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## **Republic of Kenya**

### **Country strategic opportunities programme**

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For: **Review**

## **Note to Executive Board Directors**

This document is submitted for review by the Executive Board.

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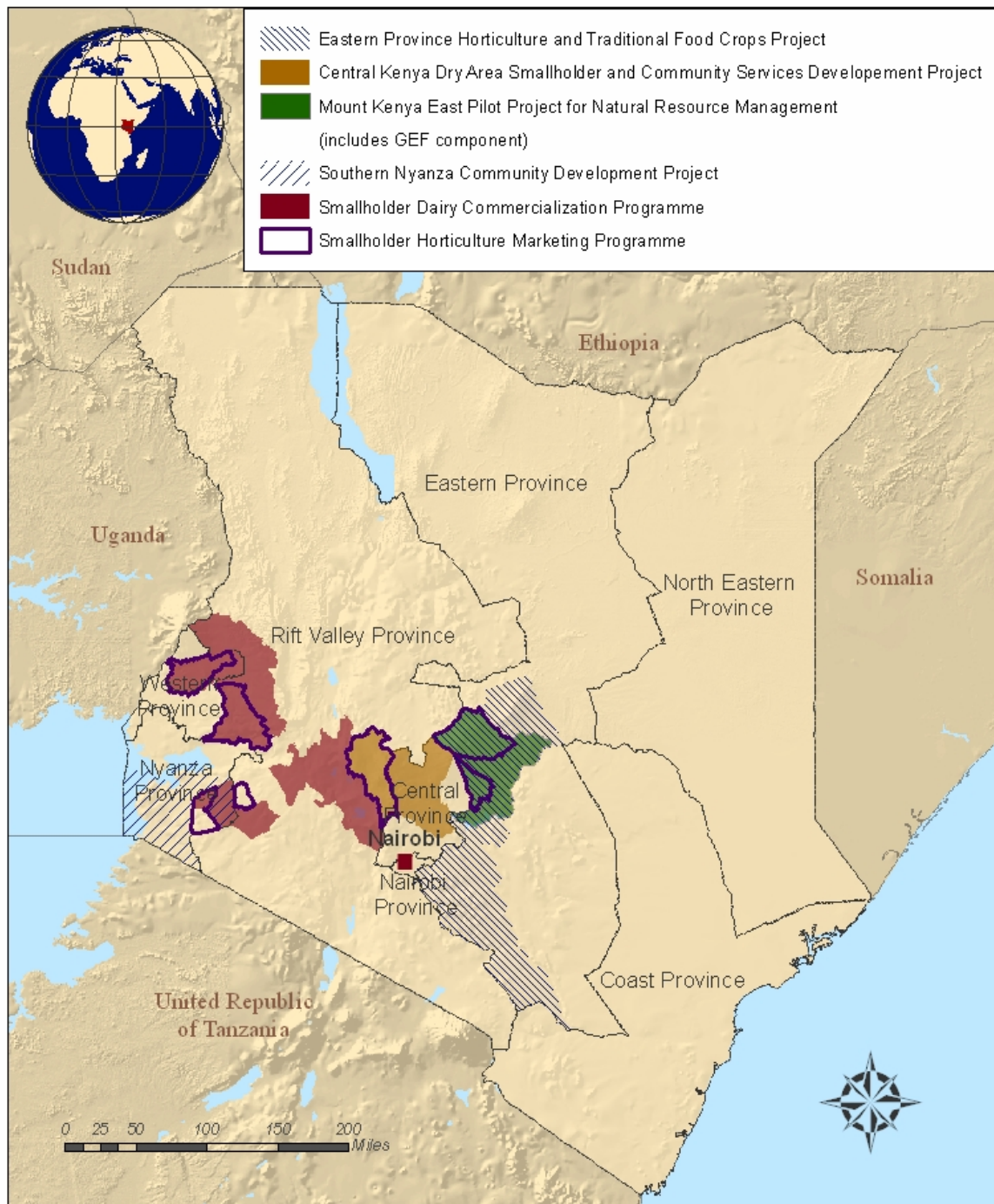
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## Abbreviations and acronyms

ASAL	arid and semi-arid lands
CAP	community action plan
CKDAP	Central Kenya Dry Area Smallholder and Community Services Development Project
COSOP	country strategic opportunities programme
EPHTFCP	Eastern Province Horticulture and Traditional Food Crops Project
ERS	Economic Recovery Strategy for Wealth and Employment Creation
KJAS	Kenya Joint Assistance Strategy
KWFT	Kenya Women's Finance Trust
M&E	monitoring and evaluation
MKEPP	Mount Kenya East Pilot Project for Natural Resource Management
PMU	project management unit
SDCP	Smallholder Dairy Commercialization Programme
SHoMaP	Smallholder Horticulture Marketing Programme
SNCDP	Southern Nyanza Community Development Project
SRA	Strategy for Revitalization of Agriculture

# Map of IFAD operations in the country

## Kenya



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

## Summary of country strategy

1. The second country strategic opportunities programme (COSOP) for Kenya occurs within the framework of the Kenya Joint Assistance Strategy. The strategy is governed by the partnership principles agreement to be signed by the Government of Kenya and its development partners during the second half of 2007. IFAD will provide support to Kenya within the framework of this multi-donor strategy. Although IFAD support is channelled largely through the Government system, liberalization has enhanced the role of the private sector and civil society in agriculture. This is acknowledged in the Strategy for Revitalization of Agriculture (SRA), a key strategic document that outlines how the Government's poverty reduction strategy will be implemented in agriculture and the rural development sector. The COSOP will run from 2007 to 2012.
2. The implementation of integrated multisectoral projects and the focus on diversification, intensification, commercialization and value addition in the agricultural and livestock sectors are therefore central elements under the new COSOP. The core target group consists of poor smallholder farmers, agropastoralists and pastoralists. These people face many constraints. Special targeting measures will be employed to deliver benefits to the vulnerable, including the landless or near-landless, youth and woman-headed households.
3. Three COSOP strategic objectives have been defined and aligned with key strategic documents, as follows:
  - **Strategic objective 1: Improving the delivery of services to the rural poor by strengthening the capacity of public-sector, private-sector and civil society organizations** (*anchored in SRA strategic objective 3 and arid and semi-arid lands policy objective 2*). Achieving this strategic objective will improve service delivery to the rural poor by players inside and outside the Government and by community-based organizations, and it will enhance the level and quality of community involvement in the planning, implementation, monitoring and evaluation of projects. This will lead to better performance of local institutions and greater sustainability of project interventions, as well as better service delivery.
  - **Strategic objective 2: Increasing incomes among the rural poor through improved access to and utilization of appropriate technologies, markets and community-owned productive and social rural infrastructure** (*anchored in SRA strategic objectives 2, 3 and 6*). Market-oriented production is a key avenue out of poverty. Value adding and reductions in market inefficiencies will make important contributions in this respect. Upgrading existing rural infrastructure, developing new, mainly community-owned productive rural infrastructure and investments in social infrastructure development are necessary if productive and market infrastructure is to be improved.
  - **Strategic objective 3: Increased investment opportunities for the rural poor through improved access to rural financial services** (*anchored in SRA strategic objective 4 and arid and semi-arid lands policy objective 6*). Much training and technology and market development have taken place without local adoption of the changes because farmers are unable to make the necessary investments. Access to financial services by the rural poor will enhance improved and increased adoption of new technologies and the proliferation of rural enterprises that may contribute to higher incomes for the rural poor.
4. These objectives will be pursued through ongoing operations in Kenya, as well as new programmes that will be initiated during the COSOP period. IFAD will disburse about US\$62 million under these ongoing operations during the five years of the COSOP.

# Republic of Kenya

## Country strategic opportunities programme

### I. Introduction

1. This second country strategic opportunities programme (COSOP) for Kenya comes into effect following the expiration of the first COSOP, in June 2007, and the drafting of the Kenya Joint Assistance Strategy (KJAS). IFAD is a partner in the KJAS and will provide support to Kenya within the framework of this multidonor strategy. The second COSOP was prepared in parallel with the KJAS. It reflects IFAD's specific experience and comparative advantage in the country and will be the focus of IFAD support within the general context of the KJAS. The KJAS and the COSOP will run from 2007 to 2012.
2. The preparation of the COSOP has been integrated with the preparation of the KJAS.<sup>1</sup> IFAD representatives attended meetings of the agriculture and rural development donors group that included consultations on the sections of the KJAS relevant to agriculture. In addition, IFAD representatives also attended meetings of the Harmonization, Alignment and Coordination Group, which has taken the lead in the development of the KJAS. The KJAS preparatory team visited Uganda and the United Republic of Tanzania to share experiences with counterparts with a view to incorporating lessons from these two countries into the KJAS and the COSOP preparation process.
3. There were likewise separate interactions with the Government on issues specific to IFAD. This effort was led by the External Resources Department of the Ministry of Finance. It included reviews of the results, strengths and weaknesses of the previous COSOP, discussions on IFAD's comparative advantages in Kenya and the identification of the priority areas and strategic objectives of IFAD within the context of Government strategy documents and the KJAS. These steps were carried out through a small number of consultative meetings with an initial country programme management team, consisting of representatives of various Government ministries, and a two-day strategic planning workshop.

### II. Country context

#### A. Economic, agricultural and rural poverty context

##### Country economic background

4. Located along the coast of East Africa and straddling the equator, Kenya has a land area of 581,700 km<sup>2</sup> and an estimated population of 35.5 million people (2004).<sup>2</sup> The population has more than tripled over the past 30 years, greatly increasing the pressure on the country's resources, and population growth is currently about 2.8 per cent per year. The average population density is nearly 60 persons per km<sup>2</sup>, but about 70 per cent of the people are living in medium-high-potential areas in the centre and west of the country, where the population density may be more than 10 times the national average. Arid and semi-arid lands make up more than 80 per cent of the country's land mass and are home to more than 30 per cent of the population. Nearly half the country's livestock are found in these areas. As the most stable and advanced of the East African economies, Kenya plays a key role in economic development and the maintenance of stability in the Horn of Africa. It has been a multiparty democracy since 1991 and is preparing for the next national elections, scheduled for December 2007.

<sup>1</sup> See appendix I, COSOP consultation process.

<sup>2</sup> For a summary of economic and social indicators, see appendix II, Country economic background.

5. The Kenyan economy is mixed and has a strong private sector. Per capita gross national income was estimated at US\$480 in 2004. The new Government elected in 2002 placed economic recovery high on the agenda, and annual per capita GDP growth in excess of 4 per cent has been achieved in recent years, while inflation has averaged about 8 per cent per year. The economy clearly faces many challenges, including delays in privatization, high lending rates, corruption, insecurity, poor infrastructure and the vagaries of the climate.
6. In the past, Kenya has been criticized by local and international observers for poor management of public funds and international accounts. However, the situation has been improving in the last five years. Kenya is classified as poor in terms of average per capita income, and the country's total outstanding external debt is about US\$6.8 billion (2004), representing 34 per cent of gross national income. Official development assistance to Kenya represents only about 5 per cent of the Government budget.

### **Agriculture and rural poverty**

7. The rural economy, particularly agricultural production, is of primary importance to the livelihoods of most Kenyans. The population is predominantly rural (80 per cent), and the majority of households (70 per cent) rely directly on the agricultural sector for their livelihoods. Agriculture directly contributes 27 per cent to Kenya's GDP and is estimated to account for 60 per cent of total exports and 45 per cent of Government revenue. Kenya already has a relatively advanced and diversified agricultural sector, including well-established export commodities such as tea, horticulture, coffee and pyrethrum, and a highly developed dairy subsector. However, overall performance in the sector was poor during the 1990s, with average annual growth rates of 0.4 per cent during 1990-1995 and 1.1 per cent during 1996-2000. In recent years, the sector has seen some improvement. There was an increasing annual growth trend in agricultural GDP during 2001-2005, with an average annual growth rate of 3.7 per cent. The livestock subsector in arid and semi-arid areas accounts for 90 per cent of employment and 95 per cent of household income among pastoralists and contributes roughly 5 per cent of GDP.
8. The majority of Kenya's smallholders are market-oriented. It is estimated that as many as 80 per cent of all rural households sell some crops, although the degree of commercialization may range from less than 10 per cent in relatively low-potential districts to 80 per cent in high-potential districts.<sup>3</sup> Five broad categories of rural smallholders may be identified. These are (a) commercially oriented smallholders, (b) semi-subsistence smallholders, (c) subsistence smallholders, (d) agropastoralists, and (e) pastoralists.
9. Arid and semi-arid lands host about 70 per cent of the national livestock population, with an estimated value of about KES 70 billion. They are also home to over 90 per cent of wild game, which helps support the tourist industry. Pastoralism provides direct employment and livelihoods to over 3 million Kenyans. Arid and semi-arid lands represent an enormous potential for irrigation development and mineral exploitation. In addition, the symbiotic interaction between wildlife and pastoralism, coupled with the rich cultural heritage of pastoral and agropastoral communities, is a major tourist attraction. Although there is great potential for the development of the arid and semi-arid lands in Kenya, droughts and conflict still significantly affect lives and livelihoods in these areas. Losses and wastage of the livestock resource through disease, death and theft continues. In addition, rising population because of migration from medium-high-potential areas and the declining natural resource base pose a great challenge for the sustainability of livelihoods in arid and semi-arid lands.

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<sup>3</sup> Commercialization represents the value of all produce sold by households as a share of the value of total production during a year.



10. The country has several environmental problems, including severe land degradation, water scarcity, drought and floods, and a weak institutional capacity to implement environmental plans and commitments to enable appropriate responses to climate change.
11. Nearly half the rural population is living below the poverty line, and 85 per cent of all poor people are living in rural areas. About 6.5 million people are considered among the extreme poor, meaning that they would be chronically food insecure even if they were to forgo all non-food expenditures. Kenyan society is characterized by wide income disparities; the poorest 20 per cent of the rural population receives only 3.5 per cent of rural income. Rising infant mortality and maternal mortality rates reflect the declining national health status. The rapid spread of HIV/AIDS poses grave health problems and has negative macroeconomic consequences through the reduction in savings and the decline in labour productivity.
12. The majority of the rural poor are living in medium-high-potential areas, which cover only about 20 per cent of the country; the arid and semi-arid lands show the lowest development indicators and the highest incidence of poverty. The causes of poverty include low agricultural productivity and poor marketing; insecurity, leading to losses of property; unemployment and low wages; lack of capital to facilitate self-employment; poor governance; land issues; bad roads; the high cost of health services and education; and HIV/AIDS, which is negatively affecting the most productive segment of the population. Women are more vulnerable to poverty relative to men because of their unequal access to social services and economic assets.

