Investing in rural people in Kenya

Eradicating rural poverty in Kenya

Kenya’s long-term development blueprint, Vision 2030, was launched in 2008. It aims to create a “globally competitive and prosperous country with a high quality of life by 2030.” Vision 2030 was designed to guide the transformation of Kenya into “a newly industrialized, middle-income country.”

In October 2014, Kenya crossed the threshold to a low-middle-income country, becoming one of the largest economies in sub-Saharan Africa. However, challenges of poverty and income inequalities remain, with food security staying a major concern for the Government of Kenya. According to the global hunger index, notwithstanding slight improvements in the hunger situation, Kenya remains a food-insecure country. It is estimated that about 10 million Kenyans suffer from chronic food insecurity and poor nutrition.

At macro level, the agriculture sector remains the backbone of the Kenyan economy, employing 70 per cent of the rural population and accounting for about 65 per cent of export earnings. Kenya’s agriculture is predominantly
rainfed and smallholder. Evidence shows that agriculture-led growth in Kenya is more than twice as effective in reducing poverty as growth led by industry. The overall objectives of the country’s Agricultural Sector Development Strategy (ASDS) 2010-2020 are to achieve an agricultural growth rate of 7 per cent per year and to reduce food insecurity by 30 per cent by promoting an innovative, commercially oriented and climate-smart modern agriculture. It is guided by two strategic thrusts: increasing productivity, commercialization and competitiveness of agricultural commodities and enterprises; and developing and managing the key factors of production. By making financial services widely available to rural communities to enable the growth of smallholder enterprises, the Government of Kenya also aims to stimulate the rural economy. The increased incidences of drought and unreliable rainfall patterns have led the government to place natural resource management and climate change mitigation at the centre of its agricultural and economic development strategy.

IFAD’s strategy in Kenya

Since 1979, IFAD has invested a total of US$319.3 million in 18 programmes and projects in Kenya, with a total cost of US$659.0 million, in support of the government’s efforts to reduce rural poverty. In addition, US$17.0 million of IFAD financing is in the pipeline.

The country strategic opportunities programme (COSOP) for 2013-2018, developed jointly with the government, and guiding IFAD’s investments in Kenya has three strategic objectives:

- Improved natural resource management that is gender-responsive, climate-resilient, sustainable and community-based
- Improved access to productivity-enhancing assets, technologies and services for vulnerable rural women, men and young people in target areas
- Enhanced, sustainable access to markets for smallholder farmers, agropastoralists and rural entrepreneurs.

To contribute to these objectives, IFAD’s investments follow a value chain approach to support smallholder farmer graduation from subsistence to commercial farming, addressing key constraints in production, post-harvest management, processing and marketing in target commodity value chains. IFAD’s investments specifically take into account the socio-economic and biophysical characteristics of the targeted areas to help smallholder farmers adopt good agricultural practices, build their resilience to climate change and practise sustainable natural resource management.

Currently, IFAD’s investment programme is focused on support to smallholders and value chain actors (agro-dealers, private extension services, small traders, processors, etc.) in the dairy sector and the cereal value chains, and for better access to rural financial services.

The focus on the dairy sector stems from the strategic potential of this produce in the Kenyan economy. Kenya has one of the largest and most developed dairy subsectors in sub-Saharan Africa, accounting for about 4 per cent of GDP with a growth rate of 4 per cent per annum. There are over 1,000,000 smallholder farmers who presently depend on dairying for their livelihoods. Demand for milk at the national level and in developing countries is expected to increase by 25 per cent by 2025 partly due to population growth and disposable income being spent on a greater diversity of food products to meet nutritional needs. Despite these opportunities, milk marketing by small dairy farmers is below potential and is a main factor behind their low investments towards increased production and productivity.

\[1\] Food insecurity in Kenya as measured by prevalence of undernourishment stood at 25.8 per cent in 2013 (Food and Agriculture Organization of the United Nations (FAO): The State of Food Insecurity in the World: The multiple dimensions of food security, 2013).
The Government of Kenya and IFAD have identified that the improved access of people to key staple cereals – maize, sorghum and millet – can significantly contribute to poverty reduction and food security. Indeed, these are the main staple foods consumed by Kenyans and these crops play an important role in the livelihood, food security and risk management strategies of vulnerable smallholders. However, Kenya is a food-deficit country even in a bumper harvest year, importing up to 20 per cent of its annual cereal requirements. Improvement in the productivity of maize, sorghum and millet is constrained by limited adoption of crop technologies. These include improved seed varieties, adequate fertilizer use, soil and water management, conservation agriculture, processing and storage, and marketing and trade.

