

Document of
The International Fund for Agricultural Development

REPUBLIC OF KENYA
UPPER TANA CATCHMENT NATURAL RESOURCE MANAGEMENT PROJECT
(UTaNRMP)

PROJECT DESIGN REPORT

MAIN REPORT

East and Southern Africa Division
Project Management Department, IFAD

Report No
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TABLE OF CONTENTS

EXECUTIVE SUMMARY

I.	BACKGROUND	1
II.	STRATEGIC CONTEXT AND RATIONALE	2
	A. COUNTRY AND RURAL DEVELOPMENT AND POVERTY CONTEXT	2
	B. RATIONALE	7
III.	PROJECT DESCRIPTION	11
	A. PROJECT AREA AND TARGET GROUP	11
	B. PROJECT DEVELOPMENT OBJECTIVES	13
	C. COMPONENTS AND OUTCOMES	14
	D. LESSONS LEARNED AND REFLECTED IN PROJECT DESIGN	20
IV.	PROJECT IMPLEMENTATION	21
	A. GENERAL APPROACH	21
	B. ORGANISATIONAL FRAMEWORK	25
	C. PLANNING, M&E AND KNOWLEDGE MANAGEMENT	26
	D. FINANCIAL MANAGEMENT, PROCUREMENT AND GOVERNANCE	28
	E. SUPERVISION	30
	F. RISK IDENTIFICATION AND MITIGATION	30
V.	PROJECT COSTS, FINANCING AND BENEFITS	33
	A. PROJECT COSTS.....	33
	B. PROJECT FINANCING	34
	C. SUMMARY BENEFIT ANALYSIS.....	34
	D. SUSTAINABILITY	36

Appendices

- Appendix 1: Country Data Sheet
- Appendix 2: Poverty, Gender and Targeting
- Appendix 3: Country Performance and Lessons Learned
- Appendix 4: Key Institutions and their Capacities
- Appendix 5: Organisational Chart
- Appendix 6: Adherence to IFAD Policies

CURRENCY EQUIVALENTS

Currency Unit = Kenya Shilling
USD 1.00 = KSh 90 (September 2011)

WEIGHTS AND MEASURES

International Metric System, unless specified in text

FISCAL YEAR

1st July to 30th June

ABBREVIATIONS AND ACRONYMS

AGRA	Alliance for a Green Revolution in Africa
ASALs	Arid and Semi-Arid Lands
ASCU	Agricultural Sector Coordinating Unit
ASDS	Agricultural Sector Development Strategy
AWPB	Annual Workplan and Budget
CAADP	Comprehensive African Agriculture Development Programme
CAP	Community Action Plan
CBO	Community Based Organisation
CFA	Community Forest Association
CIG	Common Interest Group
COSOP	Country Strategic Opportunities Programme
CPC	County Project Coordinator
CPCC	County Project Coordinating Committee
CPE	Country Programme Evaluation
CPFT	County Project Facilitation Team
CPMT	Country Programme Management Team
CSO	Civil Society Organisation
ESIA	Environmental and Social Impact Assessment
FAO	Food and Agriculture Organisation
FDA	Focal Development Area
FDAC	Focal Development Area Committee
FFS	Farmer Field School
GEF	Global Environmental Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoK	Government of Kenya
GWC	Green Water Credits
ICB	International Competitive Bidding
ICC	Inter-Ministerial Coordinating Committee
IPSAS	International Public Sector Accounting Standards
KEPHIS	Kenya Plant Health Inspection Service
KFS	Kenya Forestry Service
KM&L	Knowledge Management and Learning
KENAO	Kenya National Audit Office
KWS	Kenya Wildlife Service
MDGs	Millennium Development Goals
MGCS	Ministry of Gender, Children and Social Development
MKEPP	Mount Kenya East Pilot Project for Natural Resource Management
MOA	Ministry of Agriculture
MOCMD	Ministry of Cooperative Development and Marketing
MOEMR	Ministry of Environment and Mineral Resources
MOF	Ministry of Finance
MOF	Ministry of Fisheries
MOL	Ministry of Land
MOLD	Ministry of Livestock Development
MPND	Ministry of Planning and National Development
MWI	Ministry of Water and Irrigation
NIMES	National Integrated M&E System
NRM	Natural Resource Management
NRMP	Natural Resource Management Project
PCT	Project Coordination Team
PELIS	Plantation Establishment and Livelihood System
P/RES	Payments/Rewards for Environmental Services
PIM	Project/Programme Implementation Manual
PPP	Public-Private Partnership
PRA	Participatory Rural Appraisal

PRESA	Pro-Poor Rewards for Environmental Services in Africa
PROFIT	Programme for Rural Outreach of Financial Innovation and Technologies
PRSP	Poverty Reduction Strategy Paper
PSC	Project Steering Committee
REDD	Reduced Emissions from Deforestation and Forest Degradation
RIMS	Results and Impact Management System
SCMP	Sub-Catchment Management Plan
SHoMAP	Smallholder Horticulture Marketing Programme
SWC	Soil and Water Conservation
USAID	United States Agency for International Development
UTaNRMP	Upper Tana Catchment Natural Resource Management Project
WB	World Bank
WRMA	Water Resources Management Authority
WRUA	Water Resources User Association
WSTF	Water Services Trust Fund

Kenya

Upper Tana Catchment Natural Resources Management Project - UTaNRMP

Design report



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

EXECUTIVE SUMMARY

- 1. Country strategy:** The goal of the GoK-IFAD Country Strategic Opportunities Programme (COSOP) is “intensification, diversification, commercialisation, and value addition in the agricultural sector”. It has three strategic objectives: (i) improving delivery of services to the rural poor; (ii) increasing incomes for the rural poor through improved access to and utilisation of appropriate technologies, markets, and community-owned productive and social infrastructure; and (iii) increased investment opportunities for the rural poor through improved access to rural financial services. In terms of targeting the COSOP aims at improving the lives of poor small producers, agro-pastoralists, and pastoralists in medium to high potential areas as well as the arid and semi-arid lands (ASALs).
- 2. Rural poverty:** Nearly half (48%) of Kenya’s rural population is living below the poverty line or unable to meet their nutritional requirements. High levels of rural poverty persist because of the high population growth rate, small landholdings, frequent droughts, large rural income disparities, and strong linkages between poverty and environmental degradation, particularly poor water management, soil erosion and declining fertility. Together with the impact of HIV/AIDS, these factors have eroded gains in education, health, food security, employment and income.
- 3. Policy and institutional framework:** Kenya has a comprehensive set of policies and strategies covering agriculture, rural development, social equity and environmental management under the umbrella of a new constitution which was promulgated in 2010. The new constitution will bring about fundamental changes to the way Kenya is governed, in particular through devolution of administrative responsibilities to the counties, and through consolidation of the fragmented institutional architecture into a much smaller number of ministries and institutions.
- 4. Project background:** Since 2004 IFAD and GEF have been supporting the Mount Kenya East Pilot Project (MKEPP) which aims at linking sustainable use of natural resources, especially water and forests, with enhanced rural livelihoods in five selected river basins of the Upper Tana catchment. The mid-term review of MKEPP in 2009 concluded that performance was satisfactory and recommended the up-scaling of the project to cover all 24 river basins in the entire catchment.
- 5. Project rationale:** The rationale for the project is based on the nexus between rural poverty and ecosystem health in a densely populated and environmentally fragile watershed of critical national and global significance. The high prevalence of rural poverty contributes to environmental degradation which in turn reduces sustainable livelihood opportunities, and creates negative environmental externalities including forest degradation, human-wildlife conflict, and reduced availability and quality of water to downstream users. Fortunately however, there are a number of opportunities for improving rural livelihoods in ways that are also beneficial for the environment. Essentially the project will work with the custodians of natural resources in the Upper Tana providing them with a number of direct and indirect incentives to do things that are good for the environment, good for them, and from which other parties will also derive benefit.
- 6. Project area:** The project area will be the Upper Tana catchment which covers an area of 17,420 km² and includes 24 river basins (five of which are included in MKEPP) that drain into the Tana River. Project interventions will be progressively scaled up beginning with further work on the tributaries of the five MKEPP river basins, and 12 of the remaining 19 basins. The area covers six of Kenya’s 47 counties, is home to 5.2 million people, provides water for about half the population, and most of the country’s hydroelectric power. The area includes the Mt. Kenya and Aberdares national parks and surrounding forest reserves. The area is under heavy and growing population pressure

with an average of 300 inhabitants per km².

7. **The target group:** The project targets around 205,000 poor rural households whose livelihoods revolve around the use of the natural resources of the river basin. These include smallholder crop and livestock farmers, agro-pastoralists, fishers, rural traders, and community groups involved in natural resources management (NRM) and income generating activities. Special focus will be on women and youth as well as other vulnerable groups within the above categories. The project will also provide indirect benefits to the non-target groups in the Upper Tana catchment through services and enterprises linked with the project activities, as well as to populations outside the catchment who rely on water and hydro-electricity from the river system.

8. **Targeting mechanisms:** The project will incorporate a number of inclusive targeting mechanisms to ensure that the targeted households participate in the planned activities, without necessarily excluding those who are better off. Mechanisms include: (i) geographic targeting measures (including both social and bio-physical criteria); (ii) enabling measures; (iii) empowering and capacity building measures; (iv) self-targeting measures; and (v) direct targeting of specific groups.

9. **Project objectives:** The **goal** of the project is to “contribute to reduction of rural poverty in the Upper Tana river catchment”. This goal will be pursued via two **development objectives** which reflect the poverty-environment nexus: (i) increased sustainable food production and incomes for poor rural households living in the project area; and (ii) sustainable management of natural resources for provision of environmental services. The project overview illustrates how the various components will contribute to the achievement of the objectives.

10. **Project components:** The project will be structured along the same lines as MKEPP with four components, each of which will generate its own outcome:

Component	Outcome
1. Community Empowerment	<ul style="list-style-type: none"> • Rural communities empowered for sustainable management of natural resources
2. Sustainable Rural Livelihoods	<ul style="list-style-type: none"> • Natural resource-based rural livelihoods sustainably improved
3. Sustainable Water and Natural Resource Management	<ul style="list-style-type: none"> • Land, water and forest resources sustainably managed for the benefit of the local people and the wider community
4. Project Management and Coordination	<ul style="list-style-type: none"> • Project effectively and efficiently managed

11. **Component 1: Community Empowerment** aims at engaging communities to build their capacity to develop and implement plans aimed at improving NRM while also improving their livelihoods. The component supports capacity building at community level through mobilisation and awareness raising, establishing and strengthening key community structures and institutions, and development and implementation of community action plans. The outputs of this component include: (i) communities with increased awareness of sustainable NRM; (ii) key community organisations with increased capacity to manage natural resources sustainably; and (iii) community action plans for livelihood improvement and sustainable NRM.

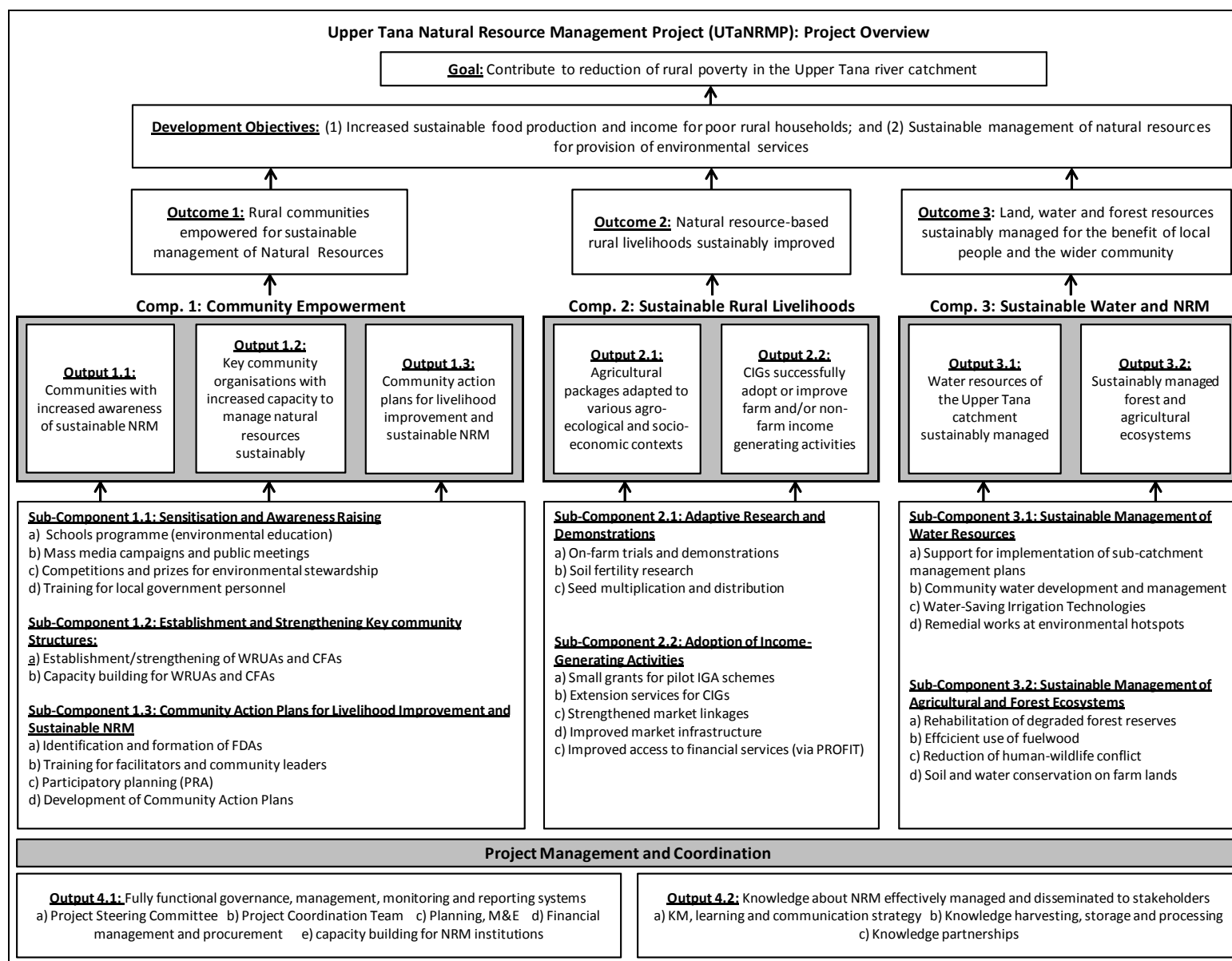
12. **Component 2: Sustainable Rural Livelihoods** is designed to improve the incomes and living standards of the target group using interventions that are beneficial to the management of the natural resource base. This component addresses both of the project objectives and is expected to deliver two outputs: (i) agricultural packages adapted to various agro-ecological and socio-economic contexts; and (ii) CIGs successfully adopt or improve farm and/or non-farm income generating activities.

13. **Component 3: Sustainable Water and Natural Resource Management** aims to improve the sustainable utilisation of water and other natural resources. The County Environment Committees, the Water Resources Users Associations and the Community Forest Associations will be the key actors in the design and implementation of sustainable NRM practices under UTaNRMP. Priority will be given to activities that reward those who implement them and create benefits for the natural environment and the wider community, particularly downstream water users. The outputs of Component 3 are: (i) water resources of the Upper Tana catchment sustainably managed; and (ii) sustainably managed forest and agricultural ecosystems.