## **B. Policy, strategy and institutional context**

### **National institutional context<sup>4</sup>**

13. The agricultural and rural development sector is dominated by the Ministry of Agriculture, the Ministry of Livestock and Fisheries Development, the Ministry of Co-operative Development and Marketing, the Ministry of Water and Irrigation, the Ministry of Planning and National Development and the Ministry of Gender, Sports, Culture and Social Services. Other public entities responsible for critical resources that directly affect the sector include the Ministry of Lands, the Ministry of Environment and Natural Resources and the Office of the President, which is responsible for special programmes in arid and semi-arid lands.
14. Liberalization, coupled with public-sector reform, has enhanced the role of the private sector in rural development. The Government is therefore increasingly using contracted external service providers and public-private partnerships to implement projects. This is especially true of the latest IFAD programmes, the Smallholder Dairy Commercialization Programme (SDCP) and the Smallholder Horticulture Marketing Programme (SHoMaP), which are focused on agricultural marketing.
15. Civil society organizations are of considerable importance in Kenya. These organizations include international and national NGOs, cooperative societies, farmer representative organizations, commodity organizations, industry representative bodies and research institutions (see key file 2 for more information). There are also numerous faith-based organizations and community-based organizations such as women's groups and savings and credit groups. IFAD has provided grant support to a variety of organizations. The support has been aimed at introducing and testing new technologies and approaches on a pilot basis. In addition, there are over 20 public and private universities across the country. These provide a range of services, especially in rural development, and have a potential role in IFAD-funded projects.

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<sup>4</sup> Also see key file 2, Organization matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis).

### **National rural poverty reduction strategy**

16. For the purposes of IFAD's COSOP, the poverty reduction strategy for Kenya is captured in five key documents: the poverty reduction strategy paper, 2001-2004; the Economic Recovery Strategy for Wealth and Employment Creation (ERS), 2003-2007; Vision 2030; the Strategy for Revitalization of Agriculture (SRA), 2004-2014; and the National Policy for Sustainable Development of Arid and Semi-Arid Lands.
17. The poverty reduction strategy paper (2001) outlines national priorities for poverty reduction and economic growth. Launched in 2003, ERS draws heavily on the poverty reduction strategy paper and has a strong equity and poverty reduction focus that is of special importance to IFAD. Building on ERS, which ends in 2007, Vision 2030 was launched in May 2007. It aims to maintain a sustained economic growth rate of over 10 per cent per annum over the next 25 years, while achieving a cohesive society and a results-oriented and accountable democratic political system.
18. SRA, developed jointly by the Ministry of Agriculture, the Ministry of Livestock and Fisheries Development and the National Policy for Sustainable Development of Arid and Semi-Arid Lands, is important for IFAD. It outlines how the national poverty strategy will be implemented in the agriculture and rural development sector. An agricultural sector coordination unit and thematic working groups have been established to guide the implementation of SRA and interagency coordination.

### **Harmonization and alignment**

19. Development partners in Kenya have attempted to harmonize their activities more effectively in recent years. The high-level donor coordination group meets monthly to discuss economic, political and social developments. In 2005, the Harmonization, Alignment and Coordination Group was established to serve as the secretariat to the donor coordination group and advance the harmonization agenda. United Nations agencies in Kenya coordinate their activities through the United Nations Development Assistance Framework (2004-2008). Some 17 donor groups have been established, and development partners are increasingly coordinating and sharing analysis, advice, appraisals, reviews, fiduciary assessments and rules on accountability. Though it has no country presence, IFAD participates in the agriculture, environment and private-sector donor groups as much as possible.
20. Coordinated support through sector-wide approaches exists or is under preparation in several sectors, including governance, justice and law and order; education; health; public financial management; water; and roads. The development partners have adopted joint financing arrangements to support institutions such as the National Environment Management Authority and Agricultural Sector Coordination Unit, including IFAD support for the latter through SHoMaP. Coordination in the agricultural sector will be governed by the partnership principles agreement between the development partners and the Government.
21. The KJAS, which has been developed in close collaboration with the Government, specifies the ways in which development partners will support the Government's efforts to achieve the Millennium Development Goals by drawing on each partner's comparative advantage.<sup>5</sup> A major characteristic of the strategy is the emphasis on partnership with the Government among the development partners and with non-State actors. This COSOP was prepared in parallel with the KJAS, and IFAD is a partner in the KJAS.

## **III. Lessons from IFAD's experience in the country**

### **A. Past results, impact and performance**

22. Poor project performance, weak management and the lack of appropriate financial accountability, including lack of audits, resulted in the suspension of IFAD's entire portfolio in Kenya in 1995. The first new operation in Kenya, the Central Kenya Dry

<sup>5</sup> Also see key file 3, Complementary donor initiative/partnership potential.

Area Smallholder and Community Services Development Project (CKDAP), became operational in mid-2001 and was followed by three other projects developed during the period of the first COSOP: the Mount Kenya East Pilot Project for Natural Resource Management (MKEPP), 2004; the Southern Nyanza Community Development Project (SNCDP), 2004; and SDCP, 2006. Another programme, SHoMaP, was formulated during the last year of the first COSOP. Thus, the 2002-2007 COSOP represents primarily a period of re-engagement and portfolio development by IFAD in Kenya. The results over the past five years must be seen in this context.

23. Disbursements through the operational projects during the first COSOP amounted to US\$26 million, consisting of US\$22.3 million in IFAD loans and US\$3.7 million in a grant from the Belgian Survival Fund. Decentralized project management units (PMUs) have played an important part in improving implementation performance. Financial management and the flow of funds have improved especially because of the introduction of rolling audits carried out by PricewaterhouseCoopers in all projects and paid for through loan funds. After identifying weaknesses in the system, PricewaterhouseCoopers will ensure capacity enhancement at the project level as part of the second phase of its engagement and also as an exit strategy for the rolling audits and especially at the district level. The outsourcing of services has added value and improved efficiency. Staff training and the introduction of a focal development area approach have improved poverty targeting and the participation of communities.<sup>6</sup>
24. A review of the performance of the portfolio and of cumulative project outputs is presented in appendix IV.<sup>7</sup> The total cumulative number of beneficiaries of the combined projects to date is estimated at nearly 250,000 people.<sup>8</sup> These figures are preliminary based on progress reports and internal project evaluation reports and will be verified through impact assessments that will be carried out during the COSOP period.
25. According to Results and Impact Management System reports on ongoing programmes, as well as the draft midterm review of CKDAP, these outputs have led to the improved availability of safe water and more efficient water use in project areas. Moreover, in the new programmes (SNCDP and MKEPP), improved health status due to immunization, safe water and better health services is anticipated and will be verified at midterm review. Information on the impact of the Eastern Province Horticulture and Traditional Food Crops Project (EPHTFCP) will be available in 2007 through the project completion report. As indicated in table 1, appendix IV, farmers in project areas are choosing better enterprises and are using more inputs partly due to the increased availability of farm inputs from local stockists. This is resulting in production increases among crop and livestock enterprises. Progress and supervision mission reports indicate a shift towards diversified high-value and drought tolerant crop production with more market orientation.
26. IFAD grants have supported a number of successful pilot initiatives by NGOs and international organizations. These include the following:
  - The Kenya Women's Finance Trust (KWFT)
  - The Co-operative for Assistance and Relief Everywhere
  - The African Medical and Research Foundation
  - The Kenya National Federation of Agricultural Producers
  - World Vision International and PRIDE Kenya

<sup>6</sup> For more details on issues identified in 2001 and actions undertaken through COSOP 2002-2007, see appendix IV.

<sup>7</sup> The full physical progress table with aggregate results for the four operational projects is presented in appendix IV.

<sup>8</sup> People who have received at least one project service, be it access to an improved health facility, becoming a member of a water project, participating in a training course or demonstration, or any other intervention.

- International research centres based in Nairobi, such as the World Agroforestry Centre
- International organizations such as the Food and Agriculture Organization of the United Nations

## **B. Lessons learned**

27. Building on the findings of the country portfolio review of 1995 and subsequent activities, an assessment in 2001 of the experience with IFAD-supported projects identified a series of technical, financial and organizational issues across the portfolio.<sup>9</sup> IFAD has engaged in extensive policy dialogue with the Government about improving the mechanisms for the flow of funds, project management, auditing arrangements and the follow-up to supervision recommendations. The country programme evaluation for Kenya is planned for 2008/2009.
28. A need has been identified for more simple and focused project designs, involving a minimum number of ministries. Consequently, the last two additions to the portfolio have a specific focus (agricultural marketing), and each deals with one specific subsector (dairy and horticulture) and, hence, with one line ministry. A narrower geographical focus has been attained through the introduction of a focal area approach within districts, whereby activities and resources are concentrated over two or three years.
29. An operational review of three ongoing IFAD projects during 2006/2007 confirms that progress has been made in improving implementation performance, but also indicates a number of areas where work is needed. These areas of concern include the following: (a) IFAD projects are a low priority among line ministries when these ministries are not the lead ministries for a project under the Government's new system of staff performance contracts; (b) the need to improve community ownership of projects; (c) the need to explore direct funding for communities or groups; and (d) targeting mechanisms should move beyond geographical targeting to ensure that benefits reach some of the most vulnerable and excluded groups. These issues will be given attention by project management under the new COSOP, with technical backstopping from IFAD.

## **IV. IFAD country strategic framework**

### **A. IFAD's comparative advantage at the country level**

30. IFAD has invested in improving financial and management systems in recent years to promote transparency, the alignment with Government policy and harmonization among activities. An important aspect of all interventions has been the ability to assign substantial resources for capacity-building among producers and their organizations, but also for private-sector service providers and Government staff.
31. The portfolio of projects and programmes in Kenya has evolved in two directions over the past five years. First, IFAD has gained experience in area-based, multisectoral projects that recognize agriculture as the main engine for growth and poverty reduction, but also address other needs under parallel components. This has been facilitated partly by grant cofinancing from the Belgian Survival Fund and the Global Environment Facility. The broad support through such projects has made it possible to respond to the varied needs identified by communities using participatory approaches. It has also strengthened the poverty focus by improving social and economic infrastructure and services that benefit entire communities, including the poorest. While the next COSOP period will include the implementation of three area-based multisectoral projects, two new single-sector projects have been designed and will be implemented during this COSOP. The lessons learned through these latter projects will help inform the design of future IFAD-supported programmes and feed

<sup>9</sup> For more details, see table 2 in appendix IV, Previous COSOP results management framework.

into the intended shift by the Government and its development partners towards sector-wide approaches. This will also facilitate the merging of PMUs, monitoring and evaluation (M&E) and financial management systems into Government structures.

## B. Strategic objectives

32. A COSOP design workshop was held that included detailed analysis of the objectives and areas of intervention under ongoing and planned operations in order to arrive at appropriate strategic objectives. These objectives are aligned with key Government policy documents and the KJAS. The KJAS, in particular, identifies support for the six priority areas of SRA as key to donor support for the sector, and this has been given due consideration in the definition of three strategic objectives, which are presented below.<sup>10</sup> The threads that bind all IFAD investments in Kenya are intensification, diversification, commercialization and adding value in the production system.
33. **Strategic objective 1: Improving the delivery of services to the rural poor by strengthening the capacity of public-sector, private-sector and civil society organizations.** The need to strengthen the capacity of farmer organizations to take on an increasingly important role in local development initiatives is emphasized in SRA<sup>11</sup> and the National Policy for Sustainable Development of Arid and Semi-Arid Lands.<sup>12</sup>
34. Continued staff and community training will be carried out to ensure more inclusive community participation, while new approaches will be introduced to achieve a higher degree of involvement in activities other than planning, which may include written implementation agreements, joint management committees, the direct funding of local groups and initiatives, and community-based progress in M&E. Capacity-building under this strategic objective will target Government staff at the district and lower levels, regulatory bodies, private-sector service providers such as stockists and traders, and community-based organizations. Under this objective, the country programme management team will develop a strategy building on the positive lessons learned through SNCDP and other relevant initiatives to address the negative impact of HIV/AIDS on the country programme. Such lessons will be mainstreamed into project activities within the country.
35. **Strategic objective 2: Increasing incomes among the rural poor through improved access to and utilization of appropriate technologies, markets and community-owned productive and rural social infrastructure.** This objective is at the heart of ERS and SRA,<sup>13</sup> the arid and semi-arid land policy<sup>14</sup> and the focus on increased productivity and commercialization in smallholder agriculture and livestock production in arid and semi-arid lands. It is also in line with IFAD's aim to enhance the access of the rural poor to improved agricultural technologies and effective production services, as well as transparent and competitive agricultural input and produce markets. In addition, the access to and sustainable use of natural resources, including land and water, will be given special attention under this objective.
36. While the issue of improving production technologies is important, the IFAD portfolio will also focus on the access to and the efficiency of markets and the provision of rural financial services to the poor. This is especially the case under the latest programmes to become operational (SDCP and SHoMaP) and the programme in the pipeline (a rural finance programme). The importance of improved agricultural input and produce markets and the sustainable use of natural resources, especially water,

<sup>10</sup> Also see appendix III, COSOP results management framework.

<sup>11</sup> SRA priority area 2, improving research and extension services, and priority area 3, restructuring and privatizing non-core functions of Government.

<sup>12</sup> National Policy for Sustainable Development of Arid and Semi-Arid Lands, priority area 2, reducing reliance on livestock through human social development.

<sup>13</sup> SRA priority area 2, improving research and extension services; priority area 3, restructuring and privatizing non-core functions of Government; and priority area 6, strengthening access to markets.

<sup>14</sup> National Policy for Sustainable Development of Arid and Semi-Arid Lands, priority area 5, improving markets and providing social services to mobile pastoralists.

are reflected in this strategic objective and are pursued through selective improvements in physical infrastructure.<sup>15</sup> To a limited extent, social infrastructure development (health facilities and water points) is pursued in some of the poorest areas of Kenya under CKDAP and SNCDP, but, in coming years, attention will increasingly shift towards productive infrastructure such as rural access roads, stores and markets that can make a direct contribution to economic growth and increased farmer incomes. In this regard, strategic partnerships and cofinancing arrangements will be forged with other donors for investment in rural social infrastructure.

