

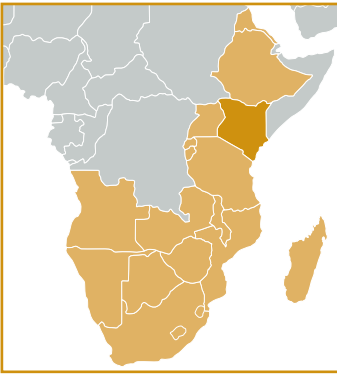


Enabling the rural poor to overcome poverty in **Kenya**

Rural poverty in Kenya

Over the past 30 years, poverty has been on the rise in Kenya. Poverty seems to be a paradox in a country that has the best-developed economy in eastern Africa, with relatively advanced agricultural and industrial sectors and substantial foreign exchange earnings from agricultural exports and tourism. Yet Kenya is a low-income country, with per capita income averaging about US\$360. It ranks 148th among 177 countries in the United Nations Development Programme's human development index, which measures a country's development in terms of life expectancy, educational attainment and standard of living.

More than half of the country's 31.3 million people are poor, and 7.5 million of the poor live in extreme poverty. About 80 per cent of the population, including three out of four poor people, live in rural zones. Most Kenyans live in areas having a medium to high potential for agriculture, which comprise about 18 per cent of the country's territory. Population density in high-potential areas is more than six times the country's average of 55 persons per km². While the poorest of the poor



are found in the sparsely populated arid zones of the country, mainly in the north, over 80 per cent of rural poor people live in higher-potential areas surrounding Lake Victoria and in the Mount Kenya region.

Since 1979, IFAD has invested a total of US\$115.0 million in 12 loan-financed projects/programmes and three grant-financed programmes supporting the Government's efforts to reduce rural poverty. Investments include US\$18.0 million in grants under the Belgian Survival Fund Joint Programme (BSF.JP). IFAD has also mobilized additional cofinancing of about US\$68.0 million from other donors. The Government of Kenya and project beneficiaries have contributed about US\$56.0 million and US\$11.0 million respectively.

Kenya's population has tripled over the past 30 years, leading to increasing pressure on natural resources, a widening income gap and rising poverty levels that erode gains in education, health, food security, employment and incomes.

The causes of rural poverty include:

- low agricultural productivity, exacerbated by land degradation and insecure land tenure
- unemployment and low wages
- difficulty in accessing financing for self-employment
- poor governance
- bad roads
- high costs of health and education
- HIV/AIDS

HIV/AIDS is most prevalent among young and middle-aged Kenyans, the most productive segment of the population. Almost half of the people in Kenya are under 15 years of age. An estimated 700 Kenyans die daily of HIV/AIDS-related causes. HIV/AIDS leaves orphans and woman-headed households even more vulnerable to poverty. The burden of diseases such as HIV/AIDS, malaria and water-borne diseases weighs heavily on both the country and Kenyan families, affecting income, food security and development potential. Life expectancy is down to 46 years, from 59 years in 1989.

Kenya's rural poor people include:

- small farmers
- herders
- farm labourers
- unskilled and semi-skilled workers
- households headed by women
- people with disabilities
- AIDS orphans

Women are particularly vulnerable because they do not have equal access to social and economic assets. For about 70 per cent of women, subsistence farming is the primary – and often the only – source of livelihood.

Eradicating rural poverty in Kenya

A reform process set in motion in the 1980s led to significant changes in the Kenyan economy, but the pace of reform slowed in the second half of the 1990s. Policies have been slow to reflect the momentum generated by a liberalized economy.

The election of the current government in December 2002 signalled a major political change in Kenya. Carrying forward a strong anti-corruption and pro-growth agenda, the government pursues the objectives of economic growth and poverty reduction. The blueprint for these efforts is the Economic Recovery Strategy for Wealth and Employment Creation, which builds upon Kenya's Poverty Reduction Strategy Paper (2001-2004). The strategy aims to:

- improve governance and reduce corruption
- provide better health services and education
- promote structural reform for a liberalized economy
- achieve equitable distribution and conservation of natural resources
- promote the private sector

Recognizing that expansion of the agricultural sector is a crucial means of reducing poverty, in June 2003 Kenya launched its Strategy for the Revitalization of Agriculture, which focuses on liberalization and policy reform to give new momentum to the sector.