Support for income generation is systematically anchored to natural resource management to effectively address short-, medium- and long-term goals at household and community levels. Crosscutting to IFAD’s support in Kenya is the access of smallholders and value chain actors to financial services and improved nutrition. Recognizing the need to address the underlying causes of malnutrition, IFAD programmes progressively strive to support targeted households to meet their food needs and produce a surplus for the market, while supporting the transfer of skills for good nutrition practices at the household level. Increasing the linkages of smallholder farmers with financial markets is a crosscutting objective of IFAD-funded projects and programmes to secure smallholders’ access to finance for improved agricultural inputs and practices, and support value chain stakeholders to engage profitably in the provision of agricultural services as a pathway to sustainable agricultural enterprises.

In order to scale up the impact of its development programmes, IFAD has brokered strategic partnerships with other development donors and strategic private-sector stakeholders in Kenya. These include the European Union; the two United Nations Rome-based agencies, the Food and Agriculture Organization of the United Nations, and the World Food Programme; and the Equity Bank, one of the fastest growing banks in Kenya and the eastern Africa region.

In terms of geographic focus, in line with government’s priorities, IFAD support in Kenya has expanded from the medium to high productive potential areas of the country to arid and semi-arid lands (ASALs) where poverty is generally on the increase, and food insecurity is most widespread and severest among smallholder households. The impact of climate change in Kenya is also highest in the ASALs. This shift supports the government’s commitment to improve small-scale irrigation, extension services, marketing and access to financial services in areas that are characterized by low development indicators and high poverty rates.

In addition to development funding, IFAD also supports government efforts to harmonize donor activities in Kenya and contribute to policy dialogue on rural development and food security issues. IFAD is an active member of the Agriculture and Rural Development Donor Working Group, and the ASAL Donor Working Group. Moreover, in the context of the devolved government system introduced under the new Constitution, IFAD supports counties to develop the appropriate capacity to implement rural development and food security priorities within the County Integrated Development Plans (CIDPs).

Projects: 18
Total cost: US$659.0 million
Total approved IFAD financing: US$319.3 million
IFAD financing in the pipeline: US$17.0 million
Directly benefiting: 4,300,097 households
The overall development goal of the KCEP-CRAL is to reduce rural poverty and food insecurity among smallholders in Kenya’s ASALs by developing their economic potential, while improving their natural resource management capacity and resilience to climate change in an increasingly fragile ecosystem. This goal will be pursued through:

- Graduation of smallholder farmers to commercially oriented, climate-resilient agricultural practices through improvements in productivity, post-production management practices and market linkages for targeted value chains; and
- Empowerment of county governments and communities to sustainably and consensually manage their natural resources and build resilience to climate change.

The KCEP-CRAL will reach 100,000 smallholder farmers whose livelihoods depend on maize, sorghum, millet and associated pulses, including:

- 60,000 food-insecure smallholder farmers, who will be supported in graduating from recurring food insecurity and climate vulnerability to food security and then to market-oriented commercial farming; and
- 40,000 smallholder subsistence farmers, who will be supported in graduating into commercial farming.

The programme area covers eight semi-arid counties in the eastern and coastal regions of Kenya, with a combined population of over 5 million people: Embu, Kilifi, Kitui, Kwale, Taita Taveta, Tharaka Nithi, Machakos and Makueni. These counties were included based on:

- Agroecological suitability and production potential of maize, sorghum, millet and associated pulses, which are important to Kenya's food security
- Incidence of poverty
- Vulnerability to climate change
- Geographical concentration to maximize impact
- Presence of similar development programmes (to avoid duplication).
Kenya Cereals Enhancement Programme (KCEP)

The overall goal of this programme is to contribute to national food security and support smallholder farmers to graduate from subsistence to commercial agriculture by increasing the production of cereal staples and the incomes of smallholders in medium and high potential production areas of targeted crops.

