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President's report on a proposed grant under the country-specific window to the Technical Centre for Agricultural and Rural Cooperation (CTA) in collaboration with USTADI Foundation for Youth Economic Empowerment through Agribusiness in Kenya

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 20.

President's report on a proposed grant under the country-specific window to the Technical Centre for Agricultural and Rural Cooperation (CTA) in collaboration with USTADI Foundation for Youth Economic Empowerment through Agribusiness in Kenya

I. Background and compliance with IFAD Policy on Grant Financing

1. Kenya's youth population – those aged between 18 and 35 years according to Kenya's constitution – is estimated at 30 per cent, constituting 60 per cent of the labour force. Within this context, the high rate of youth unemployment in Kenya is a critical concern. The 2013 report on Kenya's Youth Employment Challenge shows that 64 per cent of unemployed Kenyans are young, with youth unemployment rates much higher than the national average of 10 per cent. More challenges face young women compared to young men.
2. Agriculture contributes 24 per cent of Kenya's annual gross domestic product and 65 per cent of its exports. It therefore presents a huge opportunity for youth employment. Kenya's Government has identified agriculture as a key sector to deliver the 10 per cent annual economic growth rate through transforming small-scale agriculture into an innovative, commercially oriented and modern sector (Kenya Vision 2030).
3. To tackle challenges that affect youth engagement in agriculture, the Government has developed the Kenya Youth Agribusiness Strategy 2017-2021 aimed at providing opportunities for youth in agricultural value chains. The Government has asked development partners including IFAD to support implementation of this strategy.
4. The proposed project is in line with the goal and objectives of IFAD's 2015 Policy for Grant Financing.¹
 - (i) Promoting innovative, pro-poor approaches and technologies with the potential to be scaled up for greater impact. The proposal will select youth groups with entrepreneurial potential to tackle important challenges in agricultural value chains through innovative business cases and links with key stakeholders.
 - (ii) Generate and share knowledge for development impact. The project will strengthen the capacity of youth groups to document and share experiences, exchange knowledge and disseminate lessons learned.
 - (iii) Strengthen partners' institutional and policy capacities. The project will strengthen other partner institutions, including farmers, financial sector institutions and entrepreneurial support organizations.

¹ See EB 2015/114/R.2/Rev.1.

II. The proposed project

5. The overall goal of the project is to create sustainable employment for rural youth in the selected counties through active engagement in agribusiness for wealth creation and poverty reduction. The objectives are to: (i) build entrepreneurship capacity; and (ii) create market linkages and added value for 90 rural youth groups in the cereals, dairy and fisheries value chains. An intermediary objective is to contribute to the reduction of rural youth unemployment through targeted investments in the agriculture sector.
6. This project targets the fisheries, dairy and cereals value chains, which generate important economic opportunities for rural youth. All three value chains are vital in poverty alleviation since they contribute to food and nutrition security, and increasing household incomes. These three value chains have been selected based on their relevance to the ongoing IFAD Kenya country programme.
7. The target group will be composed of 90 rural youth groups (with members 18-35 years old) from two Kenyan counties with the potential to start or scale up innovative entrepreneurial enterprises in the above-mentioned value chains. A total of 2,250 young people are targeted to benefit from the project (30 per cent of them women). Detailed selection criteria for the youth groups have been developed. These selection criteria are designed to avoid exclusion.
8. The project will be implemented over two years and will have the following components:

Component 1: Enabling sustainable youth agricultural entrepreneurship.