37. **Strategic objective 3: Increased investment opportunities for the rural poor through improved access to rural financial services.** Improved access to affordable financial services and resources by farmers and agro-processors is an objective in ERS, a priority area in SRA<sup>16</sup> and a priority area in the National Policy for Sustainable Development of Arid and Semi-Arid Lands<sup>17</sup> and is in line with IFAD's objective to enhance access to a broad range of financial services for the poor. While none of the ongoing projects covers credit, the need for financial resources to enable the rural poor to make productive investments is recognized and addressed through a local initiatives fund under CKDAP,<sup>18</sup> the strengthening of community-based financial institutions under SNCDP and matching grants for pilot investments under SDCP and SHoMaP. Grants have also been used successfully to pilot innovative initiatives aimed at deepening the access to financial resources by the rural poor. The experience gained under these projects and programmes will feed into the design of a rural finance programme during this COSOP period. This objective will also address the concern that much training, technology and market development takes place without adoption by farmers because farmers are unable to make the necessary links to investment in initiatives such as rural enterprises.

### C. Opportunities for innovation

38. Capacity-building under strategic objective 1 will also include an increasing use of contracted private-sector service providers with specific expertise, for example in value chain analysis, market information dissemination, or training in farming as a business, as well as capacity-building for private-sector service providers who deliver essential services to farmers, such as stockists and traders. This trend is innovative and takes advantage of a realization within the Government that it needs to focus on the core tasks of regulation and the creation of an enabling environment for economic growth. Under strategic objective 2, the shift towards support for market-oriented production, with a focus on reducing market inefficiencies, is a new approach in the IFAD portfolio in Kenya, particularly in the way value chains are tailored in a participatory manner to reach out to the poor. The potential for viable investment options based on co-management and the sustainable utilization of natural resources (forestry, wildlife and joint private-sector–community ecotourism ventures) offer opportunities for innovative interventions among the inhabitants of arid and semi-arid lands. Most of this work will be supported through grants, and lessons will be drawn from relevant IFAD-supported initiatives such as those carried out by PhytoTrade Africa and TradeCraft in Southern Africa.
39. While the exact nature of the service delivery and the types of institutions involved are yet to be determined, new ways of delivering rural financial services for the rural poor will be piloted under strategic objective 3. In particular, specific financial products and delivery systems suited to arid and semi-arid lands will be pilot tested in these areas in support of initiatives under strategic objective 2, including pilot testing and scaling up viable value added initiatives that benefit the rural poor, as outlined in Vision 2030.

<sup>15</sup> Under SRA priority area 6, strengthening access to markets.

<sup>16</sup> SRA priority area 4, increasing access to inputs and financial services.

<sup>17</sup> National Policy for Sustainable Development of Arid and Semi-Arid Lands, and priority area 6, providing financial services to nomadic pastoralists.

<sup>18</sup> This fund has not yet become operational due to a lack of acceptable implementation modalities.

## D. Targeting strategy

40. Within the broad support that the KJAS offers for the Government's national poverty reduction efforts, the core target group for IFAD in Kenya will consist of poor small producers, agropastoralists and pastoralists in medium-high-potential and arid and semi-arid areas.<sup>19</sup> Geographical targeting, using poverty data on localities to select focal development areas with large numbers of poor people, has already begun and will continue. The poorest will benefit from investment in economic and social infrastructure, and special efforts will be made to ensure that the poor are not excluded due to requirements for community contributions or user charges. In addition, the poor inhabitants of arid and semi-arid areas will also benefit specific targeting in line with the nature of their needs and the demands of their environment. Most of these interventions in arid and semi-arid areas will occur through grants.
41. Another approach will be the focus on enterprises, including activities requiring low investment and carrying low risk that are more likely to appeal to poorer producers. Special attention will consistently be given to the participation of women, youth and other disadvantaged groups.
42. Market-oriented production is often labour intensive, and a focus on commercialization will increase the seasonal employment opportunities among the poorest in carrying out farm operations at individual farms, as well as in relation to administrative and post-harvest tasks at the group level. In addition, labour-based work programmes are a tested approach to poverty reduction, and the construction of roads and other infrastructure by small contractors using local labour will create employment opportunities for the poorest. Finally, messages related to important cross-cutting issues, such as HIV/AIDS, hygiene and nutrition, and environmental degradation and conservation, as well as for special interest groups, will be mainstreamed into mobilization and extension activities.

## E. Policy linkages

43. IFAD will contribute to the policy dialogue on SRA implementation through the agriculture and rural development donor group and by supporting the agricultural sector coordination unit, which coordinates SRA implementation.<sup>20</sup> Contributions will also be made to policies in the dairy and horticulture subsectors under SDCP and SHoMaP, respectively, including the dairy industry bill, the feed and fertilizer bill, the feed policy and the horticulture policy. The related regulatory institutions will be supported to ensure the effective implementation of the legal framework that these agricultural laws and policies reflect. IFAD also participates in policy dialogues with the Government and other donors to address key policy issues relative to arid and semi-arid lands on the topics of the diversification of income sources, improving natural resource management and utilization by reviewing existing land-use policies and land tenure systems, improving pastoral productivity through environmental conservation, and improving markets for mobile pastoralists and providing financial services to nomadic pastoralists.
44. Under the various strategic objectives, the following policy issues will be covered:
  - Under strategic objective 1, participatory approaches, inclusive targeting mechanisms and the mainstreaming experiences thus gained by institutions in the agriculture and rural development sector;
  - Under strategic objective 2, the various IFAD projects will pursue the integration of the SRA aims of intensification and commercialization of smallholder agriculture;

<sup>19</sup> Also see key file 4, Target group identification, priority issues and potential responses.

<sup>20</sup> The agricultural sector coordination unit is supported by multiple donors partly through a basket fund and partly through direct support. IFAD has made a budgetary provision for the unit under the institutional strengthening component of SHoMaP.

- Under strategic objective 2, the sustainability of project activities, especially the management of rural infrastructure by communities, local groups and entrepreneurs, will be tested, and management responsibilities over local infrastructure and services will be handed over to local communities;
- Under strategic objective 3, the implementation of the microfinance bill (2006) will be supported;
- Under the COSOP in general and strategic objective 1 in particular, IFAD, together with other donors, will contribute to the aim of the National Agricultural Sector Extension Policy to ensure the availability of high-quality technical support services for smallholder farmers through public-sector and private-sector service providers;
- Assessment of the potential for the development of arid and semi-arid areas in Kenya and the use of grants to pilot test innovative initiatives in these areas.

## **V. Programme management**

### **A. COSOP management**

45. Ongoing projects are managed by PMUs, and the terms of engagement of PMU staff, as well as the performance of and the continued need for these units, will be regularly reviewed. For new programmes, management support through PMUs is envisaged to ensure effective start-up and during the first years, but the functions of PMUs are expected to be absorbed within regular Government structures by the time the midterm review is undertaken. In line with the principles of the Paris Declaration on Aid Effectiveness, all IFAD investments will be aligned and harmonized within Government institutions and structures, and IFAD will ensure that these activities become part of routine Government staff functions.
46. All ongoing projects are compliant with the Results and Impact Management System. Under the COSOP, similar systems will be introduced in new programmes as they become operational, while the indicators under all projects will be brought in line with the indicators in the COSOP results management framework to facilitate data collection and compilation for COSOP monitoring.<sup>21</sup> Several midterm reviews are expected to take place during the COSOP, including for SNCDP (2007/2008), MKEPP (2007/2008), SCDP (2009/2010) and SHoMaP (2010/2011). In line with the alignment and harmonization objectives, these midterm reviews will be carried out as joint reviews with the Government, while other donor representatives will also be invited to participate. Annual workplans and budgets and project progress reports will be prepared according to IFAD guidelines for the Eastern and Southern Africa Division.<sup>22</sup>

### **B. Country programme management**

47. A country programme management team was established during the COSOP preparation, and the relevant terms of reference have been drafted. Specific COSOP monitoring activities, such as client feedback surveys, annual COSOP implementation review meetings and a COSOP midterm review and completion evaluation, will require the balancing of IFAD's need for information with the aim of minimizing the parallel activities and transaction costs that is central to the KJAS. The monitoring will therefore be integrated with the KJAS and SRA monitoring as much as possible, and the need for separate activities will be assessed on an annual basis by the country programme manager and the country programme management team.

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<sup>21</sup> See appendix III.

<sup>22</sup> Guidelines for the Preparation of Annual Workplans and Budgets and Progress Reports, IFAD, Eastern and Southern Africa Division, April 2005.



48. Currently, all IFAD loans in Kenya are supervised by the United Nations Office for Project Services, while the new SHoMaP is expected to be supervised directly. During the life of the current COSOP, IFAD will establish a country presence in Kenya to enhance the dialogue with the Government and development partners and to facilitate the supervision of and implementation support for its programmes in the country. It is anticipated that all projects will be placed under direct IFAD supervision in 2008. The position of the IFAD desk officer in the Ministry of Finance will continue to receive IFAD support to ensure well-coordinated supervision of the portfolio from within the Government. Efforts will be made to intensify grant supervision, which has received only limited attention in the past, and to integrate more effectively the joint contributions of grants and loans to the achievement of the COSOP strategic objectives.
49. During the COSOP period, weaknesses in the country portfolio, as identified during the 2001 desk review and the 2006/2007 operational review, will continue to be addressed in individual projects and by the Government, with technical backstopping by IFAD.<sup>23</sup> The main areas that will receive attention by the country programme management team are (a) the development of a timeline with clear targets and milestones for monitoring the country alignment and harmonization agenda, (b) the development of a strategy for mainstreaming HIV/AIDS initiatives into the county programme, (c) appropriate and transparent financial management and timely audits, (d) reviews of the terms of engagement among contracted staff, (e) decentralization of project resources to improve service delivery in the field; and (f) emphasis on a geographical focus and improved targeting on poverty.

### **C. Partnerships**

50. The second COSOP period will be characterized by increasing harmonization among the donors supporting the agricultural sector. The principal form of partnership is IFAD's participation in the KJAS. At the operational level, SRA and the related medium-term plan will provide a practical framework for the alignment of existing donor-supported interventions in the agricultural sector and the development of new ones.<sup>24</sup> As has already been the case, the agricultural sector donor group and the related dialogue with the Government will be the platform for sharing experiences and harmonizing activities so that there will be a gradual movement towards a better mix of coordinated projects and programmes, basket funding and sector-wide approaches. IFAD will play an active role in these processes.
51. There will be a significant development of partnerships with a large number of NGOs and private-sector service providers under the new COSOP. This will include contracting non-State actors for selected services, such as value chain analysis, business training among farmer groups and rural infrastructure development; forging links with institutions that are able to provide rural financial services to IFAD's target group; and capacity-building among the private operators who deliver essential services to farmers, such as stockists providing inputs, traders buying produce, and agencies supplying market information. The capacity of the Government to select appropriate service providers and manage the related contracts will also be given attention.
52. Community-based organizations, which are already a key partner in ongoing projects, will become more important over time, especially in supporting more inclusive targeting, linking farmers to markets and services and the management of rural infrastructure and investments at the community level. Partnerships with universities in Kenya, especially in the engagement of graduate students in research, baseline surveys, trend analysis and impact assessment, will be pursued during this COSOP period.

<sup>23</sup> For more details, see the lessons learned and actions taken in appendix IV, the Previous COSOP results management framework.

<sup>24</sup> For more details, see key file 3, Complementary donor initiative and partnership potential.

## **D. Knowledge management and communication**

53. Knowledge management and communication under the COSOP will involve two principal flows of information: (a) tapping into existing sources of information to make sure that the relevant information and experiences that are already available are brought to bear during the implementation of projects and programmes and (b) analysing and documenting the lessons learned during COSOP implementation and adding the analysis and documentation to information sources with the aim of improved interproject exchanges and mainstreaming positive experiences into Government policies and national development practices.
54. Community involvement and targeting in IFAD-funded projects have improved in recent years partly through exchanges of relevant experiences with development partners (e.g. Co-operative for Assistance and Relief Everywhere, the Food and Agriculture Organization of the United Nations, the National Agriculture and Livestock Extension Programme of the Swedish International Development Cooperation Agency), especially in the areas of participation, community organization and the community management of rural infrastructure. This will continue, and the experience gained through IFAD projects will be shared as part of this effort. It is important to note that strategic objective 1 in this COSOP, with its focus on capacity-building for effective service delivery and community empowerment, revolves almost entirely around knowledge management.
55. Weak links between research and extension have been a longstanding constraint in achieving strategic objective 2, and a special effort will be made to access technologies and approaches that are available through information sources on production and post-harvest activities (e.g. Kenya Agricultural Research Institute, universities, NGOs, industry players, value chain studies) and ensure their effective adaptation and dissemination under field conditions. Resources have been provided through various projects for the relevant capacity-building and institutional development. In particular, memorandums of understanding have been signed between IFAD-funded projects and the National Agriculture and Livestock Extension Programme funded by the Swedish International Development Cooperation Agency to ensure synergy and knowledge sharing between IFAD, the Swedish International Development Cooperation Agency and the Government regarding extension and research links. In addition, the lessons learned through IFAD-supported projects, especially through value chain analysis under SDCP and SHoMaP, will be shared with development partners.
56. There has been considerable expansion in rural financial services in Kenya in recent years. This includes the successful expansion of KWFT to western Kenya with support from IFAD. Unfortunately, lending for agricultural, livestock and pastoral-based enterprises is still inadequate. However, interesting and innovative interventions are being piloted in these areas, some of them through IFAD grant support. While relevant for all ongoing projects, the lessons learned in this sector will be drawn upon especially for the design and implementation of the rural finance programme that is in the pipeline for 2010. This programme, in turn, will represent an opportunity to support the implementation of the new microfinance bill, and the knowledge gained through this process will contribute to the development of appropriate methodologies for similar interventions. This will be pursued under strategic objective 3.

## E. PBAS financing framework

57. The scores for the indicators that have been used to determine the country allocation for the first year of the COSOP period are shown in table 1.

Table 1  
PBAS calculation for COSOP year 1

<i>Base values</i>	<i>COSOP year 1</i>
Projects-at-risk rating (risk rating for IFAD projects)	3.0
Rural sector performance	4.29
International Development Association reallocation index score	3.60
Gross national income per capita	480
Total population (millions, 2004)	33.5

58. Table 2 shows the effect on the country score of a low-performance scenario, when the projects-at-risk rating declines by 1 point and the rural sector performance decreases, and of a high-performance scenario, when the projects-at-risk rating increases by 1 point and the rural sector performance also increases. The analysis indicates that it is critical that the performance of the portfolio be improved to enable an increase in the projects-at-risk ratings and the performance-based allocation system (PBAS) allocation for Kenya. For instance, an increase in the projects-at-risk rating from 3 to 4 and in the rural sector score by 0.3 per cent will increase the allocation by 28 per cent.