14. **Project implementation:** Implementation arrangements will follow those successfully employed by MKEPP, taking into consideration the significant up-scaling from the pilot project, and the institutional and administrative structures which will evolve under the new constitution. The project is designed for a smooth and seamless transition from MKEPP, including procedures for project completion reporting, financial closure and audits, and the closure of bank accounts and opening of new ones.

15. **Project costs and financing:** Total investment and recurrent costs, including contingencies, over the eight-year project life are estimated at around **USD 68.8 million** (around KSh 8.0 billion). IFAD will finance around 48% of the total project cost through a loan of USD 33.0 million under highly-concessional terms. The Spanish Trust Fund will finance 25% of the total cost through a loan of EUR 12.8 million under the same terms as IFAD, via a financing arrangement administered by IFAD. Beneficiaries will contribute cash, labour and in-kind inputs through the matching grant scheme worth around 11% of total project costs. GoK will finance around 16% of the total project cost mainly through taxes paid or foregone and recurrent cost financing.

Kenya: Upper Tana Catchment Natural Resource Management Project (UTaNRMP)
Project Design Report – Main Report



Upper Tana Catchment Natural Resource Management Project: Logical Framework Matrix

Results Hierarchy	Indicators a/	Means of Verification	Assumptions
Goal: Contribute to reduction of rural poverty in the Upper Tana river catchment.	<ul style="list-style-type: none"> • 10% reduction of poverty prevalence rate among 205,000 households participating in the project by Year 8 (Baseline 43.1% in 2005) • 3% reduction in malnutrition prevalence (weight for age of children under 5) in project area by Year 8 (Baseline 16% in 2009) • 5% increase in inventory of household assets among 205,000 participating households in project area by Year 8 (Baseline to be determined) 	<ul style="list-style-type: none"> • Household income and expenditure surveys. • RIMS impact survey questionnaire (baseline and final) • Demographic and health surveys conducted by Kenya National Bureau of Statistics • Annual household asset surveys by M&E 	
Development Objectives: Increased sustainable food production and incomes for poor rural households in the project area; and sustainable management of natural resources for provision of environmental services.	<ul style="list-style-type: none"> • 15% increase in average real incomes for 205,000 households engaged in sustainable NRM enterprises by Year 8 (Baseline to be determined). • 20% reduction in sediment load in rivers and water reservoirs in Upper Tana Catchment by Year 8 (Baseline 24,000 tonnes/day in rainy season and 2,800 tonnes/day in dry season). • 5% increase in base flow in rivers by Year 8 (Baseline to be determined). • 5% increase in ha of forest reserve protected/rehabilitated by Year 8 (Baseline to be determined). 	<ul style="list-style-type: none"> • Baseline and annual production and income surveys in Project area by M&E and during impact survey in Year 8. • Biannual river gauging surveys by WRMA. • Periodic sampling and analysis of river water. • Remote sensing data to monitor forest conditions. 	<ul style="list-style-type: none"> • Potential conflicts between conservation and livelihood pillars of the Project are resolved. • Farmers and entrepreneurs in the project area have improved market access.
Outcome 1: Rural communities empowered for sustainable management of natural resources.	<ul style="list-style-type: none"> • Increase in number of community-led initiatives to improve the management of natural resources. 	<ul style="list-style-type: none"> • Annual Project reports. • Media articles on community-led initiatives. 	<ul style="list-style-type: none"> • Counties have a robust conflict resolution mechanism for community investments in NRM
Output 1.1: Communities with increased awareness of sustainable NRM.	<ul style="list-style-type: none"> • Increasing level of awareness on NRM issues within 273 participating communities. 	<ul style="list-style-type: none"> • Baseline and annual surveys on awareness about NRM issues by M&E • Media reports on NRM issues 	<ul style="list-style-type: none"> •
Output 1.2: Key community organisations with increased capacity to manage natural resources sustainably.	<ul style="list-style-type: none"> • Increasing capacity of 294 community organizations for sustainable NRM planning and implementation 	<ul style="list-style-type: none"> • Baseline and annual organisational capacity assessment tools. 	<ul style="list-style-type: none"> • Communities have access to resources to invest in sustainable NRM.
Output 1.3: Community action plans for livelihood improvement and sustainable NRM.	<ul style="list-style-type: none"> • Increasing number of community action plans prepared and implemented (target 240 FDAs and 33 CFAs). 	<ul style="list-style-type: none"> • Documented action plans. 	<ul style="list-style-type: none"> • Action plans will address the causes of un-sustainable natural resource utilisation.
Outcome 2: Natural resource-based rural livelihoods sustainably improved.	<ul style="list-style-type: none"> • Increase in level of income generated and assets acquired by participating households. 	<ul style="list-style-type: none"> • Household income and asset surveys: baseline and follow-up by M&E. 	<ul style="list-style-type: none"> • Market opportunities for agricultural products will continue to expand.
Output 2.1: Agricultural packages adapted to agro-	<ul style="list-style-type: none"> • Increasing number of sustainable agricultural packages tested and demonstrated (target of 240 by Year 8). 	<ul style="list-style-type: none"> • Reports on trials, demonstrations and research results. 	<ul style="list-style-type: none"> • Tested packages are adopted appropriately by farming

Kenya: Upper Tana Catchment Natural Resource Management Project (UTaNRMP)
Project Design Report – Main Report

Results Hierarchy	Indicators a/	Means of Verification	Assumptions
ecological and socio-economic contexts.	<ul style="list-style-type: none"> Increasing quantity of seed produced and distributed (target of 200 contract seed growers producing 720 tonnes of seed by Year 8) 		communities
Output 2.2: CIGs successfully adopt or improve farm and/or non-farm IGAs	<ul style="list-style-type: none"> Increasing adoption by CIG members (target 40,000 members and 3,210 matching grants by Year 8). 	<ul style="list-style-type: none"> Project reports on CIG income-generating activities by M&E. Farmer field school records. 	<ul style="list-style-type: none"> Continued access to financial services and inputs, including through PROFIT.
Outcome 3: Land, water and forest resources sustainably managed for the benefit of local people and the wider community.	<ul style="list-style-type: none"> Reduction in level and severity of land degradation, improved water flows, water quality and forest condition. 	<ul style="list-style-type: none"> Baseline and follow-up measurements of these key environmental parameters through biannual river gauging surveys by WRMA, periodic sampling and analysis of river water, and remote sensing data to monitor forest conditions. 	<ul style="list-style-type: none"> Potential conflicts related to resource utilisation will be resolved.
Output 3.1: Sustainably managed water resources.	<ul style="list-style-type: none"> Increasing access to safe water (target 60,000 households by Year 8). Increasing area under irrigation using water-efficient methods (target 2,000 ha by Year 8). Decreasing levels of chemical and microbial pollution in waterways (Baseline to be determined). Increase in number of functional WRUAs (target of 24, Baseline is 17 WRUAs formed by MKEPP and NRMP). 	<ul style="list-style-type: none"> Household surveys (baseline and follow-up). Records kept by Irrigation Water User Associations. Bathymetric surveys in reservoirs. Water quality monitoring surveys. 	<ul style="list-style-type: none"> There is adequate community capacity to maintain the water investments for continued sustainability
Output 3.2: Sustainably managed forest and agricultural ecosystems.	<ul style="list-style-type: none"> Increasing area of forests rehabilitated and/or protected (target of 1,300 ha by Year 8) Decrease in number of human-wildlife conflicts reported (target of 60 km of wildlife fence by Year 8). X% decrease in rates of soil loss from farmlands by Year 8 (Baseline to be determined) Use of 1,450 matching grants for SWC by Year 8. 	<ul style="list-style-type: none"> Reports on activities undertaken by CFAs. Soil loss measurements at representative sites covering the main farming systems. Reports on matching grants for SWC activities 	<ul style="list-style-type: none"> CFAs are effective in controlling illegal uses of forest resources and maintaining wildlife fences. Beneficiaries of grants for SWC activities continue after the matching grants.
Outcome 4: Project effectively and efficiently managed.	<ul style="list-style-type: none"> Project activities fully integrated in mainstream GoK systems and institutions with functional management, monitoring and reporting. 	<ul style="list-style-type: none"> NIMES M&E reports 	<ul style="list-style-type: none"> New constitutional arrangements remain conducive to project implementation.
Output 4.1: Fully functional governance, management, monitoring and reporting systems.	<ul style="list-style-type: none"> Project implemented on schedule with performance ratings of satisfactory or better. Increasing measures of institutional capacity. 	<ul style="list-style-type: none"> Supervision and implementation support mission reports, and audit reports. Formal institutional capacity assessments (eg OCAT d/) 	<ul style="list-style-type: none"> It will be possible to recruit and retain suitably qualified project staff.
Output 4.2: Knowledge about NRM effectively managed and disseminated to stakeholders.	<ul style="list-style-type: none"> Increasing dissemination and use by stakeholders of knowledge generated by project. Regional knowledge centres effectively networked. 	<ul style="list-style-type: none"> Number of information materials produced and distributed project-wide as monitored by M&E. Reports of regional knowledge networks. Surveys on awareness of sustainable NRM. 	<ul style="list-style-type: none"> Other partners will cooperate with knowledge management systems.

a/ All indicators to be gender disaggregated

b/ Organisational Capacity Assessment Tool

UPPER TANA CATCHMENT NATURAL RESOURCE MANAGEMENT PROJECT (UTaNRMP)

PROJECT DESIGN REPORT

MAIN REPORT

I. BACKGROUND

1. The IFAD-assisted Mount Kenya East Pilot Project (MKEPP) which started in 2004 aimed at linking sustainable use of natural resources, especially water and forests, with enhanced rural livelihoods. The project focused on environmental conservation in five selected river basins, and strengthened governance at local level for better management of natural resources. Associated with the MKEPP-IFAD loan, was a GEF grant that also aimed at enhancing environmental conservation and strengthening the local governance capacity around the Mt. Kenya Forest Reserve and National Park. Two other IFAD grant-funded activities have been implemented in parallel with MKEPP: the Pro-Poor Rewards for Environmental Services in Africa (PRESA), and Green Water Credits (GWC). PRESA has been exploring opportunities to develop systems of payments or rewards for provision of ecosystem services (PES/RES), whilst GWC has focussed on identifying soil and water conservation (SWC) interventions suitable for adoption by smallholders in the Upper Tana catchment, and the technical, institutional and financial support required for implementation. The experiences of MKEPP and the knowledge generated under the GWC and PRESA initiatives have been particularly valuable in informing the design of the Upper Tana Catchment Natural Resources Management Project (UTaNRMP).

2. MKEPP is implementing activities targeting about 580,000 people in five selected river basins. The GEF funded activities are implemented within the Mt. Kenya forest ecosystem that comprises the National Park and surrounding Forest Reserve, and targets about 800,000 people living within 10km of the forest reserve boundary. The MKEPP-IFAD loan has been extended by one year to September 2012 to allow for transition to a new and expanded project. The MKEPP-GEF grant will be completed in March 2012 but it is unlikely that GEF will extend funding for a second phase.

3. MKEPP targets farmlands along five river basins on the eastern side of the Mt. Kenya ecosystem and thus left out large areas between the rivers and their tributaries, leading to a reduced synergy between the activities of the loan and the GEF grant. Secondly, MKEPP-GEF was inadequately funded to address the issue of human-wildlife conflicts around Mt. Kenya. The mid-term review of MKEPP in 2009 concluded that project performance was satisfactory and recommended that GoK should seek additional funding to reach more of the critical water catchments in the Mt. Kenya region, and to expand project coverage to other parts of the Upper Tana catchment. This forms the basis for the request by GoK for the up-scaling of MKEPP.

4. Based on the request of GoK, IFAD and GoK have designed UTaNRMP as a follow-on project to the pilot MKEPP. The project is expected to eventually cover all 24 river basins and their tributaries that drain into the Tana River, and cover the six counties of Murang'a, Nyeri, Kirinyaga, Embu, Tharaka-Nithi and Meru, as well as identified environmental hotspots and protected areas. The selected river basins also touch on two other counties but these would not be full participants in the Project. In the five river basins where the pilot MKEPP is being implemented, the proposed project would cover only their tributaries.

5. Apart from the fact that the Upper Tana catchment is the main source of hydroelectric power in Kenya, and provides over 90% of the water for Nairobi city, the 24 river basins are valuable assets for rural poverty reduction through increased food

production and income generating activities. The proposed project will focus on a well-balanced natural resources management (NRM) and environmental conservation programme with rural livelihood activities, community empowerment and commercial linkages.

II. STRATEGIC CONTEXT AND RATIONALE

A. COUNTRY AND RURAL DEVELOPMENT AND POVERTY CONTEXT

Country economic background

6. Kenya occupies a total land area of 582,646 km² with varied topography. The estimated population is 40.5 million with an annual growth rate of about 2.6% and an average population density of 69 persons per km². In 2010 Kenya had a per capita GDP of USD 760. The real GDP growth rate for 2010 was 5.6%, and is forecast to remain at around this level in 2011 and beyond. Inflation is running at over 10% driven by high fuel and food prices and a fiscal deficit of 7-8% of GDP.

7. The agricultural sector remains the backbone of the economy, providing about 65% of export earnings, although its share in the GDP has declined from nearly 40% in the 1970s to about 28% in 2009. It also accounts for 19% of formal employment. However in recent years agricultural sector growth has been constrained by drought conditions, whilst there is an on-going boom in telecommunications, financial services, and construction. Overall economic growth is constrained by infrastructure bottlenecks, skill shortages, political uncertainty and corruption.

8. About 70% of the population lives in medium-high potential areas in the centre and west of the country, where the population density can be more than ten times the national average. The Arid and Semi-Arid Lands (ASALs) make up more than 80% of the country's land mass, and are home to 30% of the population and nearly half its livestock. As one of the most advanced of the East African economies, Kenya plays a key role in economic development and maintaining stability in the Horn of Africa. It has been a multi-party democracy since 1991 and is preparing for national elections, scheduled for the second half of 2012.

Rural poverty analysis

9. **Level of poverty:** Nearly half (48%) of the rural population of the country is classified as living below the poverty line or unable to meet their nutritional requirements. The 2005-06 poverty survey (latest available) revealed strong regional disparities in the distribution of poverty. The lowest prevalence of rural poverty was in Central Province (30%), followed by Nyanza (48%), Rift Valley (50%), Eastern (51%), Western (53%), Coast (70%), and North Eastern (74%). National absolute poverty declined from 52% in 1997 to 48% in 2005-06.

10. About 6.5 million people are considered as hard-core poor, meaning that they are chronically food insecure even if they were to forego all non-food expenditure. Life expectancy at birth has dropped from 59 to 48 years. The enrolment rate in primary schools declined due to the introduction of school fees, although this trend reversed with the introduction of free primary education during 2003.

11. The rural economy depends mainly on smallholder subsistence agriculture. Most Kenyans live in areas that have medium to high potential for agriculture. However population density in high-potential areas is more than six times the average and constitutes an overwhelming pressure on resources. The ASALs are home to over 30% of the population, have the highest prevalence of poverty averaging about 65%, and very limited access to basic services. The majority of the rural poor however live in the

medium and high potential areas. The target group in the Upper Tana catchment live in such areas. Kenya's poor rural people and that of the project area include:

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

12. **Gender** is a significant issue in rural poverty and natural resource management. Over 80% of Kenyan women live in rural areas and are mostly engaged in food and cash crop production, livestock keeping and in agro-based income generating activities. In most areas, this is mainly due to male migration to urban areas and large-scale farms in search of paid employment. Rural women face a number of social and cultural constraints that hinder their inclusion in decision-making at the family, community and institutional levels. The participation of women is also constrained by traditional and social practices, which deny women the right to property such as land and livestock. Women are unable to qualify for credit that is connected with collateral requirements, and are often unable to access important information because the majority of agricultural extension service workers are male who may not be able to reach female farmers due to cultural constraints. In addition, women have a heavy workload due to their multiple roles and this has serious limitations on their participation in project activities.