IFAD's strategy in Kenya

Projects: 13
Total cost: US\$358.37 million
Total loan amount:
US\$154.74 million
Directly benefiting:
3,787,097 households

Through an integrated country programme approach, IFAD supports the government's efforts to reduce poverty. The challenge is to strengthen ongoing projects while adding a robust policy and institutional dimension to increase impact and allow for replication of successful experiences in the field. In an ongoing discussion process, IFAD, the Belgian Survival Fund (BSF), the government and other partners and donors work to balance competing development priorities, while focusing on integrating smallholder producers into the vibrant national, regional and global markets for agricultural goods.

In the early 1980s, IFAD financed a number of World Bank-appraised agricultural projects – as well as some of its own exclusively financed projects – which performed with varying degrees of success but did not specifically target poverty reduction, a problem common to all donor-financed interventions.

By the mid-1980s, Belgian Survival Fund Joint Programme (BSEJP) grants and IFAD loans had made it possible to establish where Kenya's poor people were to be found and why they were poor. Building on lessons learned from early investments, together with an understanding of the location, distribution and causes of poverty, and on the experiences of BSEJP pilot projects, IFAD has developed an assistance strategy of targeting areas with high and medium agricultural potential. Projects have focused on increasing productivity by supporting appropriate technologies, increasing smallholder livestock production, promoting off-farm income-generating activities for smallholders, and encouraging community participation.

IFAD helps smallholder farmers increase productivity by supporting their choices of suitable crops and by encouraging soil and water conservation practices – including small-scale irrigation – and integrated pest management.

A long period of restructuring of IFAD investments began in 1995. Restructuring included close attention to expenditure issues and led to changes in project financing procedures. In the interests of transparency and more effective financial management, the government is implementing a rolling internal audit function by a private-sector external audit firm for all IFAD projects and programmes.

At the end of 2000, IFAD approved its first new project in Kenya in more than six years. Current investments include four loans and one BSEJP grant programme. A review of IFAD and BSF investments in Kenya in 2001, together with feedback from previous projects and other donors, signalled the need for greater and clearer focus on rural poor people, in line with the National Agriculture Extension Policy of 2000. For greater poverty reduction impact, IFAD is now concentrating its efforts in areas with high productive potential, where most of Kenya's poor people live. Two additional projects were approved in 2002 and 2003, and another was approved in 2005. Explicit and transparent targeting – based on poverty data from Kenya's Central Bureau of Statistics and on locally developed poverty criteria at the district level to identify poor communities and vulnerable groups – is now a feature of all new and ongoing IFAD-financed projects in Kenya.

Carrying forward IFAD's market-oriented country programme approach, the Smallholder Dairy Commercialization Programme will aim to strengthen market-driven private-sector development in Kenya's large and fast-growing dairy sector, and help smallholder producers and traders build their capacities to respond to market opportunities. Other future projects will probably emphasize the market-oriented approach in the sectors of domestic horticulture and rural finance.



IFAD partners in Kenya

IFAD has worked closely with the Belgian Survival Fund (BSF) in Kenya. Under the Belgian Survival Fund Joint Programme (BSEJP), grant resources from the BSF are used either separately or in tandem with IFAD loans.

In Kenya, BSEJP grants have enabled IFAD to test approaches at the field level and to scale up successful activities in a larger project. This approach has proved particularly successful for two types of activities: the provision of basic social support services (primary health care, nutrition and clean drinking water) and the provision of sustainable rural financial services. Under the Farmers' Groups and Community Support

Project, modest grant-financed activities tested ways to sustainably provide social support services to the communities involved, and the approach was subsequently scaled up to include economic empowerment activities under the Central Kenya Dry Area Smallholder and Community Services Development Project (cofinanced by a BSEJP grant) and the Southern Nyanza Community Development Project (financed exclusively by an IFAD loan).