9. Component 1 has three subcomponents:
 - (i) Skills and capacity-building will comprise: (i) awareness raising for youth-led organizations regarding opportunities along the selected value chains; (ii) selection of youth groups through a call for expressions of interest using clear selection criteria that safeguard against exclusion; (iii) conducting value chain business opportunity workshops related to the production, post-harvest, processing and commercialization of the three selected value chains; (iv) training of youth groups on entrepreneurial skills (business planning, financial management, credit management, business ethics, group management and dynamics, leadership); and (v) training of youth groups on the use of information and communication technology for agribusiness and marketing.
 - (ii) Enterprise development and linkages to markets is designed to support the establishment of profitable agribusinesses for rural young women and men, building on opportunities identified along the three selected value chains. To achieve this, the subcomponent will support learning tours to: expose young people to current production, post-production and commercialization practices; work with incubator-support partners in Kenya to provide mentorship, assessment of youth group enterprises and initial support for high-performing groups; support youth groups with participation in national and regional market facilitation events; and develop and implement innovative approaches for youth to access capital.
 - (iii) Competitive grants aims to spur innovation and technology in order to modernize agriculture for youth in the selected value chains. A competitive grant scheme will be launched to identify technologies and innovations that modernize and add value to agriculture. The competition will be open to youth organizations along the three selected value chains in the areas of digital innovation and innovations in production and business.

Component 2: Value addition.

10. The component aims to address key constraints hampering value addition along agricultural value chains in Kenya. These include a lack of: information on

opportunities; access to modern technologies; markets and market integration; and required capital and skills. To this end, the component will: identify opportunities for value addition along the three value chains; conduct market analysis for the above-mentioned agribusiness opportunities (demand, supply, quality and standards, consumption and competitors); identify key technological, organizational, product quality and supply chain gaps that need to be addressed for the businesses' success; and develop and implement a business growth strategy for selected high-potential businesses.

Component 3: Project management and capitalization.

11. This component will support the project implementation support, monitoring and evaluation, and knowledge management activities. Activities will include: a national inception workshop; communication and documentation of project experiences; a baseline survey; a mid-term review; learning and monitoring studies; and closeout workshop. This component will support project coordination, financial management and procurement.

III. Expected outcomes

12. The project is expected to have the following outcomes: (i) youth entrepreneurial and productive skills in selected agriculture value chains developed and enhanced; and (ii) involvement of young women and men in agricultural entrepreneurship strengthened. The project will also contribute to knowledge on youth agricultural entrepreneurship and generate impact on wealth creation and poverty reduction through creation of sustainable employment for rural youth.

IV. Implementation arrangements

13. The project will be implemented by the Technical Centre for Agricultural and Rural Cooperation (CTA) in the Netherlands in cooperation with local partner USTADI Foundation (as a sub-grantee). CTA is a joint international institution of the African, Caribbean and Pacific Group of States and the European Union. USTADI Foundation is a registered Kenyan organization involved in facilitating capacity development at the national, sub-national and rural levels. The project implementers have been identified through a competitive process.
14. A project coordination unit will be established by CTA, including USTADI staff. Overall management will be undertaken by a project manager who is a CTA staff member. The project manager will ensure the effectiveness, efficiency and continued high quality of all activities. The project manager will work in liaison with a project coordinator, hosted at USTADI, who will be responsible for the project at the national level; the project coordinator will report to the project manager.
15. The project coordination unit will implement: daily programming activities; financial control and management; administration; contracting and supervision of implementing agencies, service providers and contractors; monitoring and evaluation; liaising with other donors and stakeholders; communication and publication of project activities and outcomes, including through annual workshops and periodic reports; and coaching to develop partner capacities.
16. There are no deviations from the standard procedures for financial reporting and audits. CTA will submit biannual financial reports (statements of expenditure), consolidating incurred expenditures. Other reporting to IFAD will be carried out on a yearly basis, including audited financial statements of expenditure, annual work plans and budgets, procurement plans and progress reports.

17. Within six months of project completion, CTA will submit a final grant completion report detailing project, costs, activities, achievement of project goals and objectives, results achieved, impacts of the project and benefits. The final audit report and statement of expenditure will also be submitted to IFAD.
18. CTA will maintain separate records and financial accounts prepared in accordance with internationally recognized standards. It will also ensure that the entire project implementation period is covered by an audit. The audit will include the sub-recipient (the right of access to the sub-recipients' accounts will be extended to IFAD and its independent auditors). The audit will be conducted by an independent auditor acceptable to IFAD.

V. Indicative project costs and financing

19. The total project cost is US\$2,018,000, which will be financed through a grant from IFAD totalling US\$1.5 million; USTADI and CTA will provide co-funding totalling US\$518,000 including in-kind contributions.