13. The key gender issues in sustainable NRM in the Upper Tana river catchment are: (i) unequal access to and control over natural resources such as land, forests, and water resources, as well as credit and other support services; (ii) differences in gender roles and priorities; (iii) unequal participation in decision-making and empowerment activities among the gender groups; and (iv) inadequate attention to gender issues in extension and research activities. These issues suggest that the special needs and interests of each gender group have to be recognised in order to expand each gender's opportunities for economic empowerment. The project will therefore make deliberate efforts to target both men and women as well the youth to ensure that each gender needs are addressed.

14. **Causes of poverty:** There are many reasons why high levels of rural poverty persist in Kenya. One reason is that Kenya has a high population growth rate. Over the past 30 years, the population has more than tripled, which has increased pressure on the country's resources. Another is that Kenya has a large gap between the rich and the poor. Inequality is worse in rural areas in that the richest 20% of the rural and urban populations earn 62% and 51% of incomes respectively, while the bottom 20% earns 3.5% of rural income and 5.4% of urban income.

15. In addition, there are strong linkages between rural poverty and environmental degradation, particularly poor water management, soil erosion and declining soil fertility. Degradation of the natural resource base leads to low productivity and therefore low incomes. It is therefore not surprising that in the project area, large segments of the poor are located where the natural resources are most degraded. In addition, the unpredictable rainfall and frequent droughts tend to undermine an already fragile resource base and have contributed to declining agricultural yields. Droughts in 2009 and 2011 generated food emergencies, while flooding in 2010 affected parts of the country. Together with the impact of HIV/AIDS, these factors have eroded gains in education, health, food security, employment and income.

16. **National Poverty Reduction Strategy:** The Government's first long-term development plan was outlined in the National Poverty Eradication Plan for 1999-2015, which was designed to address poverty and espoused the MDGs, particularly that of reducing poverty by half by 2015. The Government prepared an Interim Poverty Reduction Strategy Paper for the period 2000-2003, which aimed at improving governance, security, equity and people's participation. After the new government came to power at the end of 2002, an Economic Recovery Strategy for Wealth and Employment

Creation was prepared for the period 2003-2007. This changed the thrust of the poverty reduction strategy paper (PRSP), emphasising economic growth and greater support for the private sector as the drivers of poverty reduction. It also reiterated the interim PRSP's two additional pillars of poverty reduction: namely, equity and improved targeting in ensuring access of the poor to basic services and better governance, including the strengthening of public safety, law and order.

17. Kenya Vision 2030 covering the period 2008-2030 is the country's new development blueprint, replacing the National Poverty Eradication Plan. Its overall objective is to bring about a greater and more sustainable growth of the economy in a more equitable environment, accompanied by increased employment opportunities. Agriculture, livestock and fishing is one of six priority sectors expected to deliver 10% annual growth.

Rural development context

18. **Overview:** Agriculture is the principal livelihood activity in Kenya, with 70% of the population living on crop production, livestock raising, fishing, forestry and the associated value addition activities. The sector also provides 70% of raw materials for agro-industrial production and a substantial share of government revenue. Horticulture is the largest sub-sector, contributing 33% to the agricultural GDP and 38% to export earnings. Food crops contribute 32% to the agricultural GDP but only 0.5% to exports. The main food crops are maize, wheat, sorghum, millet, cassava, potato and sweet potato, while the main exports are tea, coffee and fresh vegetables. During the 1980s, the agricultural sector recorded an average annual growth rate of 3.5% which reduced to 1.3% in the 1990s due mainly to reduced investment in the sector, mismanagement and virtual collapse of agricultural institutions. The growth rate improved to 2.4% in the first half of the 2000s as government increased investment in the sector, with budgetary allocation increasing to 11% of the national budget, in line with the Maputo Declaration benchmark. The sector incurred another setback during the post-election violence in 2007-08 as well as recurring drought during recent years.

19. About 80 per cent of people working in agriculture are smallholders. Small-scale farmers account for over 75% of agricultural output, producing 70%, 80% and 70%, respectively, of the maize, milk, and beef. The cultivated area is about 5.7 million ha, of which 5.3 million ha is arable land and 0.5 million ha perennial crops. The livestock sector in the ASALs accounts for 90% of employment and 95% of household income for pastoralists, and contributes roughly 5% to GDP. Women contribute 75-80% of all labour in food production and 50% in cash crop production.

20. **Rural environmental issues:** Over the past three decades Kenya has experienced accelerating deforestation, soil erosion, and domestic and industrial pollution. Over-exploitation and encroachment of forests has reduced forest cover to only 2% of the land. Biomass accounts for over 95% of all energy used in the country and 89% of rural households use firewood, all exerting heavy pressure on the protected forest areas and farmlands. In addition, there is a shift to using wood as a source of energy in the tea subsector. On-going environmental degradation is linked closely to the high level of poverty, lack of employment opportunities for the youth, and food insecurity. Sustainable management of natural resources is a serious concern to the Government and many Kenyans. Vision 2030 aims to transform Kenya into a middle-income country "providing a high quality of life to all its citizens in a clean and secure environment". The strategy emphasises the long term development of agriculture, tourism, manufacturing and the energy sector, all of which rely heavily on sustainable management of natural resources, and especially, those that are associated with the five major water towers.

21. **Water resources:** Kenya is a water scarce country, and faces serious challenges with regard to protection and conservation of its water resources. The annual renewable fresh water supply is 20.2 billion cubic metres (BCM) together with groundwater resources of 0.65 BCM. This translates to sustainable water availability of 650 m³ per capita per year. A country is categorised as “water stressed” if its fresh water supplies are less than 1,700 m³ per capita and “water scarce” if its renewable freshwater supplies are less than 1,000 m³ per capita. To deliver the goals and objectives of the vision 2030, Medium Term Plan and the MDGs, the Ministry of Water and Irrigation (MWI) aims to improve access to safe water supply and sanitation both in urban and rural areas and increase the area under irrigation and land reclamation through the implementation of MTP Vision 2030 programmes and projects.

22. **Food security:** Kenya imports up to 20 per cent of its annual cereal requirements. Poverty is inextricably related to food insecurity. For the rural poor, food insecurity is exacerbated by frequent droughts, floods, inefficient food distribution and marketing systems, population growth and HIV/AIDS. Over the last decade, droughts and floods have increased in frequency and intensity. Severe drought occurred in 2010-11 with four million people requiring food assistance. Food poverty is highest among pastoralists, agro pastoralists and marginal agriculturalists in the country’s ASALs. Even in normal years, over half a million people in the northern arid part of the country need food assistance. Countrywide, an estimated 47% of the rural population have insufficient food to meet their daily energy requirements. Official data indicate that there is a 33% rate of stunting among children of up to five years of age, and that 20% of all children are underweight. Very little progress has been made in combating chronic malnutrition.

Governance framework

23. Governance is recognised as a major constraint to economic growth and poverty reduction. The 2011 corruption perception index of Transparency International ranks Kenya 154 out of 182 countries assessed.

24. UTaNRMP is being designed at a time when a new governance framework is evolving based on the new constitution promulgated in August 2010. This brings with it both opportunities - improved governance and accountability, devolution to the grassroots - and challenges. The adjustment costs of implementation of the new governance system could potentially reduce resources available for development programmes; and there is a legislative challenge as Parliament strives to enact a large number of new laws.

25. The constitution envisages significant devolution of governance responsibilities to the county level. This will have a major impact on the way rural development programmes are implemented. However, there is much enabling legislation to be enacted and policies updated before the detailed modalities and implementation schedule for the devolved system are known with certainty. The structure of the ministries is also likely to change with the expected consolidation of the multiple ministries involved in the agriculture and natural resources sectors. Other changes taking place include the move towards a sector-wide approach to M&E and the creation of a single steering committee to oversee all programmes and projects in the agricultural sector. Against this background the design of UTaNRMP has to be less-prescriptive than would normally be the case in order to be adaptable to the evolving governance arrangements. The Project Financing Agreement will also have to be carefully framed so that it does not commit GoK to actions which may turn out to be inappropriate or impossible as the new institutional and governance arrangements fall into place.

Institutional framework

26. The agriculture/rural sector is characterised by a complex institutional setting with no less than ten ministries: the Ministry of Agriculture (MOA); the Ministry of Livestock Development (MOLD); the Ministry of Fisheries Development (MOFD); the Ministry of Forestry and Wildlife (MOFW); the Ministry of Cooperative Development and Marketing (MOCDM); the Ministry of Water and Irrigation (MWI); the Ministry of State for Planning, National Development and Vision 2030 (MPND & V2030); and the Ministry of Gender, Children and Social Development (MGCSD). Other ministries responsible for critical resources that directly affect the sector are the Ministry of Lands (MOL); the Ministry of Environment and Mineral Resources (MOEMR); and the Ministry of Development of Northern Kenya and other Arid Lands. The sector ministries established the Agricultural Sector Coordination Unit (ASCU) in 2005 to address the fragmentation of responsibilities between agriculture and rural development-related ministries, development partners and the private sector.

27. As the Government decentralises decision-making to stakeholders, local governance structures will eventually become more involved in managing development activities at community level. Local Governments will, through appropriate participatory methodologies, determine the priority development aspirations and initiatives of their communities and lead in their implementation.

Agricultural and rural development policies

28. The new Agriculture Sector Development Strategy (ASDS) 2010-20, launched in 2010, has the overall goal of achieving an average growth rate of 7% per year in agriculture. The growth of the sector is anchored on two strategic thrusts: (i) increasing productivity, commercialisation and competitiveness of agricultural enterprises; and (ii) developing and managing the key factors for production. The sub-sector strategic focus of the ASDS is: (i) crops and land development; (ii) livestock development including in the ASALs; (iii) fisheries sub-sector; and (iv) cooperative development. In terms of production factors the ASDS prioritises: (i) improving water resources and irrigation development; (ii) land use; (iii) developing Northern Kenya and other ASALs; (iv) improving management of the environment and natural resources; (v) developing river basins and large water body resources; and (vi) forestry and wildlife resources.

29. A Medium-Term Investment Plan (2010-2015) has been prepared, reflecting the Government's comprehensive sector-wide approach to agricultural development and food security. Its proposed investment areas emerge from the strategic thrusts prioritised in the ASDS. For these strategies to succeed Government has re-asserted commitment to market reforms, especially divestiture from public enterprises as well as reforming and streamlining research, extension and educational institutions. With an estimated 8.5 million farmers who are mostly smallholder producers, MOA plans to classify these farmers according to their potential for commercial production. The Plan also places emphasis on Government's partnership with the business sector and civil society.

Water policy

30. A new water policy was developed in 1999 which envisaged a change in the role of Government from being a service provider to becoming a facilitator and regulator of other water sector players. The reforms were given legal status through the Water Act of 2002. While MWI retained the policy formulation role, the Act separated the management and development of water services and transferred their regulation to the Water Resources Management Authority (WRMA) and the Water Services Regulatory Board. The Act further decentralised service provision by creating regional water service boards and catchments area advisory committees for water resources management. Other key institutions created by the Act include the Water Services Trust Fund (WSTF) to assist in

financing water supply and water resource management projects. The Act also gives legal status to the Water Resource User Associations (WRUAs) which are key community associations for management of river basins under MKEPP, and will continue to play a pivotal role under UTaNRMP.

31. In view of recent droughts, water and irrigation have become urgent issues in Kenya. The government formulated a new National Irrigation Policy which favours: (i) intensifying and expanding irrigation, rainwater harvesting and water storage; (ii) rehabilitating and protecting water catchments; and (iii) implementing the irrigation flagship projects identified in Vision 2030. It is noted however that the surface water resources of the Upper Tana catchment are already over-utilised, and that irrigation interventions under UTaNRMP will need to focus on improving water use efficiency and increasing retention of water within the farming systems.

Constraints and opportunities for agricultural and rural development

32. The gains made through various programme interventions in NRM have, been challenged by high poverty levels, population pressure and climate change. Drought has become a recurrent event in parts of Kenya for some years, undermining the resource base for rural development. GoK is enlisting the support of the development partners, including IFAD, for increased investments in NRM and climate change mitigation.

33. The ASDS identifies a number of challenges to enhancing the performance of the sector. These include: inadequate budget allocation, reduced effectiveness of extension services, slow adoption of modern technology, high costs of key inputs, limited capital and access to affordable credit, pre-and post-harvest losses, heavy livestock losses to diseases and pests, low and declining soil fertility, inappropriate legal and regulatory framework, inadequate disaster preparedness, multiple taxes, inadequate infrastructure, insufficient water storage, inadequate storage and processing facilities, and inadequate markets and marketing infrastructure.

34. At the same time, the strategy identifies a number of opportunities. These include: abundant human resources, new and expanding domestic, regional and international markets, potential for increasing production of livestock, the fisheries potential of the Indian ocean, vast irrigation potential, potential for increasing productivity, and value addition including processing, branding, and quality certification as well as farm-level quality improvements.

B. RATIONALE

Overview

35. The Tana is the most important river basin in Kenya, its flow constituting 27% of the total discharge of the country's rivers. The Upper Tana catchment includes 25% of Kenya's gazetted forests and has experienced considerable land degradation and a drastic reduction of surface water availability during the dry season, and poor water quality during the wet season due to high silt loads. The levels of river flow are inadequate for any additional use of surface water for irrigation. The area is densely populated, with large concentrations of poor and very poor people, particularly in the mid-altitude zone. Landholdings are small and diminishing as population grows, crop yields are low and declining due to fertility depletion and erosion, and rural households are poorly linked to markets and services.

36. The rationale for the project is based on the nexus between rural poverty and ecosystem health in a densely populated and environmentally fragile watershed of critical national and global significance. The high prevalence of rural poverty contributes to environmental degradation which in turn reduces sustainable livelihood opportunities; as

well as creating negative environmental externalities including forest degradation, human-wildlife conflict, and reduced availability and quality of water to downstream users. Fortunately however, there are a number of opportunities for improving rural livelihoods in ways that are also beneficial for the natural environment. The GWC initiative has evaluated a number of strategies which address the dual objectives of poverty reduction and reduced environmental degradation. This suggests the need for a two-pronged approach which simultaneously addresses both social and environmental objectives in pursuit of higher level national development goals and aspirations.

37. The project recognises the need to arrest the rapid loss of the life-supporting functions of the Tana River ecosystem due to forest degradation, inappropriate agricultural practices, and overgrazing, which have triggered increasing soil erosion that contributes to a high sediment load in the river system. These same factors contribute to the persistently high levels of rural poverty; and also have serious consequences for power supply, the supply of water to Nairobi, and the availability of water for irrigation, livestock raising, fisheries and domestic purposes. The Project will aim at reversing land and forest degradation through community based NRM activities, which also address the need for improving the livelihoods of the rural population.

38. Essentially the project will work with the custodians of natural resources in the Upper Tana providing them with a number of direct and indirect incentives to do things that are good for the environment, good for them, and from which other parties will also derive benefit. These incentives will come in a variety of forms, but will rarely if ever, involve direct cash transfers.

39. Building on the implementation capacity already developed under the pilot MKEPP, the project will also address the major design and implementation gaps identified in MKEPP/MKEPP-GEF, including: (i) inadequate coverage of the Tana basin on the western and southern sides of Mt. Kenya, and the Aberdares; (ii) concentration of the GEF grant activities in the protected area, leaving out the farmland area; (iii) concentration of the GEF grant on environmental conservation at the expense of rural livelihoods; and (iv) under-costing of some of the activities, e.g. construction of wildlife barriers.