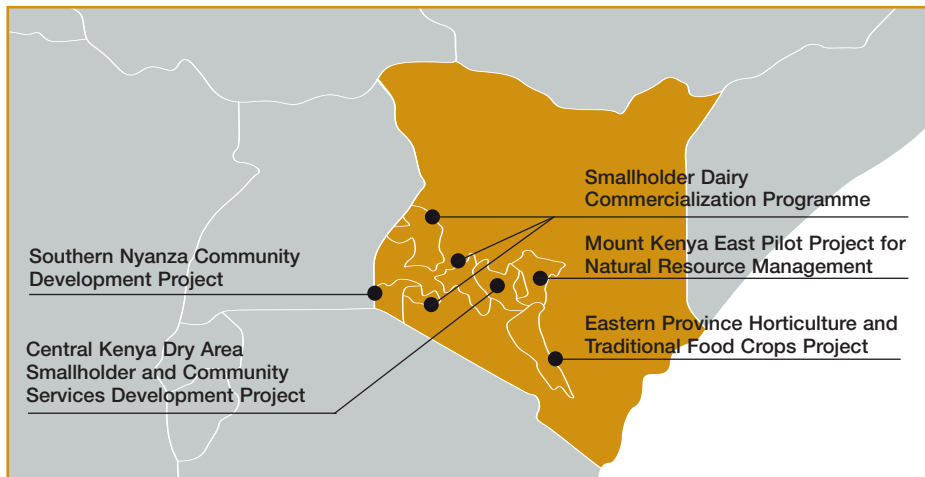
Since 1993, the BSEJP has supported the Kenya Women Finance Trust (KWFT), a microfinance institution that aims to improve the household incomes of low-income

women through savings and credit, mainly for microenterprises. The KWFT presently counts more than 40,000 women members throughout the country, with a loan repayment rate of more than 95 per cent. Since 1997, the KWFT has intensified its focus on poor women in rural, remote and marginal areas. Future plans include expanding membership to a total of about 60,000 low-income women by 2006.

IFAD works closely with other donors in Kenya in support of the new government's efforts to promote harmonization of donor activities. Working in close collaboration, IFAD and the Swedish Agency for International Development Cooperation are promoting

a demand-driven approach for agricultural extension designed to help poor and vulnerable households. IFAD also works with the United Nations Environment Programme to access grant funds from the Global Environment Facility (GEF) to address problems of human/wildlife conflict in the high-potential Mount Kenya agricultural area. IFAD participates in activities in three donor-country coordination groups on agriculture, the environment and the private sector, including microfinance. IFAD has worked closely with the BSF in Kenya. Under the BSEJP, grant resources from the BSF are used either separately or in tandem with IFAD loans.

ONGOING OPERATIONS



Smallholder Dairy Commercialization Programme

In Kenya, at least 800,000 small farmers depend on dairying for their livelihood. Dairying improves their families' nutrition and provides them with income. In addition to family labour, dairying generates jobs such as wage labour and mobile milk trading for a further 365,000 people. These jobs benefit the poorest people in urban and rural areas.

The informal sector is the dominant force in milk trading. About 75 per cent of traded milk is sold outside the processing sector, partly because consumers prefer unprocessed milk and partly because there are inefficiencies in formal trading.

This programme fosters market-driven development of the informal dairy industry. It will work with smallholder dairy producers and traders to strengthen their capacity to respond to market opportunities. It will build their understanding of the market and their technical knowledge of production processes.

The programme targets resource-poor dairy farmers and small-scale intensive dairy farmers, as well as mobile milk traders and operators of small milk bars and shops. Women comprise about 65 per cent of those expected to benefit.