Table 2  
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>Projects-at-risk rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in the PBAS country score from base scenario</i>
Hypothetical low case	2	3.99	-24
Base case (2006/2007)	3	4.29	0
Hypothetical high case	4	4.59	28

## F. Risks and risk management

59. The KJAS identifies several risks that may affect COSOP implementation. There is a need for continued policy and institutional reform in the agricultural sector and elsewhere, but this may be blocked because of vested interests and because some reforms may be politically difficult. This affects all strategic objectives and will be addressed by emphasizing the costs of continuing with the status quo, the long-term benefits of reform, the benefits for the poor of a more equitable pattern of public expenditure, and the opportunities for accelerating growth through greater private-sector involvement.
60. Poor governance and corruption may prevent the effective use of resources, which would affect all strategic objectives. To counter this risk requires active dialogue with the Government and building the capacity for improved financial management at all levels. This will be addressed through support for capacity-building under strategic objective 1, as well as project capacity-building initiatives through the rolling audits.
61. External factors such as changes in the terms of trade, adverse weather conditions and climate change, unpredictable or rising oil prices, and pest and disease might affect strategic objectives 2 and 3. Together with other KJAS partners, IFAD will counter these risks by monitoring the prevailing conditions and maintaining dialogue with the Government on ways to improve the responsiveness to external shocks. In this regard, IFAD will take deliberate steps to link with other donors in partnerships

to achieve common goals, intensify implementation support for projects and ensure that policy dialogue is enhanced through a country presence.

62. The rural poor in Kenya, particularly those people residing in arid and semi-arid areas are faced with many environmental and climatic challenges. It is worth noting that Mount Kenya hosts a data collection point for monitoring global climate change. Yet, its environs and watershed are faced with serious natural resource management and land degradation challenges due to land mismanagement and population pressure. Population pressure is particularly significant among the poor and the landless. Mount Kenya also provides the source of water for more than 50 per cent of the population of the country. For this reason, IFAD's MKEPP is being piloted on the eastern side of the mountain with cofinancing from a Global Environment Facility grant. Similar initiatives are funded through the World Bank on the western side of the mountain and CKDAP on the south. One of the objectives is to provide viable land-use options for the inhabitants of the region, while ensuring sustainable natural resource management of the watershed both upstream and downstream.
63. In arid and semi-arid areas, the challenge is to provide viable development alternatives and adaptive measures against droughts and floods. Interventions will focus on enhancing the ability of the poor in these regions to adapt to the hazards of their harsh environments on a sustainable basis and to reduce the effects of avoidable disasters. Interventions in these areas will include (a) alternatives to current livelihoods that will include irrigation development and value adding on livestock products through improved market facilities and slaughter houses; (b) market-oriented natural resource-based livelihoods, including opportunities for commercial camel milk production, especially among the women who remain behind when men take their herds to new pastures; (c) the provision of appropriate social infrastructure and services, including appropriate financial products suited to the economies in arid and semi-arid areas; and (d) ecotourism and the co-management of parks and protected areas.

## COSOP consultation process

1. COSOP preparation involved review of documents containing secondary data, relating to: (i) the economic and poverty situation in Kenya; (ii) government's priorities and strategies for poverty reduction; (iii) the activities and focus of other donors. Principal among these documents are the following:
  - Geographic Dimensions of Well-being in Kenya: Where are the Poor?
  - Second Report on Poverty in Kenya (Volume I-III)
  - Pulling Apart: Fact and Figures on Inequality in Kenya (2004)
  - Kenya Integrated Household Budget Survey, 2005/06
  - Economic Survey 2007 and Statistical Abstract 2006
  - Poverty Reduction Strategy Paper for the Period 2001-2004 (Volume I-II)
  - National Development Plan 2002-2008
  - Investment Programme for the Economic Recovery Strategy for Wealth and employment Creation 2003-2007
  - Mid Term Review of the Economic Recovery Strategy for Wealth and employment Creation
  - Vision 2030
  - Strategy for Revitalization of Agriculture 2004-2014
  - Strategy for Revitalization of Agriculture - The Way Forward - Findings of the Joint Review
  - The Water Act (2002), the Cooperative Societies (Amendment) Act (2004), the Microfinance Bill (2006), and the Draft National Land Policy (2006)
  - United Nations Development Assistance Framework (UNDAF) Kenya 2004-2008
  - Joint Assistance Strategy for the Republic of Kenya (2007-2011)
  - Delivering the Agenda: Addressing Chronic under-development in Kenya's arid lands (OXFAM)
  - National Policy for Sustainable Development of Arid and Semi Arid Lands (2006)
2. While general economic and social data, as well as specific poverty studies, are readily available for Kenya, in practically all documents the rural poor tend to be presented as a single, homogeneous group, while in reality it is a diverse group that ranges from the destitute with hardly any productive assets to the moderately poor and better-off, only part of whom are below the poverty line and who suffer mostly from transient poverty due to occasional external shocks. To be able to differentiate among and respond to the needs of the rural poor, a rapid assessment aimed at stratification was conducted, to identify characteristics, constraints and priorities of different categories among the rural poor. This qualitative assessment contributed to the poverty analysis in Appendix 5.
3. At the same time as COSOP preparation, a separate operational review took place of the IFAD portfolio in Kenya, covering four ongoing projects, with the aim to: (i) harmonize the implementation of field activities across projects and programmes in specific strategic areas such as targeting, agricultural extension and financial management; (ii) consolidate lessons learned across the portfolio; (iii) encourage linkages between staff of project management units; and (iv) identify key areas where efforts to improve operational performance within the country programme should be focused during the next COSOP period. The workshop where the initial findings of this review were discussed with government was attended and the recommendations in the report have been used in preparing this COSOP, especially for the section on lessons from IFAD's experience in the country.
4. This COSOP is part of the KJAS, and its preparation therefore took place in tandem with the preparation of the KJAS during the last quarter of 2006 and the first half of 2007. This involved participation in monthly meetings of the Agriculture and Rural

Development Donor's Group, which are aimed at information exchange and coordination among donors that support the agricultural sector, including consultations on the sections of the KJAS relevant for agriculture. It also involved participation in fortnightly meetings of the HAC group, which has taken the lead in the development of the KJAS, with the ERD of the MOF as the main discussion partner in government. Consultations on the KJAS itself, finally, have been widespread and have included awareness meetings and discussions with donor sector groups, parliamentarians, civil servants, key political party members, NGOs, private sector representatives, think tanks, as well as outreach meetings beyond Nairobi.

5. Separate consultative activities, which would have been in parallel to and duplicating the KJAS preparation process, have been minimized during COSOP preparation. Nevertheless, interaction with government was considered important regarding aspects specific to IFAD, including the results, strengths and weaknesses of the previous COSOP; IFAD's comparative advantage in Kenya; and the definition of areas of priority for IFAD and strategic objectives, within the context of government strategic documents and the KJAS. To this end, two consultative meetings with a Country Programme Management Team made up of representatives from various government ministries were held as well as a portfolio review and strategic planning workshop that took 1½ days.

## Country economic background

### Kenya

<b>Land area (km<sup>2</sup> thousand) 2004</b> [3]	580	<b>GNI per capita (USD) 2004</b> [3]	480
<b>Total population (million) 2004</b> [3]	33.5	<b>GDP per capita growth (annual %) 2003-04</b> [3]	2.0
<b>Population density (people per km<sup>2</sup>) 2004</b> [3]	59	<b>Inflation, consumer prices (annual %) 2000-04</b> [3]	6.9
<b>Local currency</b>	Kenyan Shilling (KES)	<b>Exchange rate (June 2007): USD 1 =</b>	KES 68
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1990-2004 [3]	2.5	GDP (USD million) 2004 [3]	16 088
Crude birth rate (per thousand people) 2004 [3]	39	Average annual rate of growth of GDP 1982-1992 [1]	4.4
Crude death rate (per thousand people) 2004 [3]	15	1992-2002 [1]	2.0
Under 5 mortality rate (per 1 000 live births) 2004 [3]	120	2003-2004 [3]	4.3
Life expectancy at birth (years) 2004 [3]	men 49 women 47	Sectoral distribution of GDP 2004 [3]	
Number of rural poor (million) (2005, approximate) [4]	13.4	% agriculture	27
Poor as % of total rural population [4]	51	% industry	17
Total labour force (million) 2004 [3]	15.1	% manufacturing	11
Female labour force as % of total 2004 [3]	44	% services	56
<b>Education</b>		Consumption 2004	
Primary school completion rate (%) 2004 [3]	89	General government final consumption expenditure (as % of GDP) [3]	17
Adult literacy rate (%) 2002 [3]	men 78 women 70	Household final consumption expenditure, etc. (as % of GDP) [3]	70
<b>Nutrition</b>		Gross domestic savings (as % of GDP) [3]	14
Malnutrition prevalence, children under height for age (% of children under 5) 1996-2004 [2]	30 a/	<b>Balance of Payments (USD million)</b>	
Malnutrition prevalence, children under weight for age (% of children under 5) 1996-2004 [2]	20 a/	Merchandise exports 2004 [3]	2 693
<b>Health</b>		Merchandise imports 2004 [3]	4 553
Health expenditure, total (as % of GDP) 2003 [3]	4.3	Balance of merchandise trade	-1 860
Health expenditure per capita (USD) 2003 [2]	65	Current account balances 2004 (USD million) [3]	-378
Physicians (per 100,000 people) 1990-2004 [2]	14 a/	Foreign direct investment, net 2004 [3]	46
Population with sustainable access to an improved water source (%) 2004 [2]	43	<b>Government Finance</b>	
Population with sustainable access to improved sanitation (%) 2004 [2]	61	Overall budget deficit (% of GDP) 2006/07 (est.) [5]	5.5
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2006/07 (est.) [5]	34
Food imports (% of merchandise imports) 2004 [3]	10	Total external debt (USD million) 2004 [3]	6 826
Fertilizer consumption (hundreds of grams per ha of arable land) 2000-02 [3]	320	Present value of debt (as % of GNI) 2004 [3]	34
Food production index (1999-2001=100) 2002-04 [3]	106.4	Total debt service (% of exports of goods and services) 2004 [3]	8.6
Cereal yield (kg per ha) 2003-05 [3]	1 409	Lending interest rate (%) 2004 [3]	12.5
<b>Land Use</b>		Deposit interest rate (%) 2004 [3]	2.4
Arable land as % of land area 2003 [3]	8.2		
Forest area as % of total land area 2005 [3]	6.2		
Irrigated land as % of cropland 2001-03 [3]	1.8		

a/ Data refer to the most recent year available during the period specified.

[1] World Bank, World Development Indicators 2004.

[2] UNDP, Human Development Report, 2006.

[3] World Bank, World Development Indicators 2006.

[4] CBS, Geographic Dimensions of Well-being in Kenya.

[5] CBS, Economic Survey 2007.

## COSOP results management framework

Alignment with National Poverty Reduction Strategies (PRSP, ERS, SRA, ASAL Policy and Vision 2030) and Targets	COSOP Strategic Objectives	COSOP Outcome Indicators (in project areas)	COSOP Milestone Indicators	Policy / Institutional Objectives
<p><b>Overall Objective:</b> Capacity of farmers' organizations to take on most regulatory roles for their commodities strengthened.</p> <p><b>SRA SO 3:</b> restructure and privatize non-core functions of government.</p> <p><b>ASAL Policy SO 2:</b> human capital development and diversification of sources of income improved</p> <p><b>Target:</b> 50% non-core govt functions privatised by 2012 from 10% in 2007</p>	<p><b>Overall Objective:</b> Empower rural poor in Kenya to reduce poverty on a sustainable basis.</p> <p><b>COSOP SO1:</b> Capacity of public, private sector and civil society organizations in delivering services requested by the rural poor, is strengthened.</p> <p><u>baseline</u></p> <ul style="list-style-type: none"> <li>▪ gaps and poor quality in service delivery service providers</li> <li>▪ community involvement is mostly in planning</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of rural poor served by public, private and civil society organisations is increased by 45% by 2012</li> <li>▪ Number of women on management committees increased to 30% by 2012</li> <li>▪ Number of CAPs included in government plans (60%).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of groups operational / functional by type.</li> <li>▪ Number of CAPs prepared and implemented.</li> <li>▪ Numbers of community projects operational/functional by type.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mainstream participatory approaches and pro-poor targeting.</li> <li>▪ Contribute to NASEP, and ASALs policy.</li> </ul>
<p><b>Overall Objective</b> Agricultural productivity and farmer incomes increased Increased access to water resources (ERS)</p> <p><b>SRA SO 2, 3 and 6:</b> research and extension services improved; non-core functions of government restructured and privatized; and: access to markets strengthened</p> <p><b>Target:</b> productivity increased by 18% by 2012. Access to safe water increased from 48% to 59% in rural areas by 2012</p>	<p><b>COSOP SO2:</b> Access of rural poor to, and their utilization of, appropriate technologies, markets, and community-owned rural infrastructure <b>is improved</b></p> <p><u>baseline</u></p> <ul style="list-style-type: none"> <li>▪ KES 105,000/ha (approximate net annual returns in MHP areas 2006). Growth in agricultural value added 1.4% (2004).</li> <li>▪ 43% of road network in bad condition. 48% of rural households have access to safe water sources.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of farmers adopting technology recommended by the project (25% by 2012).</li> <li>▪ Number of households reporting an increase in net margins (40% by 2012).</li> <li>▪ Reduction of roads in bad condition from 43% of road network to 20% by 2012.</li> <li>▪ Agricultural productivity increased by 18% by 2012</li> <li>▪ crops and livestock</li> <li>▪ !0% increase in volume of marketable surplus annually.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18% increase in agricultural production.</li> <li>▪ Number of entrepreneurs adopting business practices in the operations of the enterprises and engaging with farmers in a mutually beneficial manner.</li> <li>▪ Number of productive social infrastructure operational and maintained sustainably by 2012 and by type (access roads, markets, stores, schools, water points, health facilities.).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Facilitate intensification, diversification, commercialization and value addition of smallholder agriculture and pastoralism.</li> <li>▪ Ensure sustainable management of rural social and productive infrastructure..</li> </ul>
<p><b>Overall Objective</b> Access to affordable financial resources by farmers, pastoralists and entrepreneurs improved.</p> <p><b>SRA SO 4:</b> Access to inputs and financial services increased.</p> <p><b>ASAL Policy SO 6:</b> financial services to pastoralists provided</p> <p><b>Target:</b> Amount of credit disbursed to farmers increased by 30% by 2012 from 9% in 2007</p>	<p><b>COSOP SO3:</b> Access of rural poor to financial services and investment opportunities is improved</p> <p><u>baseline</u></p> <p>9% of rural households access credit from institutions, 32% from informal sources.</p>	<ul style="list-style-type: none"> <li>▪ Number of enterprises operational by type.</li> <li>▪ Percentage of portfolio at risk.</li> <li>▪ Number of active borrowers.</li> <li>▪ Number of active savers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Value of savings mobilised.</li> <li>▪ Value of gross loan portfolio.</li> <li>▪ Number of operational rural financial service providers (including in ASALs).</li> <li>▪ Percentage of outstanding loans/agent..</li> </ul>	<p>Support implementation of the Microfinance Bill (2006) leading to an increase in the number and outreach of rural financial services institutions involved in agriculture and pastoralism.</p>