Scaling-up

40. The scaling up of MKEPP through UTaNRMP will be based largely on what worked well in MKEPP, with appropriate modifications based on lessons learned. These include: (i) the extensive use of participatory approaches in project implementation, community engagement and institutional collaboration, hence enhanced community involvement and ownership of Project activities; (ii) technical and social capacity building of stakeholders to enhance sustainability, including the use of community resource persons to provide extension services; and (iii) input and financial support to community livelihood projects to encourage technology uptake. Aspects to be strengthened in UTaNRMP include: (a) transparent mechanisms for access to project grant support for livelihoods; (b) collaboration with the private sector, for example, to improve SWC in coffee fields; (c) collaboration with private sector service providers, as well as research institutions to develop public-private partnerships for more sustainable development; and (d) greater emphasis on reducing human-wildlife conflicts which jeopardise the conservation-livelihoods thrust of the project. The approach is consistent with IFAD's policy on scaling up and is elaborated in Annex 12, Appendix 3.

Alignment with country policies

41. There is a high degree of congruence between GoK policies and IFAD's mandate for rural poverty reduction. GoK and IFAD share a common vision of using agriculture and improved management of natural resources as a vehicle for improving rural

livelihoods and incomes. This is reflected in the close alignment between Vision 2030, the ASDS and the current COSOP.

42. The **new constitution** provides an enhanced framework for natural resources management (NRM), including the provision that the “state shall work to achieve and maintain a tree cover of at least 10% of the land area of Kenya”, and every person has a right to a clean and healthy environment. The constitution also decentralises administration to counties, which will create challenges for some of the newly-created counties which currently have significant capacity constraints.

43. **Vision 2030**, Kenya’s long term development blueprint aims at creating a “globally competitive and prosperous country with a high quality of life by 2030”. It aims to transform Kenya into “a newly-industrialising, middle-income country providing a high quality of life to all its citizens in a clean and secure environment”. Kenya’s economic development strategy emphasises the long term development of agriculture, tourism, manufacturing and the energy sector, all of which rely heavily on sustainable exploitation of natural resources, and especially, the five major water towers namely, Mt. Kenya, Aberdare, Mau Complex, Cherangany Hills and Mt. Elgon.

44. Some of the policy reforms undertaken by GoK to reduce environmental degradation include: (i) the ASDS which considers sustainable agriculture as the backbone of Kenya’s economy, and the key to food security and rural poverty reduction; (ii) the Land Policy which aims to strengthen integrated land use and physical planning from local to national levels, and strengthen natural resources dispute resolution mechanisms; (iii) Legal Notice No. 166 which requires 10% of all agricultural land to be put under forestry; (iv) the Water Act to enhance water resources management through community participation; (v) the Forests Act to enhance conservation of forest resources; (vi) the Environmental Management and Coordination Act to enhance co-ordination and management of activities with significant environmental impacts; and (vii) the National Climate Change Response Strategy of 2010.

Alignment with IFAD strategies

45. **Strategic Framework:** UTaNRMP is closely aligned with IFAD’s strategic framework, for the period 2011-15. The framework reflects IFAD’s overarching goal of enabling poor rural people to improve their food security and nutrition, raise their incomes and strengthen their resilience. The framework has five strategic objectives: (i) create a natural resource and economic asset base that is more resilient to climate change, environmental degradation and market transformation; (ii) improve access to services and build resilience in a changing environment; (iii) enable poor rural people and their organisations to manage profitable and sustainable enterprises and take advantage of decent work opportunities; (iv) enable poor rural people to influence policies and institutions that affect their livelihoods; and (v) create enabling institutional and policy environments to support agricultural production and related activities.

46. **Country strategy:** The current (2007-12) COSOP has the overall goal of intensification, diversification, commercialisation, and value addition in the agricultural sector. It has three strategic objectives: (i) improving delivery of services to the rural poor by strengthening the capacity of the public and private sector and civil society organisations; (ii) increasing incomes for the rural poor through improved access to and utilisation of appropriate technologies, markets, and community-owned productive and social infrastructure; and (iii) increased investment opportunities for the rural poor through improved access to rural financial services. In terms of targeting, the COSOP aims at improving the lives of poor small producers, agro-pastoralists, and pastoralists in medium to high potential areas as well as the ASALs. However, the COSOP states that most of the interventions in the ASALs will be through IFAD grants.

47. The COSOP states that IFAD will engage Government in policy dialogue in the implementation of the strategy for revitalising of agriculture, by participation in the agriculture and rural development sector donors' group. The principal form of partnership is IFAD's participation in the Kenya Joint Assistance Strategy under which there is partnership development with a large number of NGOs and private sector service providers. This includes contracting non-state actors for selected services, such as value chain analysis, business training for farmer groups and rural infrastructure development; forging links with institutions that can provide rural financial services to IFAD's target group; and capacity building for private operators who deliver services to farmers.

Design considerations

48. **Up-scaling and project management:** UTaNRMP is designed as a derivative of a successful pilot project which involves more than four-fold up-scaling from five to 24 river basins. The design gives consideration to the management arrangements required to drive such a major up-scaling process. The project cannot simply do four-times more of everything – it has to develop operational modalities which allow for major up-scaling without a proportional increase in management costs. This suggests that the MKEPP Project Management Unit (PMU) will have to shift its function more towards coordination of implementing partners and outsourcing services, and away from direct management and implementation. Accordingly, the PMU will be re-named the Project Coordination Team (PCT). This change will come at a time of uncertainty about what the new constitution means for the structure of central government institutions and especially for how the new local government arrangements will unfold. Nevertheless it is clear that more implementation responsibilities will have to be devolved to the counties and other implementing partners with increased engagement of contracted service providers and partner organisations.

49. **Transitional arrangements:** Given the uncertainty in institutional and organisational arrangements associated with the new constitution and the on-going restructuring of administrative bodies and ministries, the transition period between MKEPP and UTaNRMP and the early implementation period of UTaNRMP are particularly important in laying the foundations for a successful project. Delivery mechanisms will evolve as the devolution process unfolds and may be complex given the number of organisations involved. This uncertainty may also affect funding allocations associated with support to project management and staffing. Hence the design allows for changes to implementation procedures, as defined in the Project Implementation Manual (PIM) as the devolution legal framework is rolled out. The transition and early implementation phases will provide an enabling environment to accommodate such changes. The next (and final) MKEPP supervision/ implementation support mission will focus on the design of a comprehensive transition plan to be undertaken in 2012 and 2013.

50. **GEF funding:** Until now MKEPP-GEF has operated with a different lead agency and a separate source of funding, but in close collaboration with MKEPP. However it is unlikely that GEF funding will be immediately available for the new project. In the absence of GEF funding there is an opportunity to incorporate some of the MKEPP-GEF activities into the new project, with considerable potential for synergies arising from closer integration between environmental and livelihood activities. MKEPP-GEF activities considered most suitable for inclusion in UTaNRMP are those that deliver direct livelihood benefits to the target group, especially the forest-dependent communities who live on the margins of the forest reserves. It is also possible that in the next round of GEF funding (GEF6) beginning in 2014 new funding could be mobilised to continue some of the MKEPP-GEF activities which are not eligible for IFAD support.

51. **Rewards for environmental services:** The initial design report envisaged a USD 10 million credit guarantee fund to be accessible by a commercial bank as an incentive to advance loans to farmers adopting specified soil and water management

practices. The water and electricity companies were also expected to contribute to the guarantee fund as a form of PES. This approach to the provision of financial services is no longer considered appropriate. First, the IFAD/Alliance for a Green Revolution in Africa (AGRA) supported Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) already has a USD 20 million risk-sharing facility part of which could be used for this purpose in the Upper Tana region. Second, the approach of rewarding farmers for environmental services through direct payments (subsidised interest rates) is no longer considered feasible due to difficulties in monitoring, reporting and verification. Instead, the emphasis will be on helping the natural resource custodians to adopt responsible SWC practices that provide their own financial rewards. Finally, banks need to make their own lending decisions based on creditworthiness rather than the environmental credentials of the borrower.

52. The recommended approach is to support commercially viable investments by farmers in SWC which incorporate sufficient incentives to provide the desired ecosystem services. It is envisaged that a large IFAD grant would be developed to support the implementation of the GWC recommendations in and outside the project area and support the pilot of a national scheme for Reduced Emissions from Deforestation and Forest Degradation (REDD) which provides rewards for reduced carbon emissions through initiatives such as sustainable use of communal forests, farm woodlot establishment and re-planting of degraded forest areas.

53. **Interface with NRMP:** The project design gives careful attention to interface with NRMP, which will be active in most of the expanded project area up until mid-2013, and is doing some of the same things as MKEPP and UTaNRMP. This applies particularly to funding and technical support to the Community Forestry Associations (CFAs) and WRUAs. The project will therefore develop a phased plan for transferring funding and support of the WRUAs from NRMP to UTaNRMP during 2012-13.

III. PROJECT DESCRIPTION

A. PROJECT AREA AND TARGET GROUP

54. The **project area** will be the Upper Tana catchment which covers an area of 17,420 km² and includes 24 river basins (five of which are included in MKEPP) that drain into the Tana River. Project interventions will be progressively scaled up beginning with further work on the tributaries of the five MKEPP river basins, and 12 of the remaining 19 basins. The area covers six of Kenya's 47 counties, is home to 5.2 million people, provides water for about half the population, and most of the country's hydroelectric power. The area includes the Mt. Kenya and Aberdares national parks and surrounding forest reserves. The area is under heavy and growing population pressure with an average of 300 inhabitants per km². The river basins to be included are:

MKEPP River Basins (5)	Ena, Kapingazi/Rupingazi, Kathita, Kithinu/Mutonga, Tungu
High Priority River Basins for UTaNRMP (12)	Maragua, Murubara, Nairobi, Ragati, Rujiweru, Rupingazi, Saba Saba, Thanagatha, Thanantu, Thiba, Thika/Sasumua, Thingithu
Other River Basins	Amboni, Iraru, Kayahwe, Lower Chania, Mara, Mariara, Mathioya, Muringato, Nyamindi, Ruguti, Rwamuthambi, Sagana, Ura

55. The Upper Tana catchment has been experiencing a drastic reduction of surface water availability especially during the dry season, which is a manifestation of high runoff rates and decreasing groundwater recharge. The catchment generally receives high precipitation in the upper recharge area but floods account for over 70% of the total flow, so most of this water is not available for use. The current patterns of river flow and water management leave very little scope for further development of surface water resources for economic activities. In addition to this, the area has experienced increasing land

degradation which has led to siltation and pollution in the rivers and dams. The daily sediment load of the Tana River varies from 2,800 tonnes/day during the dry season to over 24,000 tonnes/day during the rainy season.

56. The project area has been extensively studied and mapped by MKEPP, the GWC project and NRMP. A selection of maps showing topography, hydrology, farming systems, soils, rainfall, land use, population, infrastructure poverty levels etc can be viewed in the project life file.

The target group

57. The population of the Upper Tana catchment is approximately 5.2 million people and the population density averages 300 people/km². The project targets around 200,000 poor rural households whose livelihoods revolve around the use of the natural resources of the river basin. These include smallholder crop and livestock farmers, agro-pastoralists, fishers, rural traders, and community groups involved in NRM and income generating activities. Special focus will be on women, who play a leading role in agricultural production and other activities (e.g. fuelwood collection and domestic water supply) which utilise natural resources. The project will also take special steps to engage with youth as well as other vulnerable groups such as HIV/AIDS affected households. The project services and enterprises will also yield indirect benefits to the non-target groups in the catchment, as well as to populations outside the catchment who rely on water and hydro-electricity from the river system.

58. The average poverty rate in the project area is 46% (just below the national average), ranging from 31% in Nyeri County to 63% in Machakos. Total poverty head count is around 2.4 million, or about 480,000 households. Most of the remainder are near-poor, and at risk of slipping backwards into the ranks of the poor due to the high pressure on natural resources. The poverty head count shows that the poor are more concentrated in Meru (665,000), Embu (303,000) and Murang'a (302,000). The project will prioritise communities with high levels of poverty and treat all households as part of the target group. This approach is particularly valid for NRM initiatives where all households contribute to the management of the natural resources. Prioritising communities with the most needy increases the likelihood of the project to get more people out of poverty.

Targeting mechanisms

59. The two-pronged strategy of the project is to address poverty and natural resource management simultaneously, on the basis that they are closely inter-linked. This means that all natural resource users in the catchment area will benefit in some way. However there will be special measures to ensure inclusion of disadvantaged and vulnerable groups, without the intention to exclude the better-off households. The specific mechanisms to ensure that the different categories of the poor benefit from the project interventions take into consideration the population, poverty levels, the ecosystem, gender and other social issues such as HIV/AIDS and vulnerability, include the following:

- **Geographic targeting:** The focus will be on the counties and sub-counties with the greatest numbers of people living below the poverty line. The river basins have been ranked in order of priority based on five criteria: (i) rivers that are over-utilised with high levels of water use inefficiencies; (ii) those with significant pockets of environmental degradation; (iii) those with greatest risk of natural resources degradation; (iv) those cutting across several agro-ecological zones and; (v) those having a large section of needy population. These criteria led to the identification of 12 priority river basins for initial targeting. Within these the project will select Focal Development Areas (FDAs), also based on poverty,

degradation of natural resources and other social indicators. The project will also support poverty reduction and improved NRM in communities living on the margins of forest reserves.

- **Enabling measures** include a number of policies to address the high levels of poverty, degradation of natural resources, low capacity for service delivery, unequal power relations, gender disparities and the impacts of HIV/AIDS. The main policies that will provide an enabling environment to target the poor and the most degraded natural resources include the over-arching social and economic development policies as well as sectoral policies on agriculture, rural development, water and the environment.
- **Empowering and capacity building measures** aim to build the capacity and confidence of community members to participate actively in planning, decision making and project activities. The Community Empowerment Component is designed to build capacity and empower community members at different levels. Sensitisation and awareness-raising activities for community empowerment will be gender sensitive and include quotas to ensure the participation of women in the preparation of community action plans (CAPs), and the representation of women on committees for WRUAs, FDAs, common interest groups (CIGs), CFAs and the environment. This will ensure that local-level plans reflect the needs and priorities of disadvantaged and vulnerable groups within the community, such as women-headed households. Based on MKEPP experience HIV/AIDS will be treated as a cross-cutting issue to be addressed by all components. PRAs will identify the vulnerable members of the community and devise ways of engaging them in project activities, for example by exempting them from community contributions, assigning them light tasks, or small interventions to support HIV/AIDS groups to provide care and support, growing of crops with high nutritional value etc.
- **Self-targeting measures** aim to ensure that project interventions are attractive to the target groups. Each component will have capacity-building activities related to the needs of community groups and their committees. However, the bulk of the interventions target the specific needs of poor households along the forest margins and river basins and are all related to the protection or restoration of natural resources.
- **Direct targeting** measures will allow the project to channel services to specific individuals or households. This may include activities such as re-forestation and income generating activities to be funded through matching grants to CIGs. The project will develop eligibility criteria for evaluating proposals for funding in conjunction with committee members and responsible line ministries. Communities will be sensitised about the requirements and trained in the procedures to follow, including wealth ranking to ensure inclusion of the poor and vulnerable households.