The programme is structured around three technical components:

- **Cereal productivity enhancement** to support subsistence farmers to increase grain and pulses production.
- **Post-harvest management and market linkages** to capitalize on productivity gains arising from investments made under component 1.
- **Financial inclusion** designed to facilitate smallholders’ access to (i) agricultural inputs through an electronic voucher system; (ii) financial services to upgrade from subsistence to commercial farming; and (iii) value-adding facilities, either as owners or as users, so that they can increase their income through higher returns on production and processing.

KCEP targets 100,000 smallholders whose livelihoods revolve around the maize area. The programme area covers 8 of Kenya’s 47 counties of which 5 are in the maize production zones – Bungoma, Kakamega, Nakuru, Nandi and Trans Nzoia – and 3 in the semi-arid areas growing sorghum and millet – Embu, Kitui and Tharaka. Counties were selected using five key criteria:

- Agroecological and economic potential
- Poverty incidence
- Population density
- Target commodity contributing to household income/food security and representing the best option the poor have for market participation
- Geographical concentration to maximize impact.

Total programme cost: US$22.0 million
European Union contribution through IFAD: US$22.0 million
Duration: 2014-2018
Directly benefiting: 100,000 households
Upper Tana Catchment Natural Resource Management Project (UTaNRMP)

The goal of this project is to contribute to the reduction of rural poverty in the Upper Tana River catchment through increased sustainable food production and incomes for poor rural households, as well as sustainable management of natural resources.

The project has three main components:

- Empowering communities to sustainably manage natural resources by building their capacity to develop resource management plans while also improving their livelihoods;
- Sustainably improving the incomes and living standards of the target group through interventions that are beneficial to the management of the natural resource base; and
- Improving the sustainable management and use of water and other natural resources.

The target area for the project is the Upper Tana catchment, covering 6 of the 47 counties. Around 205,000 poor rural households – including smallholder crop and livestock farmers, agropastoralists, fishers and rural traders – are expected to benefit from the initiative, which features a special focus on women, young people and other vulnerable groups.
Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

The goal of the programme is to contribute to the reform of the financial sector policy in Kenya. It supports the development of a range of innovative financial products – such as savings and remittance services, community infrastructure loans, value chain and medium-term financing for the agriculture sector, and index-based insurance and health insurance – and improves the access of poor rural households to these services. It also helps programme participants manage their assets, market their produce and increase their employment opportunities. PROFIT works throughout Kenya’s rural areas, especially in ASALs and areas with both agricultural potential and a high incidence of poverty. It reaches out to smallholder farmers, pastoralists, artisanal fishers, women, landless labourers and young people. The programme’s goal is to increase the incomes of the target group by improving the productivity of rural smallholder farm and off-farm sectors.

Smallholder Dairy Commercialization Programme (SDCP)

The programme fosters market-driven development of Kenya’s informal dairy industry, working with poor smallholder dairy producers and traders to strengthen their capacity to respond to market opportunities. It builds understanding of the market and technical knowledge of production processes, and improves organizational and enterprise skills.

The informal sector is the dominant force in milk trading in Kenya. About 75 per cent of traded milk is sold outside the processing sector, both because consumers prefer unprocessed milk and because of inefficiencies in formal trading. At least 800,000 smallholder farmers in Kenya depend on dairy farming for their livelihoods. Dairy production improves household nutrition and provides extra income. In addition to family labour, dairy farming generates jobs in wage labour.
and mobile milk trading for a further 365,000 people. These jobs benefit the poorest people in urban and rural areas.

During its six-year implementation, SDCP supported over 500 dairy groups to increase their benefits from dairy farming, reaching out to over 13,000 small dairy farmers in nine major milk producing counties of the country. About 90 per cent of the dairy groups supported by SDCP have moved up the ladder towards a market-oriented dairy enterprise level, and over 95 per cent of these dairy groups have entered into marketing arrangements with processors. Out of the membership of these groups, 60 per cent were women. Given its noticeable development results, IFAD and the government have agreed on an extension of SDCP through additional financing to scale up the outreach, the results and impact of the programme through a geographic expansion to new sub-counties (targeting 600 new dairy groups corresponding to 15,000 small dairy farmers/households) where dairy groups and value chain stakeholders show potential to graduate to market-oriented dairy farming.