## Previous COSOP results management framework

Objective	Status at COSOP Design	Status at Completion	Lessons Learned
<p>Goal: poverty sustainably reduced and food security improved through enhanced economic and social development.</p>	<p>Of the rural population, 52.9% are below the poverty line. Nearly 35% of the rural population are hardcore poor and chronically food insecure. In 2002, there was a small IFAD portfolio consisting of only one ongoing project carried over from the 1990s (EPHTFCP), and one new project that had recently started (CKDAP, July 2001).</p>	<p>Rural poverty has reduced to 49.1% in 2005/06 and hardcore poverty to 21.9%. Project-specific impact assessment studies at this higher level have not yet taken place: of the two projects that were ongoing at COSOP design only one is nearing completion (EPHTFCP) and the other (CKDAP) has reached mid-term, while other operations are in their initial years.</p>	<p>There is a general positive trend in poverty reduction. Arrangements for impact assessment require attention especially in older projects (the CKDAP MTR report contains no impact information). Attribution of reduction in poverty levels and improved food security will however be difficult, even if quantitative data is collected.</p>
<p>Purpose: support to realization of PRSP goals and approaches to poverty eradication. (focus on operational modalities: general project and financial management and implementation mechanisms)</p>	<p>Gazetted civil service reform measures: diminishing staff capacity but increasing funding and activities. Implementation led from headquarters. No semi-autonomous professional management and senior technical staff. Weak steering committees, meeting infrequently. Little continuity and sustainability of activities. Serious flow of fund bottlenecks.</p>	<p>Decentralized PMUs with a clearer definition of responsibilities have improved implementation. PMUs with contracted core staff show better teamwork and capacity. Financial management and flow of funds, channelled through lead agencies, have improved: disbursements and financial reports are largely up to date. Coordination mechanisms have been strengthened from district to national level, with frequent supervision and feedback. There is improved communication and interaction with UNOPS and IFAD. Interaction between stakeholders has been enhanced. The quality of work plans has improved. Outsourcing of services (e.g. audit) has added value and improved efficiency, including better adherence to work plans and accountability. Improved poverty targeting through capacity-building and focal areas.</p>	<p>Representatives from Permanent Secretaries should be able to report directly to them in order to expedite action. Restructuring and civil service reform, such as the creation of new Districts, the splitting of ministries, and the introduction of performance contracts, tends to cause significant disruption of implementation. Field implementers find it easier to spend GOK recurrent funds than donor money, due to accountability requirements. Projects require flexibility to respond to these changes. Implementation constraints are worsened under components that do not fall under a project's lead ministry, because performance contracts cause the project to become a low priority under non-lead ministries.</p>

Objective	Status at COSOP Design	Status at Completion	Lessons Learned
<p>Purpose: sustainable improvements in production and productivity for poverty reduction through enhanced natural resource use and management.</p>	<p>In 2002 there were very few scattered irrigation schemes with much wastage and high inefficiencies (EPHTFCP). Agricultural production was focused on household food security with little or no diversification or market-oriented production (CKDAP).</p>	<p>More efficient water use with pipes directly to the farms. Farmers are choosing better enterprises with higher volumes (EPHTFCP). There is a shift towards diversified high-value / drought tolerant crop production by CIGs with more market orientation. There is an increase in small stock owned by farmers. Agricultural extension service providers are closer to farmers. There is an increased availability of farm inputs (seeds, agro-chemicals) from stockists, and financial service providers have been attracted by the increase in agricultural production (CKDAP, SNCDP, MKEPP). Community involvement in natural resource management is increasing (e.g. through WUAs). (MKEPP).</p>	<p>Natural resource management needs to be mainstreamed at policy level and project level - problems like gully formation and soil erosion are widespread. Successful transition from food to high-value cash crops depends on market access. Lack of finance prevents farmers from adopting new technologies.</p>
<p>Purpose: community-led, district-based, integrated development approach focusing on combined economic empowerment and social development activities.</p>	<p>The Kenya portfolio had been dormant for nearly five years. The EPHTFCP was just taking off and CKDAP was in the early stages of the project. No project results apart from sensitization and initial group formation. Planning was more officer-driven and stakeholder involvement was minimal. There was no clear geographic focus and activities were scattered across Districts. Participatory processes had not been developed.</p>	<p>Different stakeholders are involved in annual planning: 73 CAPs, 5 resource management plans and 15 irrigation scheme development plans prepared. Officers have been trained in participatory planning methods. Focal area approach has improved participation of target communities. Beneficiaries are organized in registered groups and SACCOs which seek services. IFAD support (technical backstopping) has been enhanced. Annual work planning is linked to specific outputs and indicators, which leads to more efficient service delivery.</p>	<p>A good community driven development process can be achieved through:</p> <ul style="list-style-type: none"> <li>▪ extensive staff training in participatory methodologies;</li> <li>▪ capacity-building of communities in democratic processes such as electing representatives to FDAs;</li> <li>▪ proper targeting methodologies leading to FDA selection;</li> <li>▪ decentralization of responsibilities (at PMU and lower levels including a divisional implementation team) which increases focus and contact with field implementers;</li> <li>▪ regular needs assessment and follow-up consultations on project activities;</li> <li>▪ an integrated approach incorporating both economic and social development, which can address the broad needs of target communities.</li> </ul>

Quantitative results achieved under the Kenya portfolio over the past five years are presented in Table below. These results are an aggregate for four ongoing projects, the EPHTFCP, CKDAP, SNCDP and MKEPP, and are based on the physical progress data submitted to IFAD<sup>25</sup>.

**Table 1. Physical Progress under the First COSOP**

Results	Unit	Cumulative Achievements	Comments
Number of persons receiving project services	person	248 700	all components
Number of beneficiaries trained	man	26 100	no of participants to all types of training
Number of beneficiaries trained	woman	19 900	no of participants to all types of training
Number of staff trained	man	1 020	all types of training
Number of staff trained	woman	350	all types of training
Number of trainers trained	man	810	all types of training
Number of trainers trained	woman	390	all types of training
Number of health facilities built/rehabilitated	facility	10	CKDAP only
Number of Voluntary Counseling and Testing sites operational	site	16	CKDAP only
Number of demonstration Vertically Improved Pit latrines established	latrine	152	CKDAP only
Number of households with replicated Vertically Improved Pit latrines in use	latrine	520	CKDAP only
immunization coverage (all antigens) children below 1 year	child	31 500	CKDAP only
Number of water projects implemented	project	138	all types of water points
Number of households served by water points	household	7 600	
Number of farmers using purchased inputs	person	4 300	CKDAP only
Number of farmers participating in research trials	person	1 600	
Number of demonstrations held on farmers' land	demo	700	
Ha of incremental crops grown	ha	1 750	CKDAP only
Number of farmers reporting production/yield increases	person	4 600	monitoring tools recently developed
Ha of Irrigation schemes rehabilitated/constructed	ha	985	EPHTFCP and CKDAP
Number of animals distributed	animal	3 530	smallstock, poultry, etc.
Number of animals vaccinated	animal	104 000	
Number of farmers reporting increased herd sizes	person	2 500	CKDAP only
Ha of land improved through soil and water conservation measures	ha	980	through soil & water campaigns
Number of community management groups formed/strengthened	group	890	
Number of people belonging to groups	man	18 600	
Number of people belonging to groups	woman	11 000	
Number of women on management committees	woman	1 430	
Number of active savers (men)	man	3 100	CKDAP only
Number of active savers (women)	woman	2 000	CKDAP only
Number of active borrowers (men)	man	3 000	CKDAP only
Number of active borrowers (women)	woman	1 900	CKDAP only
Number of village/community action plans (CAP) prepared	CAP	93	includes 5 resource management plans and 15 irrigation scheme development plans

<sup>25</sup> Selected indicators based on the latest RIMS tables submitted by the CKDAP, SNCDP and MKEPP, as of 31/12/2006, and the project physical performance report for the EPHTFCP. Numbers have been rounded. These quantitative results are indicative and underreporting is likely, since indicators are not used consistently across all projects, and because on certain indicators not all projects report.

Building on the findings of the Country Portfolio Review of 1995 and subsequent activities, an assessment in 2001 of the experience with IFAD-supported projects in Kenya identified a series of technical, financial and organizational issues across the portfolio<sup>26</sup>. These issues have been given attention under the previous COSOP, as part of a structured effort to improve portfolio performance. The issues, the actions taken and lessons learned are presented in Table below.

**Table 2. Development of the Quality of the Portfolio under the First COSOP**

Issues Identified 2001	Lesson Learned 2001	Actions Taken under the COSOP 2002-2007	Lessons Learned and Priorities for COSOP II	
<b>A. Management and Implementation</b>				
<b>Inadequate financial and administrative accountability</b>	<ul style="list-style-type: none"> <li>▪ non-performance due to paralyzing liquidity shortages at district level.</li> <li>▪ failure of implementers to comply with treasury regulations on AWPBs and reimbursement processing, leading to consistent late approval of Authorities to Incur Expenditure and non-submission of Statements Of Expenditure.</li> <li>▪ excessive delays in procurement of goods and services, up to three years.</li> <li>▪ inadequate use of special accounts and failure to submit timely reimbursement claims.</li> <li>▪ weak control by ministerial headquarters - failure to submit reimbursement claims and audited accounts.</li> </ul>	<p>Without a disciplined financial and operational framework for the administration of multi-sectoral interventions, rate of implementation and potential poverty alleviation impact will be severely inhibited.</p>	<p><i>Pooling of funds and reimbursement claims under lead agency. Donor and GOK funds disbursed at the same time. Introduction of sending Authorities to Incur Expenditure attached to equivalent liquidity. Decentralized PMUs oversee administration and financial management. Output based work planning and budgeting introduced. Some improvement in adherence to AWPB with budget costs comparing well with design costs particularly for civil works. Specific sector heads of departments made responsible and accountable for work plan implementation and expenditure under each sector. Rolling audit introduced by contracted private audit firm. Trainings held for district staff on treasury regulations and AWPBs. Procurement of major goods and services centralized at the PMU, mainly through local competitive bidding.</i></p>	<p><i>Rerouting of funds from implementing ministries causes some resistance under those components. Use of PMUs has positive effect on financial absorption rate, although this rate can still be improved. Late submission of Statements of Expenditure causes delays in replenishment of the offshore account. Lengthy procurement process still causes delays. Contracting civil works usually completed on time and of high standard. PMU performance needs to be observed over a reasonable period. Use of privately contracted audit firm has introduced more financial discipline. Where projects are multi-sectoral, sector heads need to be made responsible for technical implementation and financial accountability. Initial deposit amount should be increased, and withdrawal application threshold reduced to US\$10,000.</i></p>

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<sup>26</sup> Republic of Kenya, Synthesis of Lessons Learned Across the IFAD/BSF Portfolio, Report No. 1379, IFAD 2001.

Issues Identified 2001	Lesson Learned 2001	Actions Taken under the COSOP 2002-2007	Lessons Learned and Priorities for COSOP II
<p><b>Weak government leadership and supervision</b></p> <ul style="list-style-type: none"> <li>▪ flawed planning, supervision, M&amp;E, poor reporting.</li> <li>▪ lack of clear structure and systems, weak leadership (project management and steering committees).</li> <li>▪ one-way accountability, from communities to the project, not the other way around.</li> <li>▪ corruption and nepotism, allowing power groups to interfere in project initiatives/priorities.</li> </ul>	<p>Government's leadership, commitment and capacity to implement the DFRD strategy is limited, so district development will continue to be hindered. IFAD should diversify its support for rural development with direct funding to other development partners.</p>	<p><i>Identification of community priorities has improved. Better M&amp;E systems now in place, including annual review workshops. Better planning, implementation and supervision in the projects. Supervision structures put in place at community level, Divisions, Districts, and national (steering committee) level. More accountability introduced, and reporting to DPCC. Bottom up planning and CAPs are the basis for implementation and funds allocation. Selection of community own resource persons done openly during PRA process, thereafter routine elections.</i></p>	<p><i>When new structures are introduced midstream, the resistance to change is high. Supervision at all levels should be captured in work plans, with specific dates. There should be continuous involvement of communities, with reporting both at community and administrative levels. This reduces the chances of misdirection of recourses. More structures should be set up to guarantee continued community involvement in planning and monitoring. All implementation should be based on approved work plans and budgets. Empowerment of project committees strengthens accountability and ownership, although it is difficult to avoid influence of powerful groups and individuals.</i></p>
<p><b>Inconsistent IFAD follow-up and supervision</b></p> <ul style="list-style-type: none"> <li>▪ inadequate response by IFAD to widespread supervision concerns.</li> <li>▪ reduction of supervision to once per year.</li> </ul>	<p>Need for significant tightening of IFAD's follow-up and supervision. Improved management tools for monitoring and supervision (log frame, reporting).</p>	<p><i>Supervision missions have remained once per year. Contact between project management and UNOPS has intensified, and action taken on mission recommendations has improved.</i></p>	<p><i>Due attention to supervision mission recommendations helps to improve project performance and this should continue.</i></p>
<p><b>Weak M&amp;E</b></p> <ul style="list-style-type: none"> <li>▪ M&amp;E routines range from poor to absent (CKDAP first project with logframe).</li> <li>▪ M&amp;E specifications vital but missing aspects of project designs.</li> </ul>	<p>Need for well integrated logframe-based M&amp;E systems with clear roles and adequate resources. IFAD should support substantial M&amp;E capacity-building.</p>	<p><i>All projects now have a logframe and clear M&amp;E targets are inbuilt in the project design documents. Improved M&amp;E systems developed with routine reports, and M&amp;E practices and staff capacity improved with TA provided by IFAD. RIMS reports introduced.</i></p>	<p><i>Clear objectives and appropriate targets make implementation more systematic. Their refinement should continue. M&amp;E systems based on good indicators improve project direction and performance evaluation. Devolving responsibilities is not easily accepted, and data collection and reports require constant follow-up. Cumulative data requires consistency and discipline. Need to incorporate more community-based participatory M&amp;E.</i></p>

