec 83</td>
<td>30 Jun 91</td>
<td>L-I-132-KE</td>
<td>5 600 000</td>
<td>83%</td>
</tr>
<tr>
<td>Animal Health Services Rehabilitation Programme</td>
<td>Livestock</td>
<td>IFAD</td>
<td>WB/ IDA</td>
<td>30 Apr 86</td>
<td>02 Dec 87</td>
<td>31 Dec 93</td>
<td>L-I-188-KE</td>
<td>7 050 000</td>
<td>84%</td>
</tr>
<tr>
<td>Second National Agricultural Extension Project</td>
<td>Research/Ext</td>
<td>WB/ IDA</td>
<td>WB/ IDA</td>
<td>11 Sep 96</td>
<td>29 Nov 96</td>
<td>31 Mar 98</td>
<td>L-I-422-KE</td>
<td>6 400 000</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Area-Based Programmes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Central Province</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Kenya Dry Area Smallholder and Community Services Development Project</td>
<td>Agric. Dev.</td>
<td>IFAD</td>
<td>UNOPS</td>
<td>07 Dec 00</td>
<td>01 Jul 01</td>
<td>31 Mar 09</td>
<td>L-I-547-KE</td>
<td>8 450 000</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Coast</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kwale and Kilifi District Development Project</td>
<td>Agr’l Dev</td>
<td>IFAD</td>
<td>WB/ IDA</td>
<td>25 Apr 89</td>
<td>13 Mar 90</td>
<td>30 Jun 96</td>
<td>L-I-238-KE</td>
<td>6 200 000</td>
<td>45%</td>
</tr>
<tr>
<td>Coast Arid and Semi-Arid Lands Development Project</td>
<td>Agric. Dev.</td>
<td>IFAD</td>
<td>UNOPS</td>
<td>12 Dec 90</td>
<td>09 Jul 92</td>
<td>30 Jun 00</td>
<td>L-S-27-KE</td>
<td>11 000 000</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Eastern Province</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Province Horticulture and Traditional Food Crops Project</td>
<td>Agric.Dev.</td>
<td>ADB</td>
<td>UNOPS</td>
<td>02 Dec 93</td>
<td>14 Jul 94</td>
<td>30 Jun 06</td>
<td>L-S-39-KE</td>
<td>7 900 000</td>
<td>24%</td>
</tr>
<tr>
<td>Mount Kenya East Pilot Project for Natural Resource Management</td>
<td>IFAD</td>
<td>UNOPS</td>
<td>11 Dec 02</td>
<td></td>
<td></td>
<td></td>
<td>L-I- 599-KE</td>
<td>12700 000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Western Province</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers’ Groups and Community Support Project</td>
<td>Rural Dev.</td>
<td>IFAD</td>
<td>UNOPS</td>
<td>11 Dec 90</td>
<td>18 Oct 91</td>
<td>31 Dec 96</td>
<td>L-I-271-KE</td>
<td>4 550 000</td>
<td>22%</td>
</tr>
<tr>
<td>Western Kenya District-Based Agricultural Development Project</td>
<td>Research/Ext</td>
<td>IFAD</td>
<td>UNOPS</td>
<td>05 Dec 94</td>
<td>27 Jun 95</td>
<td>31 Dec 00</td>
<td>L-I-366-KE</td>
<td>7 950 000</td>
<td>15%</td>
</tr>
</tbody>
</table>
## LOGICAL FRAMEWORK