60. Responsibility for targeting and gender-mainstreaming will be defined in the terms of reference for all project staff and implementation teams. All performance indicators in the M&E system will be gender disaggregated to facilitate analysis and interpretation of information on the participation of the genders, and the impacts on different demographic groups (youth, orphans, aged, women, men, HIV positive etc). The detailed targeting and gender strategies will be included in the PIM, and implementation will be periodically reviewed by supervision/implementation support missions.

B. PROJECT DEVELOPMENT OBJECTIVES

61. The **goal** of the project is to “contribute to reduction of rural poverty in the Upper Tana river catchment”. This goal will be pursued via two **development objectives** which reflect the poverty-environment nexus:

- increased sustainable food production and incomes for poor rural households living in the project area; and

- sustainable management of natural resources for provision of environmental services.

62. The objectives are in line with: (i) IFAD’s goal of empowering rural women and men to achieve higher incomes and improved food security; (ii) the 2007-12 COSOP objectives of improved delivery of services to the rural poor through institutional capacity building, and improved access to appropriate technologies, markets and rural infrastructure; and (iii) the 2011-25 IFAD Strategic Objectives of ensuring that poor rural women, men, and rural youth have better and sustainable access to natural resources, climate change adaptation and mitigation measures, improved agricultural technologies and services, and opportunities for rural enterprise development and off-farm employment, as well as empowerment of the rural poor through access to markets and participation in policy and programming processes.

63. The objectives of UTaNRMP are also aligned with: (i) Vision 2030, Kenya’s long term development blueprint which aims at creating a “globally competitive and prosperous country with a high quality of life by 2030” and transforming Kenya into “a newly-industrialising, middle-income country providing a high quality of life to all its citizens in a clean and secure environment”; and (ii) the ASDS whose strategic thrusts include increasing productivity and managing key factors of production.

C. COMPONENTS AND OUTCOMES

64. The project overview given in the Executive Summary shows the various components, sub-components and activities and how they will contribute to the generation of outputs, outcomes and impacts. The logical framework also shows the performance indicators to be monitored and the key assumptions underlying the design. The project will be structured along the same lines as MKEPP with three components, each of which will generate its own outcome:

Component	Outcome
1. Community Empowerment	• Rural communities empowered for sustainable management of natural resources
2. Sustainable Rural Livelihoods	• Natural resource-based rural livelihoods sustainably improved
3. Sustainable Water and Natural Resource Management	• Land, water and forest resources sustainably managed for the benefit of the local people and the wider community

Component 1: Community Empowerment (USD 4.1 million)

65. This component is designed to empower communities to sustainably manage natural resources. It aims at engaging communities to build their capacity to develop plans aimed at improving NRM while also improving their livelihoods, food security and nutrition. The component therefore supports capacity building at community level through mobilisation and awareness raising, establishing and strengthening key community structures and institutions, and development and implementation of community action plans. The outputs of this component include:

- communities with increased awareness of sustainable NRM,
- key community organisations with increased capacity to manage natural resources sustainably, and
- community action plans for livelihood improvement and sustainable NRM.

66. Community engagement will be the entry point for up-scaling MKEPP to cover the 19 additional river basins and forest areas in the Upper Tana catchment. The approach and procedures will be based on those developed and tested during the pilot phase, with

some refinements based on the experiences of the NRMP. This will also provide an opportunity to mainstream HIV/AIDS, food security and nutritional issues into the participatory planning process. Community engagement will take place at several levels:

- **WRUAs:** At the river basin level the WRUAs will be established and/or assisted to develop their sub-catchment management plans (SCMPs) through a participatory process involving all communities dependent on the natural resources of the catchment.
- **FDAs:** The FDAs are groups of 800-1,200 households living on a strip about 5km on either side of a river. On average there are ten FDAs per river basin. MKEPP has been working with FDAs to undertake participatory planning and develop CAPs to implement priority income generating and NRM activities through small CIGs of 20-30 members.
- **CFAs:** Communities living along the margins of the forest reserves will be engaged through CFAs. The CFAs will be empowered through the development of participatory forest management plans which will include initiatives for forest protection, rehabilitation of degraded areas, and reduction of human-wildlife conflict.

Sub-component 1.1: Sensitisation and awareness raising

67. The first step in community empowerment will be to stimulate interest and awareness about the importance of sustainable rural livelihoods and NRM. This will be undertaken as each new river basin is brought into the project and will include a range of activities including, but not necessarily limited to the following:

- training and sensitisation of staff at county and sub-county level;
- public meetings (*barazas*) to raise interest and awareness;
- mass media campaigns using printed material and community radio broadcasts;
- schools programmes (e.g. the school greening programme); and
- competitions and awards for good environmental stewardship.

Sub-component 1.2: Establishment and strengthening of key community structures

68. The second step will be to support the creation and/or strengthening of community organisations. Support will be focused on the County Environment Committees, WRUAs, FDA Committees (FDACs) and the CFAs by developing the skills they need to undergo participatory planning and project implementation procedures.

Sub-component 1.3: Community action plans for livelihood improvement and sustainable NRM

69. The final step in the community empowerment process will be the development of CAPs. This will be undertaken at FDA and CFA levels using participatory rural appraisal (PRA) tools used under MKEPP. The PRAs will be conducted by a trained county facilitation team consisting of representatives of relevant line ministries and selected community representatives led by the Ministry of Gender, Children, and Social Development (MGCSD). The CAPs reflect community felt needs and priorities. The CAPs form the basis for preparation of the AWPB for implementation of the identified priorities. Project activities are then implemented by the CIGs through their Project Management Committees. In order to receive project support the CIGs must be registered, have a constitution and by-laws, and a bank account.

Component 2: Sustainable Rural Livelihoods (USD 22.3 million)

70. Component 2 aims to improve the incomes and living standards of the target group using interventions that are beneficial to the management of the natural resource base. This component addresses both of UTaNRMP's objectives and is expected to deliver two outputs:

- agricultural packages adapted to various agro-ecological and socio-economic contexts; and
- CIGs successfully adopt or improve farm and/or non-farm income generating activities (IGAs).

Sub-component 2.1: Adaptive research and demonstrations

71. This sub-component will address some of the technical and knowledge constraints to improved livelihoods in the Upper Tana catchment. It aims to broaden the range of interventions available and resolve some of the key agricultural productivity issues. The main activities will include:

- **On-farm trials and demonstrations** at selected sites in each of the main agro-ecological zones, including the major food and cash crops, as well as farming activities suited to disadvantaged and vulnerable groups¹.
- **Soil fertility enhancement** to help farmers to address the nutritional constraints to crop yields and investigate soil fertility enhancement options.
- **Seed multiplication and distribution** for improved crop varieties, particularly legumes and forages which will help to improve soil fertility and prevent erosion. This will be undertaken in partnership with seed companies and groups of farmers undertaking seed multiplication as an IGA.

72. Sub-component 2.1 will be undertaken by relevant government departments and service-providers in conjunction with KARI through its Embu station and possibly other stations elsewhere. The Kenya Plant Health Inspection Services (KEPHIS) will be responsible for regulatory oversight of seed multiplication and distribution.

Sub-component 2.2: Adoption of IGAs

73. IGAs identified as priorities in the CAPs developed in Sub-component 1.3 will be implemented by CIGs of 20-30 members. Each household member of the CIGs will conduct the IGAs on his/her own account. Selection of the enterprises will be made by the CIGs. Only enterprises assessed as having neutral or beneficial environmental impacts will be supported. The overriding principle is that the IGAs should be beneficial to the individuals and the wider community, especially downstream water users. MKEPP and NRMP have already identified and supported a number of such activities.

74. Adoption of IGAs will be encouraged by providing matching grants to CIGs based on the experiences of such grants under MKEPP, and utilising the procedures developed by NRMP and documented in its "Livelihood Component Operations Manual". Group members are expected to contribute 30% of the cost and 70% will be covered by the grant. Grants to CIGs are expected to average around KSh 0.5 million (adjusted for inflation) with a maximum of KSh 2.0 million. The PCT will administer the matching grant scheme, and an independent committee will be established to assess applications and award the grants. Funds will be disbursed in tranches based on the achievement of the milestones specified in the grant agreements through an independent verification.

¹ For example, kitchen gardens, small livestock and forage; which are particularly important for HIV affected families as well as for improving the nutritional status of the general population. Such activities can be managed by HIV positive adults as they become progressively unwell, or kept by surviving children and grandparents.

75. Provision of **extension services** will be critical to the success of IGAs. MKEPP successfully uses the farmer field school (FFS) approach to extension and this would be continued under UTaNRMP. However a range of other extension methods will also be considered including demonstration plots, study tours, farmer-to-farmer training etc. According to the current extension policy, extension services will be provided by a range of service providers under the supervision of the appropriate technical ministry through the county and sub-county offices. Consideration will also be given to offering a graduated package of extension support through introducing pre-CIG groups for households that are not yet in a position to join a full CIG, supported by training in group formation and development, as well as household mentoring to develop self-confidence and some economic capacity prior to joining CIGs.

76. Support for IGAs will not be limited to technical and production issues. The project will identify critical marketing bottlenecks in the value chain and devise means of addressing these in order to improve the chances that IGAs will be commercially successful. The value chain approach will include consideration of post-harvest and value-adding activities which are likely to be of interest to women and vulnerable households. Improved access to financial services will also help to improve the enabling environment for rural IGAs by connecting farmers to sustainable sources of credit and other financial services for financing investments and recurrent expenditures. Access to financial services will be enhanced through partnership with PROFIT.

Component 3: Sustainable Water and Natural Resource Management (USD 32.0 million)

77. Component 3 is designed to improve the sustainable utilisation of water and other natural resources, using methods successfully piloted by MKEPP and NRMP. GWC has analysed the beneficial effects of a range of SWC practices and identified a number of options which are beneficial to both farmers and downstream stakeholders. The County Environment Committees, the WRUAs and the CFAs will be the key actors in the design and implementation of sustainable NRM practices in the five MKEPP river basins and the 19 new ones to be added under UTaNRMP. Priority will be given to activities that reward those who implement them and create benefits for the natural environment and the wider community, particularly downstream water users. The outputs of Component 3 are expected to be:

- water resources of the Upper Tana catchment sustainably managed; and
- sustainably managed forest and agricultural ecosystems.

Sub-Component 3.1: Sustainable management of water resources

78. This sub-component will continue the approach of community-based water resource management as mandated by the Water Act and implemented by MKEPP and NRMP over recent years. Sub-component 3.1 will include four main activities:

79. **Support for implementation of SCMPs:** The community-based approach is still in its early stages with most WRUAs requiring considerable capacity building, funding and time to achieve their objectives. The WRUAs are funded through grants from WSTF and other development organisations, and receive technical and management support from WRMA and other sources. The project will provide support to the WRUAs to help them fulfil their responsibilities to protect and manage water resources, resolve water use conflicts and improve the availability and quality of water.

80. By the time UTaNRMP is launched it is expected that most river basins in the Upper Tana will have legally constituted WRUAs which are eligible for funding by the WSTF. The WRUAs are expected to submit funding applications which are appraised before approval by WSTF. Once the specified activities have been implemented, WSTF

will audit the results and financial records. If the audit report is satisfactory, the WRUA may then apply for further grants. Second and subsequent grants have progressively higher ceilings.

81. The WSTF guidelines specify that grants may be used for WRUA capacity building and a range of investments in water resource management. However, the funding ceiling (equivalent to USD 55,000 per annum) is too low to address all the priorities identified in the SCMPs. Following a satisfactory assessment of the capacity of the WSTF and a confirmation that IFAD funds will not go into a basket fund, UTaNRMP will enter into an MOU (see draft in Annex 7, Appendix 3) with the WSTF to manage additional resources to fund the preparation and implementation of SCMPs by the WRUAs. The MOU will specify any modifications to the current proposal screening and grant award processes for the use of IFAD funds.

82. **Community water development and management** will focus on improving access to the water resources for domestic uses through interventions identified as community priorities in the SCMPs and CAPs. The project will undertake sensitisation and awareness raising on the importance of safe domestic water and sanitation. Specific interventions may include rainwater harvesting and storage, rehabilitation of boreholes and wells, hand pumps, and rehabilitation of springs.

83. **Water-saving irrigation technologies:** For irrigation, emphasis will be on improving irrigation efficiency by use of controlled intake structures, pipes and lined canals to reduce wastage in water conveyance systems, and using water efficient irrigation technologies such as drippers and micro-sprinklers. These innovations have great potential to reduce river abstractions for irrigation thereby leaving more water for downstream users. Small scale irrigation schemes will be upgraded in this way through matching grants.

84. **Remedial works at environmental hotspots:** Point sources of water contamination occur in many parts of the Upper Tana and contribute significantly to sediment loads and pollution levels. The project will target specific problem areas such as road embankments, borrow pits, quarries, denuded hilltops, coffee processing plants, eroding riverbanks, wetlands, springs and urban waste disposal facilities for support through the grants managed by WSTF.

Sub-Component 3.2: Sustainable management of forest and agricultural ecosystems

85. This sub-component will provide support to community groups to improve their management of agricultural and forest lands. The participatory planning processes undertaken in Component 1 will identify activities to be undertaken such as soil erosion control on farmland, reduced pressure on forests, more efficient use of fuelwood and forest enrichment planting. Some of the forest-related activities undertaken by MKEPP-GEF, particularly those which generate benefits for the forest-margin communities, will be continued; and the project will address the human-wildlife conflict problem by construction of wildlife-control fencing. The sub-component will include four activities:

86. **Rehabilitation of degraded forest reserves:** Encroachment, grazing, farming and fuelwood collection have resulted in deforestation and degradation of the natural forests and riparian areas. This sub-component will address ecosystem integrity issues through the participatory forest management plans (PFMPs) developed under Component 1. Activities will include capacity building of community groups in participatory forest management, seedling production, enrichment planting of degraded forests, and the school greening programme.

87. **Efficient use of fuelwood:** To further reduce pressure on forests and woodlots the project will upscale the MKEPP initiative of supporting fuel efficient stoves, biogas generators and charcoal kilns through matching grants, together with training in the manufacture and use of such equipment.

88. **Human-wildlife conflict:** Electric wildlife-proof fencing has proven effective in reducing human-wildlife conflict. The project will therefore finance the construction of a further 60km of fencing of the Mt. Kenya forest reserve to exclude wildlife from the agricultural lands. The fencing will target hotspots identified under the ESIA study and use the same design as the fence constructed under MKEPP-GEF which provides an effective barrier to both large and small animals. This has the added advantage of also excluding livestock from the forests. The beneficiary communities will be responsible for maintenance of the fences.

89. **Soil and water conservation on farm lands:** Agricultural land contributes a large portion of the silt load in the rivers, and the high rates of soil erosion threaten the long-term stability of the system. At least ten effective SWC interventions have been demonstrated in the project area suited to different topographic conditions and farming systems. GWC has characterised these in terms of the level of investment, labour requirement, and productivity impacts. UTaNRMP will support the application of these techniques through on-farm demonstrations, field days, farmer-to-farmer extension and the provision of matching grants. The beneficiary contribution will be 30% to reflect the fact that the proposed interventions also improve agricultural productivity and generate attractive financial returns for farmers.

Component 4: Project Management and Coordination (USD 10.4 million)

90. UTaNRMP will be implemented through existing institutions according to their mandated responsibilities under the new constitution. The lead agency will be the ministry responsible for water resources management (currently MWI). The lead agency will delegate implementation functions to other ministries and agencies as defined in the AWPBs of the respective organisations. Each implementing agency will have a desk officer to backstop project implementation. The collaborating agencies will include the ministries responsible for Agriculture, Livestock, Fisheries, Cooperatives, Marketing, Rural Finance, Rural Roads, Environment, Mineral Resources, Forestry, Wildlife, Gender, Children and Social Development, Finance, and Planning; the counties; community-based organisations (CBOs); civil society organisations (CSOs); and financial institutions. The expected contribution of each implementing partner, and the resources to be provided by the project will be defined in MOUs. Where needed, the project will provide capacity-building support for the implementing partners. The expected outputs are:

- fully functional governance, management, monitoring and reporting systems; and
- knowledge about NRM effectively managed and disseminated to stakeholders.