Activities financed by an IFAD loan and grant will help farmers and traders improve their organizational and enterprise skills. It will provide technical support for smallholder dairy producers and will assist in development of the milk marketing chain. It will also support policies and institutions and provide assistance in programme management and coordination.

Total cost: US\$19.8 million

IFAD loan: US\$17.5 million

IFAD grant: US\$845,000

Duration: 2006-2012

Geographical area: 9 districts in western Kenya

Directly benefiting: 24,000 households



Southern Nyanza Community Development Project

The project area covers six districts – Homa Bay, Kuria, Migori, Nyamira, Rachuonyo and Suba – that are among the poorest districts in the relatively high-potential agricultural area of southern Nyanza, on Lake Victoria. Communities in these districts have strong sociocultural traditions and norms; poverty levels are high; institutional and policy infrastructure is weak; and the HIV/AIDS rate is higher than the national average.

The project focuses on empowering rural communities by:

- strengthening local institutions and community-driven development activities
- improving access to health care services and safe water, and improving environmental sanitation and hygiene practices
- increasing on-farm labour productivity and strengthening human capacity through improved food security and nutrition
- heightening community awareness of social behaviours and their consequences

Communities articulate their needs and priorities through a community action planning process. Self-help groups form the focus of economic activities. Local community committees manage health care centres, water points and latrines.

Innovative features include local livelihood forums, which promote community awareness of a wide range of sociocultural issues, and support groups for vulnerable households.

Total cost: US\$17.8 million

IFAD loan: US\$15.6 million

Duration: 2004-2012

**Geographical area:
six districts in southern Nyanza**

Directly benefiting: 35,000 households



Mount Kenya East Pilot Project for Natural Resource Management

Poverty in the project area – the districts of Embu, Meru Central, Meru South, Mbeere and Tharaka – has increased dramatically over the past seven years with the drop in global coffee prices. Neglect of coffee plots leads to environmental degradation, which is mainly the result of deforestation and inappropriate agricultural practices on fragile soils. Deterioration and overexploitation of natural resources, the small size and low productivity of landholdings, together with population pressure, contribute to rising poverty levels. Drought, flooding and irrational use of water from rivers are major causes of food insecurity and poverty.

IFAD financing supports the government's goal of promoting environmental conservation as a means of ensuring sustainable livelihoods for the rural poor. Since the project area is adjacent to the Mount Kenya National Park and Reserve, the project addresses the serious problem of conflict between humans and wildlife, a leading priority for farmers.

Project activities focus on:

- supporting sustainable watershed management and development within protected areas
- conserving and managing ecosystems, including forest rehabilitation, capacity-building for ecosystem management and for research, monitoring and information management
- reducing human/wildlife conflicts related to the proximity of the unique Mount Kenya National Park, to improve livelihoods and protect community investments
- providing support to the Kenya Wildlife Service for management of activities financed by a GEF grant, and for monitoring and evaluating environmental impact

The project will strengthen community-based organizations. Local groups will help formulate regulations for the sustainable management of land and water resources. Improved river basin management is a key feature. The project enables poor people to increase their incomes through food processing or off-farm activities, and it promotes improved market linkages.

Total cost: US\$25.7 million

IFAD loan: US\$16.7 million

Duration: 2004-2012

Geographical area:
five districts on the eastern slopes of Mount Kenya

Directly benefiting:
60,000 households

Cofinancing:
GEF grant – US\$5.0 million

Central Kenya Dry Area Smallholder and Community Services Development Project

This project is the second phase of a BSF-financed project benefiting smallholders and communities in the Nyeri dry areas. Building on the first project's impressive results in terms of health, home economics and group capacity to manage resources through cost-sharing, this follow-up project has as its overall objectives helping to reduce mortality and disease, and improving the living conditions of rural poor people in the arid and semi-arid lands of the Central Province in the districts of Kirinyaga, Maragwa, Nyandarua, Nyeri and Thika. The project is cofinanced by a Belgian Survival Fund (BSF) grant.