Issues Identified 2001	Lesson Learned 2001	Actions Taken under the COSOP 2002-2007	Lessons Learned and Priorities for COSOP II	
<b>B. Policy and Institutional Frameworks</b>				
<b>DFRD strategy and integration at district level</b>	<ul style="list-style-type: none"> <li>▪ wrong assumption that DFRD policy and mechanisms are fully functional.</li> <li>▪ lack of coordination and management capacity at district level, retention of central authority, endless resource bottlenecks.</li> <li>▪ complex project designs, too many ministries being coordinated by one (technical) ministry.</li> <li>▪ proliferation of districts and endless restructuring of ministries.</li> </ul>	District-level plans need commitment from HQ. Need for mechanisms to ensure coordination, integration and empowerment between sectors at district level. Single sector projects preferable.	<p><i>Clearer institutional structures to enable proper implementation of integrated projects.</i></p> <p><i>Decentralization of coordination and management by establishing PMUs and DPCCs. Technical officers included in the PMU, and link to ministerial desk officers. Frequent capacity-building of the district and divisional staff carried out to address the identified gaps. Need to focus implementation in specific areas, selected based mainly on poverty indicators. Multi-sectoral projects coordinated by MPND. Latest projects, including those in the pipeline, are thematic within a single sector.</i></p>	<p><i>Decentralization has improved project management. Integration has some unique challenges based on various interministerial and institutional dynamics. Coordination by a technical ministry for integrated projects introduces bias. Clear coordination structures, such as Project Steering Committee, PMU and MPND are needed. Staff are able to respond positively and learn from training, and attention to staff capacity-building should continue. Project implementation should be based on departments rather than ministries, this will improve clarity in designs. Need for performance contracts for all components</i></p>
<b>Role of government and other operators in field activities.</b>	<ul style="list-style-type: none"> <li>▪ direct government implementation, while also being facilitator and supervisor, neglecting creating an enabling environment and reinforcing idea of government as provider (handouts).</li> <li>▪ unclear lines of responsibility and reporting, and weak roles of communities.</li> </ul>	Promote alternative and complementary approaches to funding rural poverty alleviation (partners / providers).	<p><i>Alternative government initiatives to address rural poverty put in place. e.g. Constituency Development Fund, and the youth fund. Community included in DPCC and Divisional planning meeting, which improved the level of meeting communities' needs. FDACs and leaders are learning through exchange activities. Little funding channeled through other development partners.</i></p>	<p><i>There is a need to design government initiatives in a way that makes them more relevant to the overall poverty reduction policies. Community reporting ensures that implementers are checked on their implementation record. Need to further emphasize community reporting and participatory M&amp;E. Clarification of the community's roles is important to build up their level of commitment to various project activities.</i></p>

Issues Identified 2001	Lesson Learned 2001	<i>Actions Taken under the COSOP 2002-2007</i>	<i>Lessons Learned and Priorities for COSOP II</i>	
<b>C. Substantive and Technical Design Features</b>				
<b>Community mobilization and best practice in civil society development</b>	<ul style="list-style-type: none"> <li>▪ communities only nominally involved, weak skills and systems for genuine participation.</li> <li>▪ responsibility with a separate ministry (MCSS) signals a low priority, should be integral with capacity-building among sectoral staff.</li> <li>▪ focus on single sector groups with breakdown in communication/coordination between groups - need for Community Development Committees with sectoral sub-committees.</li> <li>▪ monitoring/supervision needs to focus on how community development is approached and working.</li> <li>▪ need for accountability to groups and advocacy for pro-poor policies.</li> <li>▪ group mobilization without next steps / action: waiting for government.</li> <li>▪ need for safety nets, exempting the poorest from cost sharing requirements.</li> <li>▪ more attention to targeting within districts.</li> </ul>	<p>Community development should be integral to sectoral interventions. Communication between single-sector groups and wider community should be improved. Community Development Committees are more effective than single-sector groups. Technical staff should be skilled in ensuring inclusion and participation. There needs to be community-wide acceptance of cost-sharing principles, fee levels, exemptions, and accountability. Careful targeting within communities is essential.</p>	<p><i>More community involvement in planning / CAPs, under community development components/activities spearheaded by the MCSS. This includes pro-poor advocacy. Groups are the basis for most project support. Single sector groups continue but with increased coordination under FDACs. Targeting gives high priority to FDAs, with clearly stipulated selection criteria. Mobilization is now more based on realistic scope for project intervention. Annual review workshops function as an accountability forum. Exemption is receiving some attention regarding project demonstrations, water sources and health facility fees. Targeting is being done up to the divisional level, especially FDA selection.</i></p>	<p><i>Inclusion of systems for community participation ensures that implementers respond to local priorities, and community ownership. Linkages with single sector community groups should be further improved, through sector-based community mobilization strategies. Cohesiveness among implementing teams and the nature of activities on the ground is possible. Political interference can be reduced by clear targeting criteria in project design documents. Annual review workshops can identify causes of failure from the community and project side. Working with groups that have high expectations of handouts at times leads to neglect and lack of commitment - mobilize and build capacity of key individuals within the groups. Exemption of the poor from levies is acceptable to communities, but there is need to define and target the poor in a well stratified and acceptable manner. Involvement of grassroots level implementers in the targeting process makes the activity more acceptable.</i></p>
<b>Micro-finance</b>	<ul style="list-style-type: none"> <li>▪ micro-finance is the one sector that should not focus on the poorest of the poor.</li> <li>▪ direct grants (KWFT) can be an effective means for funding rural poverty reduction.</li> </ul>	<p>Direct funding by IFAD/BSF to third parties can reduce the complexity of projects and can be an alternative for government tendering.</p>	<p><i>Introduction through service providers is still a challenge, though support to KWFT is very successful. Should focus on the economically active resource poor who can be brought into economic production. Little success in organizing affordable credit for the poorest.</i></p>	<p><i>Communities tend to expect credit under these components. Need for designs to include rural credit and cooperation with micro-finance institutions, to make it more practical and acceptable. Without special terms, access of the poorest to credit is not possible.</i></p>

Issues Identified 2001	Lesson Learned 2001	<i>Actions Taken under the COSOP 2002-2007</i>	<i>Lessons Learned and Priorities for COSOP II</i>	
<b>Integration of economic and social interventions</b>	<ul style="list-style-type: none"> <li>▪ combining social and economic interventions is a sound strategy, but they have not been well integrated.</li> </ul>	IFAD should continue to complement social with economic interventions, but should explore alternative mechanisms to government-managed models.	<i>Complementary social infrastructure continues under some projects, although the shift is to productive infrastructure. Integration at field level and alternative mechanisms to government-managed models have received little attention.</i>	<i>Social and economic interventions are both important, as often the factors hindering economic advancement are negative social predispositions among the communities. Continue emphasis on integration of the two, and on partnerships for social infrastructure. An operational Poverty Alleviation Initiatives fund (CKDAP) could have greatly contributed to social interventions that are currently limited.</i>
<b>Extension and crop/livestock production</b>	<ul style="list-style-type: none"> <li>▪ the least successful of IFAD technical interventions (T&amp;V failure).</li> <li>▪ NEP impact evaluation: target groups, areas with growth potential, and promote collaboration between government, NGOs and private sector in extension.</li> </ul>	Agricultural innovations must be area-specific, responsive and relevant; pluralistic system of service providers is needed; continue to invest in alternative extension models (FFS).	<i>Attempts to align agricultural extension interventions with the latest extension policy and practices. Districts are coming up with specific innovations. Research-extension cooperation strengthened through MOUs. Promotion of stakeholders' forums. Improved uptake of technologies introduced.</i>	<i>Research extension linkages and regular strategy reviews are vital in ensuring success. Need to emphasize on use of the latest extension methodologies, some of which are area specific.</i>
<b>HIV/AIDS</b>	<ul style="list-style-type: none"> <li>▪ lacking in project designs, focus on prevention and treatment needs to be integrated.</li> </ul>		<i>Incorporated especially under health activities, though implementation arrangements are not always very clear.</i>	<i>Need to more clearly identify ways and means of integrating the issue. Unless deliberate efforts are made, including at coordination level and by allocating funds, mainstreaming HIV/AIDS remains a challenge.</i>



## **CPE agreement at completion point**

Not Applicable – CPE has not been carried out yet on Kenya. It was postponed to 2008/09.

## Key file 1: Rural poverty and agricultural/rural sector issues

Priority Areas	Affected Groups	Major Issues	Actions Needed
Agricultural production and productivity	All smallholder farmers, especially poor, semi-subsistence smallholders with marketable surplus and pastoralists.	<ul style="list-style-type: none"> <li>▪ Low production capacity to meet the growing diverse needs for local and regional markets.</li> <li>▪ Poor quality and high cost of seed and planting material.</li> <li>▪ Poor crop husbandry and pest management practices.</li> <li>▪ Lack of farmers' access to knowledge, extension and other support services.</li> <li>▪ Lack of agricultural credit.</li> <li>▪ Unreliable quality and high cost of fertilizer and chemical inputs.</li> <li>▪ High post-harvest losses both in quality and quantity due to poor harvesting, handling, storage and transportation facilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improved farm-level productivity through increased usage of quality seed and planting materials as well as chemical inputs.</li> <li>▪ Strengthening the provision of quality public and commercial extension services.</li> <li>▪ Research and development into quality and high yielding varieties.</li> <li>▪ Integrated pest management promotion.</li> <li>▪ Facilitating linkages with financial institutions to assist farmers with credit for agricultural production.</li> <li>▪ Research and development of technologies focused on post-harvest storage and handling.</li> </ul>
Marketing and quality assurance of produce	Poor semi-subsistence and better off commercially oriented smallholders producing for the market mainly in MHP and ASAL areas.	<ul style="list-style-type: none"> <li>▪ Weak farmer organizations to bulk-buy inputs, bulk produce and undertake collective bargaining.</li> <li>▪ Lack of and inaccessibility to information related to markets and their requirements.</li> <li>▪ Poor rural infrastructure - access roads and market facilities.</li> <li>▪ Lack of capacity and facilities for grading and quality assurance.</li> <li>▪ Lack of producer capacity and organizational structures to deal with market requirements.</li> <li>▪ Limited opportunities for value added production and processing.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assisting farmers to form producer organizations to produce and market their produce locally and externally.</li> <li>▪ Public-private partnerships and investments to develop market infrastructure.</li> <li>▪ Rural access road development.</li> <li>▪ Capacity-building on grading and standardization.</li> <li>▪ Strengthen farmer organizations through training and improve farmer-trader relations.</li> <li>▪ Train management committees on long term planning, organizational management and governance.</li> <li>▪ Training and capacity-building on storage and post-harvest processing to improve quality, minimize losses and add value.</li> </ul>
Community Development	Entire rural population, with the poorest and socially excluded members disproportionately affected.	<ul style="list-style-type: none"> <li>▪ Poor rural infrastructure.</li> <li>▪ Inadequate service delivery in rural areas.</li> <li>▪ Multiplicity of agencies.</li> <li>▪ Inadequate attention to sustainability/ownership issues.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partnership approaches and improved coordination among development partners for development of rural infrastructure and services.</li> <li>▪ Promote demand driven approach to service delivery.</li> <li>▪ Improved capacity, coordination and more transparent lead role given to community organisations.</li> <li>▪ Clearer division of public/private sector responsibilities and management capacity-building.</li> </ul>

Priority Areas	Affected Groups	Major Issues	Actions Needed
HIV/AIDS	Entire rural population, with youths particularly at risk and women being more affected than men.	<ul style="list-style-type: none"> <li>▪ HIV/AIDS transmission and development of associated complications.</li> <li>▪ Inaccessibility to health facilities and ineffective STI treatment and prevention services.</li> <li>▪ Reduced productivity and pressure on productive assets and savings of affected households.</li> <li>▪ HIV/AIDS Orphans.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Information Education and Communication aimed at HIV prevention.</li> <li>▪ Increase accessibility and effectiveness of STI treatment and prevention services by improving health care provider capacity.</li> <li>▪ Continuity of enterprises through hired labour and group support to resolve short-term financial needs.</li> <li>▪ Ensure orphans have access to education, provide nutrition for the children at school and medical care for those with medical problems.</li> </ul>
Gender	Women, especially female heads of households who are widowed, deserted or divorced.	<ul style="list-style-type: none"> <li>▪ Limited access to natural and productive resources.</li> <li>▪ Inadequate representation of women and their interests in local groups and management committees.</li> <li>▪ High illiteracy rates among women related to high drop-out rates for girls from school or school inaccessibility.</li> <li>▪ Limited opportunities for income generation for women.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implement gender sensitive poverty reduction initiatives.</li> <li>▪ Promote women in leadership positions and representation of their interests in producer groups.</li> <li>▪ Specific initiatives to enrol and keep girls in school.</li> <li>▪ Assist women to gain and maintain access to productive resources.</li> </ul>
Environmental issues and natural resource management	Entire rural population, especially the landless, near landless and poorest subsistence smallholders pastoralists.	<ul style="list-style-type: none"> <li>▪ Lack of environmental awareness and poverty pushing people to engage in environmentally destructive activities.</li> <li>▪ Competition between different land use purposes in rural areas.</li> <li>▪ Declining soil fertility and land degradation.</li> <li>▪ Increasing competition for scarce water resources.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employment creation. Community involved in land use decisions and enforcement. Afforestation with emphasis on agro-forestry and fodder production.</li> <li>▪ Participatory inter-disciplinary approaches to environment, water, and forestry protection.</li> <li>▪ Promoting on-farm conservation and fertility-enhancing technologies (e.g. stabilization, livestock manure, composting).</li> <li>▪ Improved water harvesting and conservation methods.</li> </ul>
Technology improvement and grassroots capacity-building	The poorest, socially excluded subsistence smallholders and poor, semi-subsistence smallholders, pastoralists.	<ul style="list-style-type: none"> <li>▪ Most of the GOK budget in the agricultural sector goes to parastatals - low attention for poor smallholder development.</li> <li>▪ Weak capacity of national research and development institutions to disseminate appropriate technologies and information for sustainable growth.</li> <li>▪ Lack of mechanisms to support better information, knowledge integration and decision making by poor farmers.</li> <li>▪ Weak involvement of local communities in the planning and implementation of projects and programmes.</li> <li>▪ Absence of joint, group-based operations among smallholder farmers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agricultural sector reforms to facilitate the privatisation of parastatals in order to free funds for smallholder development.</li> <li>▪ Promote participation by smallholders and farmer organizations in planning and review exercises; promote post-harvest focus on the research agenda.</li> <li>▪ Promotion of diversity of operators to respond to knowledge needs of the poor. Better integrate actors concerned with promoting technology to farmers.</li> <li>▪ Assisting farmers to form producer organizations and associations to enhance farmers' articulating their needs and priorities.</li> </ul>