Project management

91. The lead governance body for the project will be the **Project Steering Committee** (PSC), chaired by the Permanent Secretary of the ministry responsible for water resources. The PSC will be responsible for oversight of the project and providing policy guidance to project implementation. Day-to-day management of the project will be undertaken by a well-resourced **Project Coordination Team**, supported by the desk officers in the collaborating institutions. A **County Project Coordinating Committee** (CPCC) will provide guidance to project implementation within the county. Implementation arrangements at the county level will be further fine-tuned as the guidelines for the management of the decentralised entities become clearer. A **County Project Facilitating Team** (CPFT) will be responsible for project implementation within the county. The team will be headed by a County Project Coordinator (CPC) appointed by

the lead agency. Project Facilitating Teams may also be established at **sub-county level** according to the level of activity in each sub-county and the need to support grassroots activities in the FDAs, CFAs and CIGs. The need for sub-county teams will depend in part on the extent to which implementation responsibilities are devolved to the sub-counties.

Knowledge management and learning

92. The KM&L system will encompass information management, M&E, innovation, learning and adaptation, and communication at various levels. The project M&E system will be based on the existing MKEPP system, with modifications to improve impact-level monitoring and to capture data from a substantially up-scaled project. All M&E indicators will be gender disaggregated, and the M&E system will be linked to the National Integrated Monitoring and Evaluation System (NIMES).

93. The project's emphasis on the development, refinement and dissemination of improved NRM interventions calls for a knowledge and learning intensive approach to be mainstreamed in all sub-components. The project will therefore support capacity building for systematic knowledge management and learning among the implementing agencies and in stakeholder institutions. The principal activities to be undertaken will include:

- **Knowledge management, learning and communication strategy:** A comprehensive strategy anchored on the M&E system will be prepared during the first year of project implementation.
- **Knowledge harvesting, storage and processing:** Resources will be made available to harvest, store, process and disseminate information to the people and organisations that need it, and to ensure best use of knowledge generated by other initiatives in Kenya and the region. UTaNRMP will finance hardware and software to manage and disseminate data, and provide library services.
- **Knowledge sharing and learning partnerships:** The project will employ a "value chain" approach to knowledge management, incorporating action learning approaches, knowledge stimulation, training at various levels, establishment of communities of practice, and systematic documentation and knowledge dissemination processes. Some of these elements are present in the national systems, but require better coordination, particularly the flow of information and knowledge sharing in the extension system.

D. LESSONS LEARNED AND REFLECTED IN PROJECT DESIGN

94. The **Country Programme Evaluation (CPE)** conducted in 2010 found useful results in NRM and environmental conservation, community development, and commercialisation of small farmers as a means of poverty reduction. However it was considered that the effectiveness of IFAD support has been limited by insufficient attention to policy dialogue and partnerships. The CPE also considered that IFAD could have done more to support small scale irrigation, and that sustainable water management remains a significant issue.

95. The CPE noted that IFAD and GoK share a common vision of agricultural development as a vehicle for improving rural livelihoods and incomes; and that IFAD's participatory approaches and emphasis on community development, and grassroots institution building are valued by the Government and all main partners. These characteristics including its focus on small farmers distinguish IFAD from other donors in the country. They are critical for building ownership at the local level that can contribute to better sustainability of benefits.

96. Efficiency of operations in Kenya was the weakest performing aspect of the CPE. Reasons include slow replenishment of special accounts, delays in payment for services, high project management costs, multiple components and institutions involved in

execution, and in some cases, cost overruns that are hard to explain. The CPE underlined a number of areas of concern including weak implementation capacity at the district level, small allocation of counterpart funds, insufficient commitment to policy implementation, slow flow of funds, and inadequate financial management, auditing and procurement processes.

97. Fragmentation of the institutional architecture - with ten different ministries dealing with agriculture and rural development - has created challenges in the management and coordination of projects. However GoK now appears to be seriously concerned in revitalising the sector, and has recently issued a new sector development strategy, signed the CAADP compact, and adopted a new constitution. Moreover, the ASCU has been created and the key ministries have designated desk officers who follow IFAD matters in a more timely manner.

98. UTaNRMP design has been informed by lessons learned from relevant IFAD-assisted and other projects on NRM in the Tana River catchment and elsewhere. Annex 3 details these lessons and how UTaNRMP design has responded to them. The key lessons learned are:

- sustainability is enhanced by active involvement of communities in NRM through participatory planning and the development of CAPs which reflect the linkages between livelihood improvements and environmental management;
- legal and regulatory instruments have a role to play in achieving more sustainable utilisation of natural resources, along with participatory and community based approaches;
- the approach to irrigation development should focus on improving the efficiency of water utilisation and control of illegal water abstractions;
- improvements in the profitability of agro-based income generating activities are best achieved by engaging with the entire value chain;
- matching grants under MKEPP have proven successful in stimulating the uptake of environmental management and income-generating activities, and communities have proven willing to make a contribution of 30% or more.
- rewards or incentives for environmental services should be in the form of commercially sustainable investments in improved soil and water management, rather than cash payments; and
- the impact of IFAD-supported programmes can be amplified by engaging in more effective knowledge management communications, and engaging more fully in policy dialogue with GoK and the donor community.

IV. PROJECT IMPLEMENTATION

A. GENERAL APPROACH

99. The project will be implemented over **eight years** spanning the 2012-13 to 2019-20 fiscal years. To the extent possible implementation arrangements will follow those successfully employed by MKEPP, taking into consideration the significant up-scaling from the pilot project, and the institutional and administrative structures which will evolve under the new constitution. MKEPP implementation arrangements are extensively documented in the MKEPP PIM. However, some refinements will be necessary including: (i) procedures for financing the WRUAs; (ii) incorporating some of the former MKEPP-GEF forestry activities within the new project; (iii) provision for collaboration with PROFIT and various financial institutions; and (iv) inclusion of an adaptive research and demonstrations sub-component.

100. **Project phasing:** The table below shows that there will be a gradual up-scaling of activities from the five river basins and WRUAs supported under MKEPP to the 24 under UTaNRMP. During the first four years support would be confined to the river

tributaries in the existing five MKEPP WRUAs plus the 12 high priority river basins already identified. A decision will be taken during the mid-term review on whether to expand to the full 24 river basins. The number of FDAs participating is estimated to be ten per WRUA, and engagement of CFAs will be phased up from 15 in year 1 to all 33 from year 3 onwards. Grants to WRUAs will also be increased gradually according to the capacity to process applications and supervise implementation of grant-funded activities. Matching grants to CIGs for income-generating and soil and water conservation activities will begin in year 2 and be scaled up thereafter.

Number of WRUAs participating	Project Years							
	1	2	3	4	5	6	7	8
MKEPP WRUAs (tributaries only)	5	5	5	5	5	5	5	5
New WRUAs	12	12	12	12	19	19	19	19
Total WRUAs	17	17	17	17	24	24	24	24
Number of community groups participating								
Focal Development Areas	170	170	170	170	240	240	240	240
Community Forest Associations	15	25	33	33	33	33	33	33
Number of grants provided to:								
WRUAs	11	17	17	17	21	24	24	-
CIGs for Income Generating Activities	-	370	390	410	410	550	550	550
CIGs for Soil and Water Conservation	-	170	170	170	240	240	240	220

101. Transitional arrangements: The project is designed for a smooth and seamless transition from MKEPP to UTaNRMP, including procedures for project completion reporting, financial closure and audits, and the closure of bank accounts and opening of new ones. MKEPP completion has been extended to September 2012 to facilitate this transition process. The key activities to be undertaken during the transition and early implementation phases of the project are defined in the Transition Action Plan below. This action plan was endorsed by the Stakeholder Validation Workshop on the project design held in Nairobi on 19 December 2011.

Action	Expected Completion Date	Who	Remarks
<i>Before QA review (end of January 2012)</i>			
Undertake due diligence review of WSTF	15/12/11	Design Team	Done. Report in Appendix 4, Annex 7
Discuss with PROFIT linkage with and support to UTaNRMP	15/12/11	Design Team	Done during supervision of PROFIT and reflected in the aide memoire
Conduct stakeholder validation of PDR package in-country	19/12/11	GoK/IFAD	Done. Aide memoire was signed off by Ministry of Finance, lead agency and IFAD (Appendix 3, Annex 5)
Review the 18-month procurement plan to facilitate timely procurement from project inception	31/01/11	MKEPP	Based on draft Transition Action Plan for UTaNRMP. GoK to factor in the necessary budget in 2012/13 FY
<i>Before Board presentation (April 2012)</i>			
Discuss with SDC W4F to fund institutional analysis and capacity building	03/02/12	Design Team	Done with PTA during QA review in Rome
Negotiate financing agreement	19-23/03/12	GoK/IFAD	Planned for March 2012

Kenya: Upper Tana Catchment Natural Resource Management Project (UTaNRMP)
Project Design Report – Main Report

Up to 31 December 2012			
Finalize the 18-month procurement plan	31/02/12	GoK/MKEPP	
Supervise MKEPP to prepare for project completion and prepare schedule of activities for transition to UTaNRMP and include in the revised UTaNRMP 2012/13 AWPB	21/05-01/06/12	GoK/IFAD	This mission will be used to confirm the tentative schedule till 2013
Sign the financing agreement	31/05/12	GoK/IFAD	
Establish the PSC	31/07/12	GoK (MoF and lead agency)	
Recruit staff of PCT	30/09/12	GoK/IFAD	
Conduct start-up workshop and re-orientation of PCT and PSC	31/10/12	GoK/IFAD/Service providers	Will include PROFIT, WSTF
Establish County Coordination Team and County Facilitation Team	30/11/12	GoK	
Identify key partners, prepare partnership plan, and negotiate MOUs with all implementing partners	30/11/12	GoK/PCT/Partners	
Prepare a plan agreed with NRMP so that UTaNRMP can take over support for the WRUAs in the project area during 2013	30/11/12	PCT/NRMP/WRMA	
Sign an MOU with WSTF, NRMP	31/12/12	GoK/WSTF/NRMP	
Conduct initial awareness creation/PRA on project objectives and implementation arrangements	31/12/12	PCT	
Up to 31 December 2013			
Conduct awareness creation to beneficiaries on implementation arrangements	30/01/13	PCT/CPFT/WSTF etc	
Establish sub-county teams, screening/management committees	28/02/13	PCT/CPFT	
Prepare the 2013/14 AWPB for UTaNRMP	28/02/13	PCT/CPFT	
Conduct capacity audit of key implementation agencies and service providers including a training needs assessment	31/03/13	Service providers	Time allowed for new Constitution devolution arrangements to settle down
Develop a rolling training schedule that targets key implementers with a focus on additional leadership/ management and technical training needed to scale-up MKEPP operations	15/04/13	Consultants	
Up to 31 December 2013			
Conduct baseline surveys to fill existing data gaps, including for the Level 3 RIMS indicators, so that the log frame indicators can be more meaningfully quantified	30/06/13	PCT/Consultants	
Conduct training and re-orientation of key implementers with clear indications of expected changes	30/06/13	Consultants/GoK	Involve other IFAD projects and include private sector partnership building
Revise the PIM to incorporate sub-project screening guidelines, detailed operational guidelines and procedures for matching grants, and financial management and reporting procedures	30/09/13	PCT/Consultants	
Review terms of reference for all staff positions, consultants and management committees	30/09/13	PCT/PSC/IFAD	
Conduct first annual review workshop	30/09/13	PCT	

102. The project will use **communities as the entry point** through engaging local institutions such as the WRUAs, CFAs, and FDACs in participatory planning procedures to develop and implement plans for sustainable NRM. Management of water resources will be based on the river basin management concept that was piloted successfully under MKEPP and NRMP, taking into consideration the decentralisation of administration which is beginning to take shape under the new constitution, and the need for capacity building that this implies. While the project represents an up-scaling of well tested interventions, the new administrative arrangements at county level create the need for a gradually phased implementation schedule, at least for the first 2-3 years.

103. Based on the experience of implementation of MKEPP and other relevant NRM projects, the basic approaches to be adopted for the implementation of UTaNRMP are:

- A **community driven development** approach for interventions at the community level based on: (i) an FDA thrust for implementation of priority activities, focusing interventions for maximum impact within community groups; (ii) use of community-based extension approaches for livelihood activities; (iii) an integrated approach to deliver capacity building to the communities across all components; and (iv) community participation in planning, implementation, and monitoring of activities, and community contribution to project costs to ensure ownership and sustainability.
- An **ecosystem** approach for NRM interventions which may cross administrative boundaries. This will enhance sustainability of project interventions and assure ecological integrity.
- An inclusive **gender equity and mainstreaming** approach that will ensure equitable participation by women, youth and vulnerable groups, through sensitivity to timing, location, venue and language of the capacity building package.
- **Public-private partnerships** that encourage the use of private sector service providers wherever they have a comparative advantage over public sector agencies, and partnerships with financial institutions to finance investments in productive enterprises and stewardship of the natural resources.

104. **Partnerships:** With a greatly expanded breadth and scale of operations the development of synergies and partnerships will be increasingly important to the success of UTaNRMP. Project management will adopt more of a coordinating approach, by doing less directly and more through engaging partners. A wide range of GoK partner institutions is involved in MKEPP implementation and this will continue to be the case. Amongst other projects and programmes, close liaison with the WB/GIZ supported NRMP needs to continue as that project phases out and UTaNRMP phases in. There is also potential for productive partnerships with the United States Agency for International Development (USAID) value chain initiatives and other IFAD-supported projects including SHoMAP, PROFIT, PRESA and GWC.

105. **Financing mechanisms** will be based on those successfully used by MKEPP and the World Bank-supported NRMP. Financing of NRM interventions undertaken by WRUAs and community organisations such as FDA Committees and CFAs will be via **matching grants** in which the communities are expected to make a contribution in cash or kind equal to at least 10% of the total cost. The use of a grant facility with a small community contribution is justified on the basis that these interventions are mainly of a public good nature with significant benefits to the wider community and downstream stakeholders, as well as the participating households.

106. A separate matching grant facility, incorporating a minimum 30% beneficiary contribution, will also be used to support CIGs to implement IGAs and soil and water conservation measures on their own farmlands. These activities are expected to be financially viable investments for the direct beneficiary households, but also generate

positive externalities. The majority of these households do not currently have access to financial services that would enable them to finance these investments through commercial channels². However, the project will develop a partnership with PROFIT to help extend the reach of rural financial services in the project area, in partnership with different types of financial institutions including Savings and Credit Cooperatives (SACCOs), micro-finance institutions (MFIs) and commercial banks. Such partnerships may include the use of hybrid financing arrangements involving both grants and loans, in the expectation that participating households will become commercially bankable during the life of the project. The development of such financing arrangements would be eligible for support under the PROFIT innovation fund.