The project's aims include:

- raising food production and income, and improving living conditions through increased agricultural production and productivity
- improving health care, providing safe water and promoting improved sanitation
- strengthening local institutions
- promoting participation

Project activities will benefit the poorest of the rural poor, in harmony with the government's recent policy decisions and legislation regarding poverty reduction. The project supports the poorest rural communities, in particular landless people and households headed by women, and it involves poor people in identifying and meeting their pressing needs.

Total cost: US\$18.0 million
IFAD loan: US\$10.9 million
Duration: 2001-2009
Geographical area: central Kenya
Directly benefiting: 36,000 households
Cofinancing: BSF grant - US\$4.1 million

Eastern Province Horticulture and Traditional Food Crops Project

This is an "old-style" multisector project that focuses on improving access to water and promoting horticulture and food crops. The project has been extended to compensate for initial implementation delays. This will allow for completion of irrigation works and give farmers the opportunity to benefit from technical support for a one-year period after construction is complete.

The project covers eight districts of the Eastern Province: Embu, Machakos, Makueni, Mbeere, Meru Central, Meru North, Meru South and Tharaka. It is a core project of the Ministry of Agriculture, which is the lead implementing agency responsible for overall project management and coordination. The project is in line with government policy on food security and income-generation outlined in the Food Policy Paper (1994), the Poverty Reduction Strategy Paper (2001), and the recently launched Economic Recovery Strategy for Wealth and Employment Creation 2003-2007. It is also in line with the government's Strategy for the Revitalization of Agriculture.

The project's overall goal is to improve smallholders' income and food security in the project area through increased production of smallholder horticultural and traditional food crops. Its specific objectives are to:

- promote rational use of natural resources, especially water for irrigation
- disseminate appropriate crop packages, especially for dry areas
- strengthen and reorient support services
- support beneficiary participation in planning and development

Total cost: US\$13.7 million
IFAD loan: US\$12.2 million
Duration: 1995-2007
Geographical area: eight districts of the Eastern Province: Embu, Machakos, Makueni, Mbeere, Meru Central, Meru North, Meru South and Tharaka
Directly benefiting: 260,000 households

COMPLETED OPERATIONS

The long period of restructuring of IFAD's investments in Kenya that began with the country portfolio review in 1995 led to a year-long disbursement suspension. Working in collaboration with the Government, IFAD closed ongoing projects at their stipulated closing dates. In addition, the Government requested the anticipated closing of one non-performing project, the Western Kenya District based Agricultural Development Project.

Second National Agricultural Extension Project

Total cost: US\$45.84 million
IFAD loan amount: US\$9.37 million
Duration: 1996-1998
Type: research, extension and training

Western Kenya District-based Agricultural Development Project

Total cost: US\$15.84 million
IFAD loan amount: US\$11.65 million
Duration: 1994-2003
Type: research, extension and training

Coast Arid and Semi-arid Lands Development Project

Total cost: US\$19.20 million
IFAD loan amount: US\$15.70 million
Duration: 1990-2000
Type: agricultural development

Farmers' Groups and Community Support Project

Total cost: US\$16.24 million
IFAD loan amount: US\$6.50 million
BSF grant: US\$6.5 million
Duration: 1990-1996
Type: rural development

Kwale and Kilifi District Development Project

Total cost: US\$12.46 million
IFAD loan amount: US\$8.00 million
Duration: 1989-1996
Type: agricultural development

Animal Health Services Rehabilitation Programme

Total cost: US\$19.20 million
IFAD loan amount: US\$8.00 million
Duration: 1986-1993
Type: livestock

National Extension Project

Total cost: US\$28.60 million
IFAD loan amount: US\$6.00 million
Duration: 1983-1991
Type: research, extension and training

Second Integrated Agricultural Development Project

Total cost: US\$91.70 million
IFAD loan amount: US\$17.00 million
Duration: 1979-1990
Type: agricultural development

IFAD's strategy for rural poverty reduction in eastern and southern Africa

The eastern and southern Africa region probably has the highest concentration of poverty in the world. Three out of four people in the region, about 260 million people, live in rural areas, and more than half of them live in extreme poverty. About 85 per cent of these extremely poor people depend on agriculture, particularly smallholder farming, for their livelihood. Yet agricultural development is falling behind. The region has suffered a general decline in development assistance and a dramatic decline in investment in agriculture.