## Key file 2: Organization matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Finance (MOF)	Staffed with professionals who are conversant with donor operations, economic and financial management matters. Competent subsidiary organs that assist in the macroeconomic management of the country (e.g CBK, KRA). Able to mobilize considerable resources to finance development and recurrent expenditures. Enforcement of financial and procurement procedures has improved. New Micro-Finance Bill (2006) to promote and regulate financial services delivery.	Limited staff capacity to deal with expanded donor support to Kenya. Unable to control ministerial votes as line ministries demand autonomy, which sometimes encourages wasteful spending. Mounting debt and high recurrent costs limit the availability of funds for investment expenditures and development priorities. Effects of political manipulations, e.g. payment of bad guaranteed debts of State Corporations, allocations such as to the Constituency Development Funds, over which it has no direct control. Weak information and communication infrastructure.	Harmonize donor support under Kenya External Aid Policy. More clearly separate financial management functions (MOF) from development coordination functions (MPND). Upgrade information and communication technology to efficiently manage key expenditures and revenue parameters. Together with others such as the Public Accounts Committee and Public Investment Committee of Parliament, and the Kenya Anti-Corruption Authority, reduce misuse of public resources. Strengthen rural financial services.	Politically motivated decisions can misdirect investment resources. Proper management of public funds can be compromised if procurement, commitment and payment procedures are not adhered to.
Ministry of Planning and National Development (MPND)	Ability to coordinate multi-sectoral projects. Collects, compiles and analyzes macroeconomic and sectoral data. Has specialized planning divisions at each ministry, provincial headquarters and district. Develops strategic policy papers such as the ERS, which assist government ministries to prepare sector specific strategies. Poverty indices for all constituencies and districts. Includes the KNBS, which has the mandate to gather information from all government ministries, departments and state corporations, and produces statistical surveys, abstracts and other documents.	Weak coordination function, as line ministries see the MOF more as the national authority. The KNBS has inadequate capacity to collect data and conduct all the studies that are required. Planning divisions located in the line ministries are not institutionalized and do not function effectively as centers of planning and decision making in those ministries. District planning offices are poorly staffed, usually with only one officer, the District Development Officer. Planning and coordination at this level is therefore not effective, which makes it easier for misuse of development resources to occur.	Coordination of multi-sectoral development efforts, and assisting the treasury in appropriate budgetary resource allocation. The KNBS can carry out surveys and data analysis to monitor development progress. Bring universities on board to undertake socio-economic studies including in agriculture. Strengthen central planning units, provincial and district planning offices, to improve the planning capacity and coordinated implementation of projects and programs.	Lack of adequate resources to improve its planning capacity particularly at the periphery levels.

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Agriculture (MOA) and parastatals (including ADC, AFC, KARI, KEPHIS, HCDA, NCPB, PCPB)	Sound strategic documents, the SRA 2004-2014, and a Strategic Plan 2006-2010, that respond to the ERS. The MOA has staff down to the lowest administrative units, but numbers and capacity are not adequate. Ongoing restructuring and rationalization. Many parastatals, including those that specialize in one agricultural commodity. Research stations in all agro-ecological zones that address specific research needs.	Low funding, considering its importance in the national economy. Poor outreach of technical advisory services on the ground. Weak extension-research linkages, failure to quickly disseminate available research findings. Lack of funds to provide credit to farmers for enterprise investment; lack of management capacity and poor farmer partnerships relations at AFC. Late payment of farmers for produce delivered (NCPB, PBK). Expropriation of ADC land for resettlement of the landless and unjustified allocations. SRA principles not yet translated into practical subsector strategies and policies (e.g. horticulture, sugar industry). Weak service delivery of regulatory bodies at field level.	Support SRA implementation. Review and update the policy framework under single umbrella legislation. Promote irrigated agriculture to reduce the impact of unreliable rainfall. Focus on commercialization. Work with the cooperative sector to find good markets for farmers produce. Encourage multiple providers especially in the private sector to deliver extension services. Development partners are still keen to fund agricultural programs to avert food shortages.	Scarce resources. Land subdivisions that render agriculture unprofitable. Low adoption rates of technology by farmers. Inefficient markets and unfavourable domestic and external prices making agricultural enterprises unprofitable. Parastatals do not deliver services commensurate with resources absorbed. Vagaries of the weather.
Ministry of Livestock and Fisheries Development (MOLFD) and parastatals (CAIS, KDB, KMC)	Well trained and experienced staff with clearly defined responsibilities in each department. Availability of basic infrastructure. Goodwill from policy makers. Linkages with local, regional and international research and development institutions. Good rapport with stakeholders.	Low staffing levels. Inadequate and obsolete technology. Weak communication network between and within technical and support service departments. Inadequate transport facilities, tools and equipment. Low staff morale arising from poor terms and conditions of service. Scattered organizational locations. Ageing technical staff and poor succession management. Inadequate capacity in project cycle management, quality assurance and emergency preparedness. Weak policy and legal framework. Inadequate management information systems.	Increase exploitation of livestock and fisheries resources. Improve access to local, regional and international markets. Availability of new bio-technologies. Use linkages with regional and international organizations in finance, trade, research and training. Existence of a strong private sector involved in processing and value addition. Improve networking with other ministries.	Low funding. Embargo on recruitment of technical staff. Insecurity in livestock producing areas. Prevalence of livestock and fish diseases, pests and predators. Land subdivision. Unfair trade practices. Environmental degradation, natural calamities and trans-boundary conflicts. HIV/AIDS. Over-exploitation of some resources.
Ministry of Cooperative Development and Marketing (MOCMD) including Cooperative College	National institutions exist in the country to support the cooperative movement. The MOCMD is prepared to reduce its grip on the cooperative movement under the new cooperative act, and allow autonomy to strong and viable societies. The MOCMD oversees the operations of financially strong Savings and Credit Societies (SACCO). The Cooperative Bank has infrastructure for channeling investment funds to farmers. The Cooperative College has a growing potential for capacity-building services.	Historical burden of interference in and disruption of the functioning of cooperatives. Poor governance record among cooperatives, lack of capacity to do proper business and lack of finances. Lack of financial discipline resulting in pleas to write off debts. Weak coordination between the production ministries (MOA, MOLFD) and the marketing ministry.	Make the cooperative movement robust and accountable through a focused strategy and plan of action. Reduce political influence within the movement. Initiate policies towards privatization. Enhance cooperation with the production sectors	Political interference in the management and operation of the societies and markets. Lack of markets for farmers' produce.

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Environment and Natural Resources (MENR) and subsidiary institutions (NEMA, KEFRI)	An Environmental Management Coordination Act and a Forest Development Policy, geared to transforming the forestry service. Has infrastructure such as gazetted forests, plantations, tree nurseries, and understands forest ecology. Has a forestry research institution (KEFRI) and Kenya Forest Service (KFS), and support from international organizations such as ICRAF and UNEP. Many NGOs also support environmental and forestry initiatives. NEMA has the legal basis to address environmental issues such as industrial pollution, solid waste management, and natural resources conservation. NEMA has a coordination authority over agencies mandated to manage the environment.	Although there is a Forest Act 2005, the MENR operates within a weak policy and legal framework on environment and natural resources management. Forestry issues are erroneously made synonymous with environmental issues. Inadequate information, technology, capacity and resources for management of environment and natural resources. Cases of staff who illegally cash in on forest resources for personal gains. Reforms have been slow. Returns from environmental programs are usually long-term and adoption is often low. Weak prevention of felling of indigenous trees by charcoal burners and traders. NEMA has low capacity to coordinate environmental issues at the district level and enforce regulations.	Strengthen NEMA to enable it to better enforce standards and assist the operationalization of the Kenya Forest Service. Formulate an environmental policy and an action plan. Implement the Forest Act 2005 and enhance community management of forests. Prepare a strategic plan that can attract additional funds. Mainstream environmental concerns into projects and programmes.	Unchecked environmental degradation, loss of biodiversity and unsustainable exploitation of natural resources due to vested interests. Funding availability does not match the large resource requirements of environmental programs. Most environmental programs are public goods that can be difficult to justify economically.
Ministry of Water and Irrigation (MWI) and the new water institutions.	The Water Act (2002), national sector policy and Water Sector Investment Plan give direction to reform and investment in the sector. Advanced restructuring to provide services more efficiently and effectively, through Water Services Boards, Water Resources Management Authority, Water Services Regulatory Board and Water Appeal Board. These institutions are moving the sector from government domination to stakeholder management and control. They have a legal mandate to operate in their areas of jurisdiction.	Restructuring of the ministry has been slow due to lack of adequate budgetary provisions. Most of the MWI staff are yet to be absorbed by the new institutions; skeleton staff will remain at the headquarters. Hence some staff do not yet fully understand their new mandates. The Water Services Boards currently do not have the capacity to carry out their regional responsibilities and may require continued support from MWI for some time. Conflicts among the caretakers of water projects including community-managed projects. New water and sewerage companies are financially weak, have poor management capacities and their un-accounted for water is usually very high. Salaries and wages consume a large proportion of their budgets.	Work with development partners to secure resources for capital investment. Promote community management of water facilities. Seek funding in order to expand irrigation of high value crops. Make it more attractive for the private sector to invest in water projects.	Inadequate resource allocation. Political interference in access and water rights. Weak management capacities. Destruction of water catchment areas.
Ministry of Lands (MOL)	The MOL has qualified technical staff, including at district level, to plan, survey, adjudicate land and resolve disputes. A draft land policy has been prepared to improve the land management and administration system, and address issues of fragmentation, disparities in land ownership, deterioration in land quality, squatting and landlessness, disinheritance of some groups and individuals, under-utilization and abandonment of agricultural land, tenure insecurity and conflict.	Lack of an effective operational land policy until the new policy comes into effect. Continued vested interests and conflict in land issues - "land matters are sensitive." Need to transform the staff complement to become more transparent and accountable. Parallel and illegal practices including fake land sales and legal land documents.	Finalize and operationalize an effective land policy that is acceptable to all stakeholders, with particular attention to women's rights. Create strong decentralized institutions to oversee the management and utilization of land. Resolve pending cases of land issues - grabbed land. Reorient staff to work for the common good.	Political interference and ethnic conflict. Conflicts in land use practices, e.g. environmental conservation vs. forest excisions and cultivation on steep slopes; human-wildlife conflicts.

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Gender, Sports, Culture and Social Services (MGSCSS)	MGSCSS has a draft strategic plan (2005-2010). Top management, mainly consisting of women (Assistant Minister, Permanent Secretary, Head of Planning Division and many heads of departments), is well equipped to manage gender issues and social services. Mandate for registration and capacity-building of local groups.	Staffing levels at the headquarters, provincial and district levels are low; most districts have one or two staff members with limited effectiveness. The ministry is not adequately funded possibly due to lack of a clear policy to direct its mandate and functions. Local Authorities used to provide grassroots staff in the form of Community Development Assistants. These staff have since been withdrawn due to lack of finance.	Put into action a clear strategic plan that can attract additional funds. Use the goodwill of government to implement pro-women initiatives, e.g. affirmative action, and lead in the mainstreaming of gender matters in public and private institutions. Re-employ Community Development Assistants for grassroots service delivery.	Kenya has many cultures that are diverse and difficult to manage. Lack of adequate resources to improve its capacity. Limited capacity to support groups at field level.
Farmers' Organizations (producer groups, commodity organizations, KENFAP)	Common goal to deliver services and represent farmers' interests from grassroots to national level. Ability to organize inputs distribution, sale of produce, take loans, advocate for favourable policies. Ability to provide extension services to the members. Established network structures from grassroots to national level. Willingness by leaders to offer voluntary services.	Often weak management skills and lack of strategic plans and cohesiveness. Limited personnel especially at lower levels and limited financial resources. Not always adequate farmer representation. General low level of organization at producer level.	Potential to represent farmers' interests and influence policy at national level. Vehicles for improved service delivery to farmers.	Poor management and lack of cohesion can lead to collapse of projects and facilities. Sometimes prone to political interference.
NGOs (e.g. CARE Kenya, KWFT, TechnoServe, Oxfam-Kenya, Action Aid, PRIDE)	Specific experience with poverty reduction, commercialization of smallholder agriculture. Closer to the private sector and small enterprises with potential for growth. Capacity to organize smallholders, assist with production and marketing for high value marketing chains, and link to external resources. Well placed to play advocacy role including addressing gender disparities.	Limited staff capacity. Projects are often localized mainly with demonstration purposes and limited outreach. Dependency on limited short-medium term donor funding.	Capacity to develop and disseminate appropriate technologies. Capacity to train government and other staff in specific areas of expertise, such as participatory methods and farmer organization. Potential vehicle for establishing and strengthening producer groups. Potential to introduce and test pilot activities that can be replicated under IFAD/GOK programmes.	Reliance on NGOs with limited capacity and changing focus based on donor funding and priorities may adversely affect implementation. Risk of limited local capacity-building and creating dependency on NGO services, with subsequent lack of sustainability.
Rural Financial Institutions (e.g. K-rep bank, Equity Bank, KWFT, Faulu)	Long experience with financing micro-enterprises in the country. High level of entrepreneurial staff to support operations and clients. Significant outreach, sometimes with country wide offices especially in MHP areas. Have experienced significant growth.	Have generally failed to finance agricultural production and have specialized in supporting traders. Product characteristics, such as high interest rates and strict repayment schedules, often unsuitable for agriculture. Sometimes one-sided focus on loan recovery rather than client performance. Slow processing of applications.	Could share their experience with other institutions willing to assist in savings mobilization or to finance smallholders and informal traders. Potential to finance agricultural marketing, especially produce with a short production cycle and high value. Potential to replicate successful experiences in other areas.	Increasing outreach further into rural areas means higher cost of operations. Productivity under smallholder conditions is subject to rainfall patterns, increasing risk.