107. To ensure that the matching grants are correctly used in accordance with project objectives, minimise the risk of elite capture, and avoid distortion of financial markets a number of safeguards will be employed. First, there will be an exclusion list detailing activities that the project will not support through the matching grant facilities. This list will include activities that are not seen to be financially or socially responsible, or which the individuals and/or communities could be expected to self-finance. Second, there will be careful screening of grant applicants in relation to group registration, constitutions, management committees, business plans and auditability. Third, activities which are eligible for funding from other sources, or which could be financed by existing financial service providers would not be eligible for matching grants, although the project could provide assistance in accessing these forms of finance. Fourth, all grants would be disbursed in tranches, with each payment conditional upon independent verification that the funds are being used in accordance with the grant agreement by the intended beneficiaries. WSTF has had positive experiences with the use of independent verification agents selected by competitive bidding and the PCT will use similar agents for the IGA grants.

B. ORGANISATIONAL FRAMEWORK

108. **Overview:** UTaNRMP will be coordinated and implemented through existing institutions according to their mandated responsibilities under the new constitution. The lead agency will be the ministry responsible for water resources management (currently MWI). The lead agency will delegate implementation functions to other ministries and agencies as defined in the AWPBs of the respective organisations. Each implementing agency will have a desk officer to backstop and facilitate project implementation. The collaborating agencies will include the ministries responsible for Agriculture, Livestock, Fisheries, Cooperatives, Marketing, Rural Finance, Rural Roads, Environment, Mineral Resources, Forestry, Wildlife, Gender, Children and Social Development, Finance, and Planning; the counties; CBOs; CSOs; and financial institutions. The expected contribution of each implementing partner, and the resources to be provided by the project will be defined in MOUs. The roles and responsibilities of the implementing partners are defined in Annex 5. Where needed, the project will provide capacity-building support for the partner institutions.

109. **Coordination mechanisms:** The fragmented and changing institutional architecture, and the multi-dimensional nature of the project call for well-defined coordination mechanisms with clear lines of responsibility. The proposed re-arrangement of ministerial responsibilities is expected to place environmental protection, water and irrigation in one sectoral ministry, and agriculture and rural development in another. This means there will be a continuing need for inter-ministerial coordination through the **Inter-ministerial Coordinating Committee (ICC)** which is the highest decision-

² The Finacess 2009 results indicate that only 35% of the rural population has access to formal financial services, mainly because of the lack of acceptable collateral. In the UTaNRMP programme area, formal access was only 16% in Eastern Province and 35% in Central Province compared with a national average of 49%.

making body in the agricultural sector, which includes water. The committee currently comprises the permanent secretaries of the agricultural sector ministries, including MWI.

110. The main functions of the ICC are to: (i) provide policy direction regarding sector harmonisation and coordination; (ii) ensure that budgetary allocation to the sector is coordinated; (iii) provide briefings to ministers and relevant parliamentary groups; (iv) receive progress reports from the ASDS Technical committee; and (v) approve recommendations for policy changes. The ICC provides final approval of AWPBs for sector programmes. Under the new structure of government, the number of ministries represented will be fewer, but departmental representation will be required to ensure that all sectors and sub-sectors are represented.

111. At the **county and sub-county** levels the project will also develop practical coordination mechanisms to allow for common/shared jurisdiction of a single watershed. The ecosystems approach to NRM makes it inevitable that more than one sub-county, and sometimes more than one county will be involved – hence the need for a coordination mechanism built around the WRUAs whose responsibilities cover an entire catchment. Detailed coordination and planning processes will therefore be defined in the PIM which will be revised as the new structure of government stabilizes.

C. PLANNING, M&E AND KNOWLEDGE MANAGEMENT

Planning

112. The project will employ a bottom up planning process anchored on participatory planning at community level. The project will support the development and periodic review of SCMPs by the 24 WRUAs in the Upper Tana Catchment. It will also assist with the detailed local-level community planning process to develop CAPs and participatory forest management plans which are fully integrated into the SCMPs and contribute to the AWPBs at sub-county, county and project levels. The CAPs and forest management plans incorporate the felt needs of the community and will form the priority areas for the community development. The PRA process used to develop the plans will also result in the formation of community organisations (FDACs, CIGs, PMCs etc) which will oversee the implementation of the priority interventions/projects. The CAPs will also serve as a targeting tool to engage the poor and vulnerable, for gender mainstreaming, and assist in livelihood and poverty analysis.

113. Planning at county level will be in line with and reflected in the County Development Plans. The plan will also reflect the county portion of any ecosystem activity that cuts across a number of counties, with facilitation by the PCT. The project will support the design of the county AWPB by the CPFT and its approval by the CPCC. The county AWPBs, will subsequently be consolidated by the PCT into the overall project AWPB. The project AWPB will also include project activities at the national level and will have to be approved by the PSC and IFAD. The project AWPB will form part of the budget of the lead agency. The PSC will ensure that all collaborating agencies have their work plans captured in their performance targets. The project AWPB will be prepared in conformity with the GoK planning cycle and the project will engage the accounting officers of the collaborating agencies in the process.

Monitoring and evaluation

114. Based on experience from the MKEPP M&E system (see Annex 6), the project will develop an M&E system that conforms to the NIMES requirements. The system will include indicators adapted from the RIMS with particular emphasis on gender-specific indicators to monitor progress. It is also proposed that the Ministry of Planning and National Development take on a coordinating role for the M&E work in each county. For smooth start up and running of the project there will be need for training of management

teams at County and Sub-County levels on M&E procedures as stipulated in the PIM. It will also be necessary to train staff on project cycle management and in particular on the systems for planning, budgeting and M&E. This type of training will be offered on an annual basis to cater for staff turnover.

115. A large amount of baseline information is already available as the foundation of the M&E system. Baseline surveys conducted by GWC, PRESA and NRMP provide a very good start, but require some gap-filling particularly in areas such as gender, poverty and socioeconomic assessment. Information on the Level 3 RIMS indicators also needs to be collected in the project area communities. The MKEPP impact assessment report, to be prepared before project completion, and the UTaNRMP Environmental and Social Impact Assessment (ESIA) will provide further baseline data.

116. The UTaNRMP M&E system will be linked to higher level sectoral and national M&E systems including the NIMES. The objective is to integrate M&E in all aspects of project management in order to improve implementation processes and achievement of objectives. The logframe will be used as a management tool (especially for performance-based staff and service-provider contracts). For this purpose, intermediate milestones, quantified where possible, are included in the logframe to monitor progress towards achievement of performance indicators. The system, which will support flexible and adaptive management, and enable continuous learning will include: (i) provision to stakeholders of timely and accurate information on project implementation for decision making; (ii) objective measurement of project performance and the achievement of intermediate and final results; (iii) provision of information on progress, to measure contribution to sectoral and national programmes; (iv) engagement of project participants in a continuous two-way flow of information and lessons, and (v) provision of IFAD with information related to the achievement of COSOP objectives and the RIMS indicators.

117. The PCT will be responsible for adapting and refining the MKEPP M&E system as part of the overall KM&L system during the first six months of implementation. A M&E/KM manual will be developed which will define the processes, procedures and mechanisms for data collection, processing, analysis, identification and documentation of lessons, continuous reflection, learning and feedback. The project will also have a communication plan to ensure dissemination of lessons and good practice at all levels. In accordance with the IFAD and GoK reporting requirements, progress reports will be fully harmonised with government procedures. A quarterly report addressing GoK/NIMES requirements will be submitted to relevant GoK institutions and IFAD. Half and end of year reports will also be prepared. A mid-term review will be undertaken in Year 4 and a project completion report complying with IFAD requirements will be prepared at the end of project implementation.

Knowledge management

118. Knowledge management is an important element of UTaNRMP in that the project will develop, refine and disseminate a range of NRM interventions suited to the conditions of the catchment. The project will support a major learning process to change practices and raise awareness of more productive and sustainable approaches to NRM. The design recognises the knowledge-intensive nature of the community empowerment and technology dissemination processes and provides for: (i) testing and demonstrating improved and more sustainable farming systems; (ii) on-farm adaptive trials and demonstrations; (iii) technical training and study tours; (v) support for farmer-to-farmer learning; and (vi) closer communication between the users of natural resource and the regulatory authorities.

119. The main purpose of knowledge management process is to ensure that knowledge generated within the project is systematically identified, analysed, documented and

shared. This knowledge will contribute to the evolution of key incentives, instruments, services and institutions that comprise the natural resource policy framework. It will also be used to support capacity building and institutional strengthening of stakeholders including community organisations, service providers, farmer organisations and government departments. In addition, KM processes will ensure that appropriate lessons learned and good practices from other parts of the region and the world are gathered and disseminated within Kenya.

120. The project's emphasis on the development, refinement and dissemination of new approaches to NRM calls for knowledge and learning intensive approach to be mainstreamed in all components and sub-components. The project will therefore support capacity building for systematic KM and communication in the stakeholder institutions, and within the participating counties and sub-counties. A comprehensive KM and learning strategy will be anchored on the project M&E system and will be consistent with the information and knowledge diffusion strategy that is embedded in the ASDS. A Project KM&L Officer will work in close partnership with the M&E Officer and the participating institutions to ensure coordination with the sector's broader communication and KM activities at all levels.

D. FINANCIAL MANAGEMENT, PROCUREMENT AND GOVERNANCE

Financial management

121. **General:** The project will be implemented through GoK financial management systems, which are assessed by the design team as adequate for this purpose. GoK has adopted the International Public Sector Accounting Standards - Cash Basis (IPSAS) which is acceptable to IFAD. Accounting formats acceptable to IFAD will be explained during the start-up workshop ensuring to involve the Kenya National Audit Office (KENAO). The counties will continue to use GoK financial management tools such as the access based computer software, manual vote books and manual cash books. The PCT will source financial data and supporting documents as appropriate from the counties and the PCT staff will post these in the accounting software to be installed at the PCT. The PCT will also obtain expenditure reports from all implementing agencies and cost centres in order to update the project financial statements. KENAO will audit the project annual financial statements prepared by the PCT using the International Standards on Auditing. The audited financial statements will be submitted to IFAD within six months after the end of the fiscal year along with the management letter and management response thereto.

122. **PCT accounting unit:** There will be one accounting hub - the PCT, and a number of cost centres at the county level and in other implementing agencies. The PCT will take over from the existing MKEPP PMU Accounts Office. Fiduciary assessment of the PMU accounting functions during IFAD supervision missions have been rated as "satisfactory" and the project accounts have received unqualified audit reports. However, PMU currently operates without the use of double entry accounting software. Under UTaNRMP a simple off-the-shelf accounting package will be purchased.

123. **County-level accounting:** MKEPP currently works through cost centres located in district offices. These functions will soon be transferred to the counties. Current arrangements work satisfactorily with the financial management tools in use. With some follow-up from the PCT the districts have no difficulty acquitting imprest advances. The accounts officials at the districts are in fact staff of the Office of Accountant General. Manual financial management tools are being effectively used alongside the access-based computer software. For budget control, the districts use manual vote books which are adeptly filled-up, one based on the government chart of accounts and the other on the Project AWPB.

124. **Disbursement:** Transaction-based disbursement procedures will be used. Other methods of disbursement may include direct payments, special commitments, reimbursements and replenishments. Details concerning disbursement methods will be spelled out in the Letter to the Borrower and the Project Financing Agreement. Subsequently, the cost centres will submit their Statements of Expenditure (SOEs) to the PCT which will forward the withdrawal applications to IFAD for subsequent transfer of funds into the Designated Accounts.

125. **Flow of funds:** The Ministry of Finance (Treasury) will be required to open two Designated Accounts, one for the IFAD loan and the other for the Spanish Loan in USD and Euro respectively. From the Designated Accounts, MOF will transfer funds through the Exchequer and the lead agency development bank account to operational accounts at the PCT. The PCT will transfer the funds to the counties³ or other implementing agencies on the basis of approved AWPBs. In order to simplify the funds flow arrangements, the taxes in project transactions will be analysed at the PCT for any transfers from the GoK counterpart bank accounts to the PCT operational accounts.

126. **Water Services Trust Fund:** Funds for supporting the WRUAs in the development and implementation of SCMPs will be channelled through the WSTF in accordance with its statutory responsibilities. Procedures and protocols for the use of IFAD funds by WSTF will be defined in the **project** financing agreement which will ensure that: (i) IFAD funds are used only for the agreed purposes within the UTaNRMP project area; (ii) that the funds are not pooled with funds from other sources; (iii) there is full traceability of IFAD advances and acquittals; and (iv) financial statements recording the use of IFAD funds are independently audited.

127. **Matching grants:** The project will provide matching grants to CIGs to help them undertake soil and water conservation works and implement IGAs. The grants will be output-based with payments made in tranches upon the achievement of milestones specified in the grant agreement between the PCT and the CIGs. The CIGs will receive an initial advance of 10-20% of the grant amount, and will subsequently lodge claims for further payments as each milestone is reached, and a simple milestone report is submitted. The PCT will commission independent oversight agents (normally a private service provider) to verify the milestone reports before further payments are made. This milestone-based payment system is intended to strengthen accountability and transparency, as well as reduce the administrative burden associated with using accountable cash advances whereby each advance has to be acquitted before the next payment is made.

Procurement

128. **Overview:** IFAD's procurement guidelines specify that national procurement systems will be used, provided the systems are assessed as satisfactory or better. This applies to all procurement except international competitive bidding (ICB) for contracts above an agreed threshold. The IFAD guidelines state that ICB procurement will follow the procedures recommended by the World Bank. Kenyan national procurement systems under the oversight of the Public Procurement Oversight Authority can be relied upon to undertake procurement below the agreed ICB thresholds. Procurement will take place through four main channels:

- **The PCT:** The MKEPP PMU's procurement capacity will be strengthened by recruitment of a procurement specialist. Procurement planning will be improved including contract packaging to reduce procurement delays and obtain better value-for-money.

³ Transfer of funds to the counties will depend on the rate at which the newly established county administrations acquire the necessary financial management capacity. Should this take longer than expected some form of transitional arrangement may need to be applied.

- **The districts/counties:** Some of the current districts do have procurement capacity. The counties will be supported to undertake project procurement where appropriate, and in line with their evolving capacity.
- **The WRUAs:** WSTF will manage the grants to WRUAs, with WRMA providing technical support for the appraisal of the WRUA proposals. WSTF and WRMA have the capacity and experience to support WRUAs to undertake their own procurement.
- **Community procurement,** for example by CIGs and CFAs for implementation of NRM plans, will be developed in order to delegate more implementation responsibilities away from the PCT. The guidelines for community procurement in NRMP and other projects will be adapted for this purpose.

E. SUPERVISION

129. Supervision of UTaNRMP will be carried out directly by IFAD as an on-going process of implementation support. It is envisaged that one supervision mission and one follow-up mission will be required every year. Implementation support will focus on planning, gender and targeting, procurement, financial management, M&E, partnerships, the integration of project activities within the evolving governance framework; and later in the life of the project, the achievement of outputs and outcomes. Special attention will be given to the profiling of beneficiaries by wealth, gender and age categories. The Country Programme Manager and his team will maintain oversight of the supervision process with the assistance of selected specialist consultants and members of the Country Programme Management Team (CPMT).

F. RISK IDENTIFICATION AND MITIGATION

130. **Governance issues** present significant risks to the IFAD country programme in Kenya. Kenya scored only 2.2 on the Transparency International Corruption Perceptions Index in 2011, a score that is below the threshold of 3.0 established by IFAD; and ranked 154 out of 182 countries. IFAD operations were suspended between 1995 and 2000 due to poor project performance, weak management, and non-compliance with loan covenants, especially lack of financial accountability and non-submission of audit reports. Governance challenges still persist in some of the on-going projects in the portfolio, but fortunately, MKEPP which is being up-scaled to UTaNRMP has a clean report from the rolling audit conducted by Price Waterhouse. Secondly, the new constitution specifies high thresholds on the integrity of public office holders, a provision that is already yielding positive results through the public screening of intending public officials. This considerably reduces the chances of recycling corrupt officials into new positions.