Table 1
Costs by component and financier
(Thousands of United States dollars)

<i>Component</i>	<i>IFAD Grant</i>		<i>Cofinancing CTA</i>		<i>Cofinancing USTADI</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Component 1	708	-	65	-	27	-	800	-
2. Component 2	484	-	82	-	-	-	566	-
3. Component 3	208	-	3	-	-	-	211	-
4. Project management	-	-	170	-	139	-	309	-
5. Subtotal direct costs	1 400	-	320	-	166	-	1 886	-
6. Overheads	100	-	32	-	-	-	132	-
Total	1 500	-	352	-	166	-	2 018	-

Table 2
Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>Co-funding</i>		<i>IFAD funds only</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Consultancies	29	5.6	476	31.7	505
2. Equipment and materials	3	0.6	159	10.6	162
3. Goods, services and inputs	6	1.1	70	4.7	76
4. Grants and subsidies	-	-	185	12.3	185
5. Salaries and allowances	309	59.7	-	-	309
6. Workshops	35	6.7	115	7.7	150
7. Training	54	10.4	81	5.4	135
8. Overheads and management fees	32	6.2	100	6.7	132
9. Travel and allowances	50	9.7	314	20.9	364
Total	518	100.0	1 500	100.0	2 018

VI. Recommendation

20. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, Youth Economic Empowerment through Agribusiness in Kenya, shall provide a grant of one million five hundred thousand United States dollars (US\$1,500,000) to the Technical Centre for Agricultural and Rural Cooperation (CTA) in collaboration with USTADI Foundation for a two years upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Gilbert F. Hougbo
President

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	The goal of this intervention is to promote innovative, attractive and sustainable employment for the youth through active engagement in agribusiness for increased income, wealth creation and poverty reduction.	<ul style="list-style-type: none"> Increased incomes and improved well-being for 2250 beneficiaries (at least 750 female) 2250 jobs created for youth in the targeted value chains 	Baselines report End term project evaluation reports CTA and USTADI assessment tools	<ul style="list-style-type: none"> The political environment remains conducive, government commitment to youth development remains after elections Agriculture markets remain favourable Most youth businesses generate revenue
Objectives	The objective of this project is to build entrepreneurship capacity for 90 youth groups in cereals, dairy and fisheries value chains so that they can run successful agro enterprises and value added businesses	<ul style="list-style-type: none"> 2250 youths (at least 750 women) beneficiaries of project benefitting from sustainable employment from agribusiness 20% Average increase in turnover for the targeted Youth agri-enterprises 	Outcome monitoring reports, midterm review of project results Sales records	<ul style="list-style-type: none"> The youth businesses become attractive to captivate young people's interests Politics and social situation will be favourable for the project implementation and enterprises activities
Outcomes/ Outputs	A) Expected Outcomes: <ul style="list-style-type: none"> Youth enterprise skills in selected agriculture value chains developed and enhanced; Involvement of young women and men in agriprenueurship is strengthened; Rural youth unemployment reduced through targeted investments in the agriculture sector. 	<ul style="list-style-type: none"> 2250 youths (min 750 female) benefiting from improved entrepreneurship skills Training of youth on at least 2 skills types Specific commodity and value chain capacity acquired by the youth 90 youth groups running agri-enterprises 60 youth businesses are viable 1 year after inception 60 youth businesses reporting profits in second year 45 unemployed youth having now benefited from employment opportunity in the targeted value added agri-businesses 	Field monitoring reports Training guide/curriculum Trainee evaluation reports Based line study Sales records	<ul style="list-style-type: none"> Youth remain interested and stay on the project for the two years Youth businesses pay well enough to take care of their needs That there will be minimal drop out from the project
	B) indicative outputs <ul style="list-style-type: none"> Awareness created on the project through media Youth groups selection criteria developed Youth organisational capacity assessment toolkit developed Skills trainings curriculums developed or revised Trainings and Study tours conducted Coaching and mentorship of youth entrepreneurs as per schedule Value added business cases consolidated, business plans in place 	<ul style="list-style-type: none"> At least 3000 youth across the two counties aware of project services 270 youth trained (at least 90 women) 3 study tours conducted 30 businesses cases consolidated 24business plans developed 30% grant beneficiary groups (2 special grants for female entrepreneurs) At least 3market linkages developed (at least 1 per value chain) 	<ul style="list-style-type: none"> Newspaper adverts/awareness materials and clips Trainings curriculums Field monitoring reports Grantee list No of business 	<ul style="list-style-type: none"> Youth find the project attractive and apply to join