<table>
<thead>
<tr>
<th>Narrative Summary</th>
<th>Objectively Verifiable Indicators</th>
<th>Means of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal (Overall Objective)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| To contribute to poverty reduction and improved livelihoods of communities in the proposed project area | • Reduction in poverty in targeted divisions  
• Reduction in risk of food insecurity  
• Better human health  
• Improved household income | • Representative households survey baseline, midterm review and completion evaluation (gender-disaggregated)  
• GOK welfare monitoring surveys and annual economic survey | • GOK adherence to and gradual implementation of PRSP objectives  
• Improved local-level governance |
| **Project Purpose (Intermediate Objective)**  |  |  |  |
| To enhance gender empowerment of rural communities in the project area through improved human health and more rational use and management of natural resources for sustainable livelihood activities | • Better organization and integration of development activities at the local level  
• Progress in arresting erosion from agricultural lands; lower sediment loads in rivers, raised crop and livestock productivity  
• Increased women’s participation in local committees and economic interest groups  
• Reduced prevalence of underweight children (under 5 years)  
• Secured and recognized access and use of land by vulnerable groups | • Representative households survey baseline, midterm review and completion evaluation (gender-disaggregated)  
• Baseline environmental assessment compared  
• PMU progress and annual reports and reports of technical implementing officers (including M&E and training reports) | • Supportive national and local policy framework for decentralized development  
• Government funding available at district and division level for development activities |
| **Results/Outputs (Specific Objectives)**  |  |  |  |
| **Result 1.** Improved local-level governance capacity and community-driven processes for local development, with vulnerable groups’/women’s access and use of productive resources enhanced | • Community Committees established/strengthened and Government Technical Services better able to support development processes  
• Proportion of 1 year old children immunized against measles  
• Proportion of population with sustainable access to an improved water source and proper hand washing behaviour  
• Vulnerable households and very poor farmers able to carry out agricultural and other livelihood activities  
• Higher food crop and livestock yields, and households engaging in income generating activities  
• Less visible soil erosion through on and off-farm conservation activities, improved environmental awareness and strengthened community capacity to manage natural resources | • Representative households survey baseline, midterm review and completion evaluation (gender-disaggregated)  
• PMU reports and annual reports and reports of technical implementing officers (including M&E and training reports)  
• Reports from National AIDS and STDs Control Programme (NASCOP) (registered voluntary counselling and testing sites) | • Communities motivated to form management committees and prepare Community Action Plans (CAPs)  
• Raised understanding about cultural practices and gender imbalances to promote sustainable behaviour change to improve human health, nutrition and environmental sanitation and decrease incidence of HIV/AIDS and mitigate its impact  
• Favourable weather conditions  
• Communities and individuals have better understanding of environmental issues and implemented appropriate measures |
| **Result 2.** Gender-balanced access to essential primary health care services, sustainable access to safe domestic water and improved environmental sanitation and hygiene practices |  |  |  |
| **Result 3.** Better on-farm labour productivity and strengthened human capacity, with improved food security and livelihood activities for the target groups |  |  |  |
| **Result 4.** Improved community awareness between social behaviours and their consequences e.g., vulnerability to HIV/AIDS, poor crop husbandry and human sanitation leading to environmental degradation |  |  |  |
FLOW OF FUNDS

Legends
- Payments
- Withdrawal Applications
- Certificates of Expenditures

IFAD

Cooperating Institution

Ministry of Finance

Ministry of Finance

Commercial Bank
Special Account (USD)

Central Bank of Kenya
Exchequer Account (Ksh)

Lead Project Agency
PMU in Homa Bay

Commercial Bank
PMU’s Account (Ksh)

District Administrations

Commercial Banks
District Project Accounts (Ksh)

Expenditure in Support of Project Operations
PROJECT ORGANIZATION CHART

PROJECT STEERING COMMITTEE (PSC)

MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT (MoPND)

PROJECT MANAGEMENT UNIT (PMU)

BIOMA BAY
PM - Project Manager

PSC MEMBERSHIP
1. Ministry of Planning and National Development, Chair
2. Ministry of Finance
3. Ministry of Agriculture
4. Ministry of Livestock and Fishery Development
5. Ministry of Health
6. Ministry of Gender, Sports, Culture and Social Services (Department of Social Services)
7. Ministry of Water Resources Management and Development
8. Provincial Planning Officer (PC Nyanza Province)
9. Other co-opted

LEGEND
AO - Agricultural Officer (PMU)
CBOs - Community-Based Organizations
CDO - Community Development Officer (PMU)
DA - District Accountant
DAO - District/Division Agriculture Officer
DDO - District Development Officer
DECO - District Environment Coordination Officer
DLPO - District/Division Livestock Production Officer
DMOH - District Medical Officer Health
DSDO - District Social Development Officer
PA - Planning Area

DWO - District Water Officer
FBOs - Faith-Based Organizations
HO - Health Officer (PMU)
LO - Liaison Officer (PMU)
M&EO - Monitoring and Evaluation Officer (PMU)
NGOs - Non-Government Organizations
PACC - Project Accountant (PMU)
PO - Procurement Officer (PMU)
RFO - Rural Finance Officer (PMU)
WRO - Water Resource Officer (PMU)

MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT (MoPND)

PLANNING AREAS COMMUNITIES