Organization	Strengths	Weaknesses	Opportunities	Threats
Private Sector Operators (stockists, traders, processors, manufacturers)	Extensive networks in MHP areas located close to farmers. Advice on inputs is highly regarded by smallholders. Often experienced persons with facilities instrumental in transferring produce from producers to market outlets. Good understanding of demand and supply situation.	Have limited technical knowledge and sometimes pass distorted messages to farmers. Storage and retail facilities can be of poor quality. Products and services offered are more profit-based than based on farmers' needs. Multiple levels of operators add to cost of inputs and produce. Monopolize market information and pay minimum prices to farmers. Ad hoc and unreliable trade relations dominate. Varying interest in and adherence to quality standards.	Meet high demand for quality inputs. Complement reduced government service delivery by passing technical advice and product information through the supply chains. Improve stocking and reduce cost of products in line with farmers' needs. More efficient marketing arrangements to reduce cost and improve quality. Reduce number of actors in the supply chains. Improved payments to farmers can lead to increased production.	Cases of sale of illegal or ineffective products. Business competition has the risk of introducing biased information to farmers. Resistance of cartels and dominance of short-term profit interests. Inadequate rural infrastructure limiting improved trade practices.
Industry representative bodies (e.g. AAK, FPEAK, STAK)	Representative bodies, knowledgeable regarding the concerns and priorities of their members, who play important roles in the agricultural sector. Contributing to training and public awareness campaigns. Initiatives on quality control and accreditation systems. Contributing to review of agricultural policies and legislation. Conversant with international standards.	Small outfits with limited resources and capacity, for example for training initiatives. Development issues are not the first priority of the industry, priority is (sometimes one-sided) representation of members' interests. Limited experience and involvement with smallholder producers.	Potential to make more relevant products available to smallholder producers. Support role in capacity-building and accreditation for distribution, storage, handling and use of inputs. Potential channel to, for example, disseminate study findings or draw attention to specific needs of smallholders. Capacity to give farmers a wider choice of inputs. Well organized channels for communication with substantial numbers input suppliers, processors and exporters. Members control substantial investment funds.	Possibility of domination by one or a few large members. Regulations tend to favour imports over local manufacturers, through multiple testing and registration requirements. Focus on the interests of industry, which do not always coincide with the interests of smallholder farmers. Changing laws, procedures and preferences related to export products.
Research Institutions (e.g. Tegemeo, KIPRA, Universities)	Reasonable complement of researchers and research infrastructure, with wide experience in the agricultural sector and macro/institutional issues. Institutional linkages with other universities and research institutions. Independence in analysis and presentation of critical views and advice. Priority in government policy questions (KIPRA).	Limited resources reduce the ability to carry out research and makes it funds-driven. Limited dissemination of findings and follow-up on implementation of recommendations. Limited collaboration with other institutions in the agricultural sector. KIPRA is rather closely associated with the government agenda. Research not always linked to the needs and priorities of the rural poor.	Potential for collaborative research aimed at influencing agricultural policies. Potential in contributing to implementation of the SRA. Scope for collaboration with other organizations in the private sector to improve the relevance and acceptability of policy findings.	Partial dependence on donor funding for activities - competition for resources. Risk that unpopular recommendations are not followed up, especially by government. Political interference. Competition for resources can undermine opportunities for collaboration.



### Key file 3: Complementary donor initiative/partnership potential

Agency	Priority Sectors and Areas of Focus	Period of Current Country Strategy	Complementarity/Synergy Potential
African Development Bank	Agriculture: <i>ASAL-Based Livestock and Rural Livelihoods Support Project; Green Zones Development Support Project; KimiraOluoch Smallholder Irrigation Project.</i> Environment. <i>Ewaso Ng'iro North Natural Resources Conservation Project.</i> Water and Sanitation. Health.	Country Strategy Paper 2005-2007 under ADF X programme cycle. KJAS 2007-2011 partner	The second COSOP period is expected to be characterized by increasing harmonization among donors supporting the agricultural sector. The complementarity and synergy potential in the sector is high for the coming years.
Denmark (DANIDA)	Agriculture: <i>Agricultural Sector Programme Support (ASPS, ASAL areas).</i> Water and Sanitation. Private Sector Development. Health. Environment.	Danish Country Strategy for Kenya 2005-2009 KJAS 2007-2011 partner	At the strategic level, this will be achieved by using the KJAS, agreed between a majority of donors and the GOK, as a common strategy document that will provide general guidance on the development priorities to be supported.  At the operational level, the SRA, its Medium-Term Plan, and the Code of Conduct for the agricultural sector will provide a practical framework for the alignment of existing and development of new donor-supported interventions. As has already been the case, the agricultural donor sector group and its dialogue with government will be the platform used by donors to share experience and harmonize activities, gradually moving towards a mix of better coordinated projects and programmes, basket funding and SWAp arrangements.  More specifically, ongoing and new IFAD-supported interventions have a strong synergy potential with the following operations supported by other donors: (i) World Bank, KAPP (support to research and extension: complementarity in selected districts under all IFAD project); (ii) Sida, NALEP (national extension framework, focal
European Commission	Agriculture: <i>Pesticides Initiative Programme; Kenya Agricultural Research Programme for Arid and Semi Arid Lands; Implementation of a fisheries management plan for Lake Victoria; Strengthening Fishery Product Health Conditions in ACP/OCT countries; Rural Poverty Reduction and Local Government Support Programme.</i> Environment. <i>Community Development for Environmental Management Programme.</i> Roads and Transportation.	Country Strategy Paper and Indicative Programme 2008-2013 KJAS 2007-2011 partner	
Germany (DED, GTZ, KfW)	Agriculture: <i>Private Sector Development in Agriculture (PSDA), MHP areas.</i> Water and Sanitation: <i>Smallholder Irrigation Programme Mt. Kenya Region.</i> Health.	KJAS 2007-2011 partner	
Japan (JICA)	Agriculture: <i>Smallholder Horticulture Empowerment Project (SHEMP, 4 districts); Community Agricultural Development Project in Semi Arid Lands (CADSAL).</i> Water and Sanitation: <i>Sustainable Smallholder Irrigation Development and Management in Central and Southern Kenya (SIDEMAN).</i> Roads and Transportation. Land. Private Sector Development. Education. Health. Environment.	Annual country strategies. KJAS 2007-2011 partner	
Sweden (Sida)	Agriculture: <i>National Agriculture and Livestock Extension Programme (NALEP-II), national.</i> Water and Sanitation. Land.	KJAS 2007-2011 partner (new country strategy as Annex to KJAS)	

Agency	Priority Sectors and Areas of Focus	Period of Current Country Strategy	Complementarity/Synergy Potential
United Nations Agencies	FAO: Agriculture: <i>Farmer Field Schools, national; Kenya Special Programme for Food Security; Using FFS to Overcome Land Degradation; Enhancement of Coffee Quality; Conservation Agriculture for Sustainable Agriculture and Rural Development; FAO/Netherlands Partnership Programme (FNPP); emergency projects.</i> UNEP: Environment. UNICEF: Water and Sanitation, Education, Health. UN-Habitat: Land, Environment. UNDP: Private Sector Development, Environment. UNESCO: Education, Environment.	UNDAF 2004-2008 KJAS 2007-2011 partners	area concept, complementarity in selected districts under all IFAD project); (iii) USAID, KDDP and KHDP (private sector approach to dairy and horticultural development, complementarity in particular for SDCP and SHoMaP); (iv) JICA, SHEP (horticultural development, covering similar districts as SHoMaP); (v) GTZ, PSDA / Irrigation Programme (supporting government in developing opportunities and an enabling environment for the private sector in agriculture; and irrigation development in the MKEPP project area); (vi) FAO, FFS (approaches to capacity development of producer organizations, important to all IFAD projects).  The Belgian Survival Fund (BSF) cofinances the CKDAP and the GEF cofinances the MKEPP.
United Kingdom (DFID)	Private sector: <i>Business Services Market Development Project (BSMDP, supporting agriculture).</i> Land: <i>Support to Kenya land reform process.</i> Education.	KJAS 2007-2011 partner	
United States (USAID)	Agriculture: <i>Kenya Maize Development Program; Kenya Dairy Development Program; Kenya Horticulture Development Program (selected MHP areas); North East Pastoral Development Program.</i> Water and Sanitation. Private Sector Development: <i>Kenya Business Development Services (KBDS, supporting agriculture), Microenterprise Development.</i> Education. Health. Environment.	USAID/Kenya Strategy Statement 2006-2011. KJAS 2007-2011 partner	
World Bank	Agriculture: <i>Kenya Agricultural Productivity Project (KAPP, 20 districts, eventually national); Arid Lands Resource Management Project Phase II; Lake Victoria Ecosystem Management Project (LVEMP); Agriculture Productivity and Sustainable Land Management in Kenya; Western Kenya Ecosystem Management Project; Western Kenya Community Driven Development and Flood Mitigation Project; Natural Resource Management Project.</i> Water and Sanitation. Roads and Transportation. Land. Private Sector Development. Education. Health.	Country Assistance Strategy 2004-2007 KJAS 2007-2011 partner	

Only lead donors for major rural development sectors are listed. In addition to the donors and activities mentioned in the table, there are various smaller donor-supported interventions in the agriculture and rural development sector, and many interventions in other sectors. Besides those listed in the table, other KJAS partners are the Government of Canada, the Government of Finland, the Government of France, the Government of Italy, the Government of the Netherlands, the Government of Norway and the Government of Spain.

## Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Poorest, subsistence smallholders and pastoralists	<ul style="list-style-type: none"> <li>▪ Lack of productive resources, including land.</li> <li>▪ Illiteracy, lack of knowledge and skills which limits opportunities.</li> <li>▪ Socially excluded from community-based activities.</li> <li>▪ No safety net, caught up in hand-to-mouth survival.</li> <li>▪ HIV/AIDS and other diseases affect those in the productive ages.</li> <li>▪ Inability to afford user charges (e.g. water, health).</li> <li>▪ Environmental degradation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Work as casual labourers.</li> <li>▪ Resort to unsustainable exploitation of natural resources.</li> <li>▪ Illicit businesses (e.g. brewing, commercial sex) for survival.</li> <li>▪ Asking assistance from others.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Welfare projects to provide basic needs.</li> <li>▪ Water projects.</li> <li>▪ Productive assets.</li> <li>▪ Training on agriculture and income generating projects.</li> <li>▪ Better health facilities.</li> <li>▪ Exemption of cost sharing and community contributions.</li> <li>▪ Alternative ways to include them in development initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CBOs that focus on the poorest community members, e.g. orphans.</li> <li>▪ Resettlement and land buying schemes.</li> <li>▪ Efforts by NGOs and government to introduce safety nets such as cash transfers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthen community-based mechanisms that support the poorest, e.g. exemption schemes.</li> <li>▪ Include appropriate, low-cost technology alternatives.</li> <li>▪ Create opportunities for their inclusion in groups and community development initiatives.</li> </ul>
Poor, semi-subsistence smallholders and pastoralists with marketable surplus	<ul style="list-style-type: none"> <li>▪ Unreliable and expensive inputs.</li> <li>▪ Dependence on rainfed agriculture with unreliable rainfall.</li> <li>▪ Low productivity and poor quality of produce.</li> <li>▪ Lack of alternative sources of livelihood.</li> <li>▪ Pressure on land and other natural resources.</li> <li>▪ Illiteracy and general lack of knowledge and skills.</li> <li>▪ HIV/AIDS and other diseases.</li> <li>▪ Inadequate agricultural extension services and access to credit.</li> <li>▪ Low prices for produce.</li> <li>▪ Lack of investment capital.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Work as casual labourers.</li> <li>▪ Sell crops prematurely.</li> <li>▪ Sell off assets to meet emergencies.</li> <li>▪ Resort to unsustainable exploitation of natural resources.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capacity-building for groups aimed at better production and marketing.</li> <li>▪ Water projects.</li> <li>▪ Better health facilities.</li> <li>▪ Storage facilities and processing equipment.</li> <li>▪ Market access and better producer prices.</li> <li>▪ Loan facilities.</li> <li>▪ Infrastructure improvement to ease transport problems.</li> <li>▪ Training on income generating projects.</li> </ul>	<ul style="list-style-type: none"> <li>▪ This category of poor but capable people is the target group of most economic and social rural development initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Core target group for improved incomes through group capacity-building and enhanced productivity.</li> <li>▪ Improve financial returns from smallholder production and pastoralism through more efficient markets.</li> </ul>

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Better off, commercially oriented smallholders	<ul style="list-style-type: none"> <li>▪ Natural calamities.</li> <li>▪ Lack of technical support for more advanced farming systems.</li> <li>▪ Inefficient and unpredictable markets offering low returns.</li> <li>▪ Inadequate rural financial services for agriculture.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Invest in irrigation.</li> <li>▪ Develop long term links with selected traders.</li> <li>▪ Diversify resource and income base.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advanced technical advisory services.</li> <li>▪ Improved market information and access.</li> <li>▪ Improved rural infrastructure (roads).</li> <li>▪ Investment capital.</li> <li>▪ Value adding technology.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Private sector operators (traders, processors, supermarkets) seek reliable suppliers.</li> <li>▪ Financial service providers are beginning to improve access to services for capable producers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not a priority target group; but to be included in certain interventions because of their initiative, experience, and local leadership roles.</li> </ul>
Female headed households	<ul style="list-style-type: none"> <li>▪ Female headed households are a mixed group. Single women with land and other assets are usually more empowered than their married counterparts.</li> <li>▪ Greatly economically and socially disadvantaged by the loss of the main bread winner.</li> <li>▪ Widows and abandoned women and their dependants are often exposed to claims on assets by relatives, turning them destitute.</li> <li>▪ General labour constraints.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sell off remaining assets to meet household expenses.</li> <li>▪ Resort to petty trade, subsistence farming, and illicit businesses (e.g. brewing, charcoal burning, commercial sex) for survival.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase the social safety net, improve opportunities to deal with short-term financial crises and retain productive assets and activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Programmes addressing specific women's issues (e.g. girls' education, FGM, domestic violence) especially by NGOs.</li> <li>▪ Mutual support through women's groups, including merry-go-round savings schemes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Promote support by farmers' organizations for female headed households in resolving short-term crises.</li> <li>▪ Increase employment opportunities in the commercial smallholder subsector.</li> </ul>
Landless and near landless rural households	<ul style="list-style-type: none"> <li>▪ Lack of most fundamental productive asset, a viable landholding.</li> <li>▪ Large families with unreliable income, and lack of access to basic services.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hiring their labour to those with land.</li> <li>▪ Engage in petty trade and illicit businesses.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access to productive land.</li> <li>▪ Improved employment opportunities.</li> <li>▪ Increase the social safety net and reduce the number of households that fall into this state.</li> </ul>	<ul style="list-style-type: none"> <li>▪ More conducive land policy being finalized.</li> <li>▪ Limited support to land buying schemes, resettlement and land redistribution.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase employment opportunities in the commercial smallholder subsector.</li> </ul>