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Key Activities	<ul style="list-style-type: none"> Competitive awards procedure developed Grants awarded as per procedures Market linkages established for youth business products Successful financial linkages of youth Agri-businesses 	<ul style="list-style-type: none"> 15 Youth Agri-businesses accessing loans to improve businesses At least 15 Youth agri-business doing value addition 	partnerships established	
	Component 1: Enabling Sustainable Youth Agripreneurship			
	1.1 Skills development and Capacity building 1.1.1 Awareness creation on the Project 1.1.2 Selection of 90 Youth Groups and organization for capacity assessment (OCAs): Commodity Business opportunity workshops: 1.1.4 Training on Entrepreneurship: 1.1.5 Training on ICT and social media for agribusiness	<ul style="list-style-type: none"> 2000 youth applying for project services 90 youth groups selected (each with 30% female membership) 2250 project beneficiaries (750 female) 90 organisational assessments conducted 270 youth (90 female) benefitting from skills training 	<ul style="list-style-type: none"> List of training participants Training reports Organisational assessment reports 	<ul style="list-style-type: none"> All youth participants understand what to expect from the project, to avoid disappointments from them
	1.2 Enterprise Development and linkages to markets 1.2.1 Conduct learning journeys 1.2.2 Business Operation review, mentoring and support 1.2.3 Participation in business fora 1.2.4 Innovative facilitation of access to capital	<ul style="list-style-type: none"> 1 international and 2 national learning tours 45 youth benefitting from study tours (30% female) At least 3 business linkages created 15 youth businesses benefitting from capital access At least 15 youth businesses mentored 	Study tour reports Activity reports	<ul style="list-style-type: none"> Selection of those young people with long terms interests in agribusiness is to avoid drops out
N	1.3 Launching of competitive Grants 1.3.1 Design Clinics and Grantees Selection process 1.3.2 Grant Awards 1.3.3 Mentorship and incubation	<ul style="list-style-type: none"> At least 2000 beneficiaries are aware of grant opportunities At least 24 Grants issued (2 special grants for women agri-preneurs) # of youth beneficiaries of grants 15 businesses mentored and supported 	<ul style="list-style-type: none"> Grant adverts List of grant beneficiaries Grantees business profiles Monitoring reports 	<ul style="list-style-type: none"> The most innovative agripreneurial ideas will be identified, and their capacities built before being awarded the grant to avoid misuse of funds
	Component 2: Value Addition			
	2.1 Identify at least fifteen opportunities for value addition along the three value chains 2.2 Conduct market analysis of the agribusiness products identified above 2.3 Identify key gaps to business success to be addressed for the business to be successful 2.4 Develop and implement business growth strategy	<ul style="list-style-type: none"> At least 15 businesses selected At least 25 business strategies developed At least 3 business partnerships created 	<ul style="list-style-type: none"> Analysis reports Business partnership agreements Case studies/reports 	<ul style="list-style-type: none"> The constraints and gaps to value addition on Agri-preneurship are identified.
	Component 3: Project management and capitalisation			
	3.1 National inception workshop 3.2 Develop project visibility and documentation 3.3 Training on KM and MTR 3.4 Key learning and monitoring studies 3.5 Equipment 3.6 Conduct Close-out meeting	<ul style="list-style-type: none"> Procurement of project equipment 1 inception workshops conducted 1000 brochures as branding materials developed 2450 youths trained (at least 30% female) 1 workshop KM strategy training; MTR; close out 	Attendance lists Project equipment Inception report Branding; KM materials M&E and close-up reports	<ul style="list-style-type: none"> There is a clear understanding of the project implementation plan.