With a wealth of human and natural resources, rural areas in the region have enormous potential for growth that would benefit not only rural poor people but also national economies. The potential for improvements in smallholder agriculture offers the most immediate practical opportunity to reduce rural poverty and stimulate broad-based growth.

Since starting operations in 1978, IFAD has financed 127 investment projects and programmes in the region, for a total commitment of US\$1.6 billion. IFAD is one of the principal sources of development assistance for rural poverty reduction in the region.

IFAD's regional programme takes the growth potential of the smallholder economy as its starting point. It focuses squarely on new opportunities and challenges associated with the region's incomplete economic transition, the result of structural adjustment that modified the landscape of economic policy and institutions. It also makes support to women a priority. Women are the least empowered people in rural communities, but have the potential to make a key contribution to poverty reduction.

Working with governments, donors, rural poor people and community-based and non-governmental organizations, IFAD explores opportunities created by governments through political opening, decentralization and economic liberalization. It supports a wide range of activities through which smallholder farmers develop new relations with the private sector and public services and a new approach to resource management. The strategy's objective is to ensure that activities can be replicated and scaled-up to reduce poverty.

Designing and implementing projects and programmes that reflect its mandate to enable rural poor people to overcome poverty, IFAD:

- ensures careful targeting, focusing on rural poor people in areas of medium to high potential, without excluding more marginal areas
- invests in empowerment of rural poor people to strengthen their own productivity and assets, and to enable them to assert their influence on government and the private sector
- supports development of rural poverty reduction policies and establishment of institutions that help give poor people a voice in their future

IFAD's operations in the eastern and southern Africa region have a particular focus on:

- promoting efficient and equitable market linkages
- developing rural finance systems
- improving access to and management of land and water
- creating a better knowledge, information and technology system

Building up resilience to crises such as the HIV/AIDS epidemic and civil strife is an essential element of IFAD's strategy. The region is the epicentre of the epidemic, and adult prevalence rates are among the highest in the world. Most of those who suffer the impact of the epidemic are extremely poor people living in rural areas. IFAD's response is to extend knowledge empowerment at the community level into the realm of HIV/AIDS to support prevention, and to work towards establishing livelihood options for the poor, outside high-risk activities.



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For further information on rural poverty in
Kenya, visit the Rural Poverty Portal:
<http://www.ruralpovertyportal.org>



Building a poverty free world

IFAD is a specialized agency of the United Nations dedicated to combating poverty in the most disadvantaged regions of the world.

Through low-interest loans and grants, it develops and finances programmes and projects that enable rural poor people to overcome poverty themselves.

Since starting operations in 1978, IFAD has invested US\$9.2 billion in 716 programmes and projects around the world. These operations have enabled more than 300 million small farmers, herders, fishers, landless workers, artisans and members of indigenous communities to take steps to achieve better lives for themselves and their families.

But this represents only part of the total investment in IFAD programmes and projects. In the past 28 years, a further US\$15.9 billion in cofinancing has been provided by governments, project participants, multilateral and bilateral donors and other partners.

Working with partners, including rural poor people, governments, NGOs, financial and development institutions, and the private sector, IFAD tackles poverty not just as a lender but also as an advocate for rural poor people. One of its priorities is to assist rural poor people in developing and strengthening their organizations so that they can advance their interests and remove the obstacles that prevent so many people, especially women, from creating a better life for themselves. In this way, rural poor people are able to participate more fully in determining and directing their own development.



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