131. Building on the experience of MKEPP and other donor-assisted projects, and in appreciation of the fact that an up-scaling operation increases corruption risks, the **governance framework** for this project provides mitigation measures for both the "supply side" (to strengthen internal efficiency and effectiveness in the delivery of project goods and services) and the "demand side" (to support the constructive engagement of the affected communities and beneficiaries in improving development outcomes). The framework pays attention to the key principles of transparency, accountability and participation, to give a voice to the people. The following are the key elements of the governance framework: (a) *enhanced disclosure of information* to all interested groups at the village, sub-county, county and national levels to ensure that there is wide knowledge about the project and the opportunities to participate in its processes, and to reduce the chances of collusion; (b) *civil society oversight* through the contracting of NGO and private sector agencies in monitoring milestones in project implementation and through public accountability meetings where project related information can be discussed openly; (c) *mitigation of forgery and fraud* through the use of simple accounting processes at the community level and high levels of direct accountability, including at the public accountability meetings, requirement for multiple signatories for

withdrawals, as well as audits at all levels; (d) *complaint handling systems*, especially at the community level but also at the sub-county, county and national levels; and (e) *application of sanctions and remedies* to ensure that project contractors and consultants will be held accountable to the provisions of their contracts, and non-performing counties and sub-counties will face suspension of disbursement or even cancellation.

132. UTaNRMP has grant schemes for the WRUAs, IGAs and SWC activities which together account for about 60% of total project costs. It expects a substantial scaling up of the IGA grant mechanism presently implemented under NRMP from 300 grants (about USD 6 million) to 3,200 grants (about USD 20 million). In addition, 1,500 grants (about USD 20 million) are expected to be implemented under Component 3. Given the large size of these schemes, particular attention would be given to their governance structure. First, before the grant allocation process starts, an agreement would be reached with WSTF and the PCT that would stipulate among others: (i) the outreach process to publicise grant schemes; (ii) the criteria for grant allocations and use; (iii) the publication of the grant allocation criteria on a website or other public outreach instrument; (iv) the publication of individual grant decisions taken; (v) the publication of the composition and members of the independent committees deciding on the criteria; (vi) making the protocol and proceedings of the decision making bodies public if access is requested; and (vii) establishment of a complaint process. Second, there shall be a phased funds disbursement of 10%, 30% and 60% and each phase shall be subject to an independent audit review. Each subsequent disbursement shall be determined by the outcome of the audit review. Third, no grant disbursements will be made before the results of the impact assessment on MKEPP confirm the impact of the proposed interventions. The impact assessment might lead to a redesign of certain aspects of the project.

133. Some of the other measures to strengthen project governance are summarized below. These would be developed further during the revision of the PIM to indicate how communities will be better involved in procurement, including representation on procurement review committees and feedback during the annual review workshops on project implementation.

- Design of guidelines that specify the thresholds for decentralisation of procurement processes to the county, sub-county and community levels.
- Participatory planning, monitoring and evaluation of project activities to ensure transparency of decision-making and involving beneficiaries and other stakeholders in policymaking and oversight, such as representation in the Project Steering Committee.
- Capacity building of communities and project management committee members on transparency, financial management, leadership and procurement.
- Auditing the accounts of community groups and other implementing agencies in addition to the project accounts at the national and county levels.
- Establishing a Contract Management Committee in the PCT which will meet regularly to deliberate on outputs, timelines and responsibilities and enhance the PCT's contract supervision role through quarterly field visits.
- Including an anti-corruption clause in all contracts with staff, service providers, suppliers and contractors to ensure: (i) compliance with transparency, good governance and integrity standards; and (ii) quick reporting, investigation and action on alleged corruption, mismanagement of funds or abuse of office.
- Ensuring public access to information about project opportunities (e.g. matching grants) and resources and fostering transparency in resource allocation decisions (e.g. displaying grant awards in public places at the community, sub-county and county levels).
- Undertaking independent verification of milestones/outputs specified in agreements with recipients of matching grants.

- Careful scrutiny by IFAD of all applications for “no objection” from the PCT to ensure that correct procurement procedures have been followed and to detect any evidence of collusive practices.
- Continuous implementation support and fiduciary monitoring by the IFAD Country Office within a policy of zero tolerance to corruption, and encouraging confidential reporting of allegations to the anti-corruption agencies⁴ and the IFAD Office of Audit and Oversight.
- The IFAD Office of Audit and Oversight will investigate allegations of corruption, and if corruption is detected, the Country Office will inform all stakeholders and national anti-corruption agencies, and support follow up action by government.

134. The project is also subject to a number of **generic risks** affecting the entire country programme. These risks include: (i) limited implementation capacity among GoK institutions; (ii) fragmented institutional arrangements and weak coordination among the many institutional stakeholders; (iii) competition between sector ministries and departments for project resources; (iv) possible delays in passing some of the enabling legislation to implement the new Constitution; and (v) a potential resurgence of the civil unrest which occurred in 2007-08, associated with the forthcoming elections in 2012. In addition to these systemic issues, the project will be implemented at a time when administrative responsibilities are in the process of being devolved to the new county administrations. These risks are being monitored at the level of the IFAD Country Office.

135. Apart from the governance and other systemic risks mentioned above, **project-specific risks are moderate**. This is mainly because UTaNRMP follows directly from a pilot project and will up-scale a number of successful interventions. Many valuable lessons have also been learned from related projects which provide clear guidance on the options most likely to succeed. Moreover, the project area is readily accessible with reasonable infrastructure, good communications, and reliable (by Kenyan standards) rainfall. The principal risks which relate specifically to UTaNRMP, their possible consequences and proposed mitigation measures are detailed in the table below.

Risks	Possible Consequences	Mitigation Measures
Project-Specific Risks		
• Management challenge associated with scaling-up from five to 24 river basins.	• Delays in project implementation and slow disbursement rate.	• Phased expansion to new river basins – to be coordinated with NRMP. • PCT to adopt a facilitating and coordinating role with implementation delegated to partner institutions.
• Climate change and other environmental factors disrupt NRM and agricultural interventions.	• Farmers may be forced to adopt unsustainable farming practices which accentuate environmental degradation.	• Identify “climate-smart” options and do not support unsustainable agricultural practices.
• Poor capacity to enforce environmental laws and regulations.	• On-going over-use and misuse of natural resources and continuing environmental degradation.	• Project will strengthen the capacity of key regulatory agencies (NEMA etc)
• Inadequate funds for the magnitude of the NRM challenges in the catchment.	• Project resources will be spread too thinly and have limited impact.	• Strengthen partnerships with other development partners, IFAD-assisted grant projects, financial institutions (through PROFIT) and communities

⁴ The Ethics and Anti-Corruption Commission has been established and its associated Integrity Assurance Programme is in place in most ministries and departments.

		to leverage additional resources.
<ul style="list-style-type: none"> Different government structures and policies in the counties hamper synergistic implementation of NRM interventions that cut across counties. 	<ul style="list-style-type: none"> Uncoordinated and partial approaches to watershed management limit the effectiveness of soil and water conservation measures. 	<ul style="list-style-type: none"> Use of the ecosystem approach for NRM and involvement of the local administration at all levels of project implementation with clear definition of their roles.
<ul style="list-style-type: none"> Inability of the project to administer grant facilities effectively. 	<ul style="list-style-type: none"> Misallocation of grant funding and/or slow disbursement of grants. 	<ul style="list-style-type: none"> Develop capacity of WSTF to administer grants to WRUAs and monitor disbursements carefully. Adopt NRMP procedures for matching grants to CIGs with milestone-based payments and independent oversight/verification.
<ul style="list-style-type: none"> Landholders are unwilling to adopt recommended soil and water conservation measures. 	<ul style="list-style-type: none"> Continuing high rates of erosion, land degradation and siltation. 	<ul style="list-style-type: none"> Promote soil and water conservation measures which generate their own benefits in terms of productivity and profitability.

V. PROJECT COSTS, FINANCING AND BENEFITS

A. PROJECT COSTS

136. Total investment and recurrent costs, including contingencies, over the eight-year project life are estimated at around **USD 68.8 million** (around KSh 8.0 billion). Component 1: Community Empowerment, comprises 6% of costs; Component 2: Sustainable Rural Livelihoods, comprises 32%; Component 3: Sustainable Water and NRM comprises 46%; and Component 4: Project Management and Coordination comprises 15% (see Annex 9 and Working Paper 6 for details).

Table 1: Total Project Costs by Component

	Total USD'000	
	Amount	%
A. Community Empowerment		
1. Sensitisation and Awareness Raising	1,316	1.9
2. Establishment and Strengthening of Key Community Structures	1,498	2.2
3. Community Action Plans	1,329	1.9
Subtotal	4,143	6.0
B. Sustainable Rural Livelihoods		
1. Adaptive Research and Demonstrations	1,750	2.5
2. Adoption of Income-Generating Activities	20,521	29.8
Subtotal	22,271	32.3
C. Sustainable Water and Natural Resource Management		
1. Sustainable Management of Water Resources	20,052	29.1
2. Sustainable Management Forest and Agricultural Ecosystems	11,928	17.3
Subtotal	31,981	46.5
D. Project Management and Coordination		
1. Project Management	8,521	12.4
2. Knowledge Management and Learning	1,929	2.8
Subtotal	10,450	15.2
Total PROJECT COSTS	68,845	100.0

B. PROJECT FINANCING

137. IFAD will finance 48% of the total project cost through a highly-concessional loan of USD 33.0 million. The Spanish Trust Fund will finance 25% of the total through a loan of EUR 12.8 million with the same terms as the IFAD loan, and administered by IFAD. Beneficiaries will contribute around 11% of total costs to the matching grants in the form of cash, labour and in-kind inputs. GoK will finance around 16% of the total project cost mainly through taxes paid or foregone and recurrent cost financing.

Table 2: Summary of Project Financing Plan

	GoK		IFAD/Spanish		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
A. Community Empowerment								
1. Sensitisation and Awareness Raising	22	1.7	1,294	98.3	-	-	1,316	1.9
2. Establishment and Strengthening of Key Community Structures	16	1.1	1,482	98.9	-	-	1,498	2.2
3. Community Action Plans	-	-	1,329	100.0	-	-	1,329	1.9
Subtotal	38	0.9	4,105	99.1	-	-	4,143	6.0
B. Sustainable Rural Livelihoods								
1. Adaptive Research and Demonstrations	187	10.7	1,563	89.3	-	-	1,750	2.5
2. Adoption of Income-Generating Activities	795	3.9	15,015	73.2	4,711	23.0	20,521	29.8
Subtotal	983	4.4	16,577	74.4	4,711	21.2	22,271	32.3
C. Sustainable Water and Natural Resource Management								
1. Sustainable Management of Water Resources	9,456	47.2	9,932	49.5	664	3.3	20,052	29.1
2. Sustainable Management Forest and Agricultural Ecosystems	644	5.4	9,159	76.8	2,126	17.8	11,928	17.3
Subtotal	10,100	31.6	19,091	59.7	2,790	8.7	31,981	46.5
D. Project Management and Coordination								
1. Project Management	136	1.6	8,386	98.4	-	-	8,521	12.4
2. Knowledge Management and Learning	88	4.6	1,841	95.4	-	-	1,929	2.8
Subtotal	223	2.1	10,227	97.9	-	-	10,450	15.2
Total PROJECT COSTS	11,344	16.5	50,000	72.6	7,501	10.9	68,845	100.0

C. SUMMARY BENEFIT ANALYSIS

138. The number of direct beneficiaries is estimated to be around 205,000 households and the project cost per household is approximately USD 300. There will also be a much larger number of indirect beneficiaries who will enjoy the improved environmental conditions in the project area, community empowerment, and various forms of training and capacity building. Indirect beneficiaries also include downstream water users outside the Upper Tana catchment. The estimated number of direct beneficiary households from the various interventions is as follows:

Intervention	Households
Wildlife barrier fences (90km)	80,000
Community water development (600 wells, boreholes, springs etc)	60,000
Matching grants for income-generating activities	40,000
Matching grants for soil and water conservation on farm lands	16,000
Forest rehabilitation works and efficient use of fuelwood	7,000
Water efficient irrigation methods	2,000

139. Annex 10 provides an analysis of the financial and economic impacts of UTaNRMP. Further details are given in Working Paper 7. The analysis draws on work undertaken by the IFAD-supported GWC project which has estimated the on-site and off-site

(downstream) costs and benefits of various soil and water conservation measures; as well as the NRMP which is providing matching grants to support the adoption of a range of sustainable IGAs in the Upper Tana catchment.

140. The economic rationale for UTaNRMP hinges on the nexus between rural poverty and ecosystem health in a densely populated and environmentally fragile watershed of critical national and global significance. The high prevalence of rural poverty contributes to environmental degradation which in turn reduces sustainable livelihood opportunities; as well as creating negative environmental externalities including forest degradation, human-wildlife conflict, and reduced availability and quality of water to downstream users. Fortunately however, there are a number of opportunities for improving rural livelihoods in ways that are also beneficial for the natural environment. The GWC initiative has evaluated a number of strategies which address the dual objectives of poverty reduction and reduced environmental degradation. This suggests the need for a two-pronged approach which simultaneously addresses both social and environmental objectives in pursuit of higher level national development goals and aspirations.

141. The alternative (without project) scenario is for continuing high rates of soil erosion, river siltation, loss of productive agricultural land, and further decline of crop yields. Forest encroachment and degradation will also contribute to high rates of erosion and river siltation. Essentially the project will work with the custodians of natural resources in the Upper Tana providing them with a number of direct and indirect incentives to do things that are good for the environment, good for them, and from which other parties will also derive benefit. This approach will generate a number of quantifiable benefits to stakeholders within the Upper Tana catchment, as well as for downstream water users and the wider community. These benefits will include:

- Increased farm incomes and food production through the adoption of soil and water conservation measures in farmers' fields which reduce rainfall runoff, improve water retention in the soil (so-called green water) and, in combination with other productivity enhancing measures, generate sustainable increases in crop yields.
- Increased farm incomes from the adoption of IGAs which have a neutral or positive impact on the environment and at the same time reduce pressure on the natural resource base of the Upper Tana catchment.
- Reduced erosion and silt loads in the streams from public good type investments such as re-vegetation of river banks, remedial works on environmental hotspots, re-forestation etc.
- Benefits to downstream water users associated with reduced reservoir siltation rates and increased dry season stream flows – these will improve the availability of water for Nairobi and increase the amount of hydro-power generated.

142. All of these benefits can be quantified or estimated in money terms. However there are also some less easily quantified benefits which should be noted including: (i) maintenance of biodiversity; (ii) reduced human-wildlife conflict; (iii) increased carbon sequestration; (iv) improved capacity of institutions responsible for natural resource management; (v) empowerment of communities as custodians of natural resources; (vi) public health benefits associated with improved water quality; and (vii) opportunities to develop eco-tourism enterprises.

143. Financial analysis of a sample of on-farm soil and water conservation and income-generating activities indicates that there are a number of options which generate attractive financial returns and are expected to be readily adopted by farmers with the added stimulus of the matching grant scheme. These are expected to benefit around 205,000 farm households over the life of the project, which represents some 20% of the project area population. GWC has estimated that an intervention of this magnitude would generate about USD 2.0 million per annum in benefits to downstream water users mainly

through increased quality and availability of water for domestic use and hydropower generation. Taking into consideration the value of benefits generated by SWC initiatives, income-generating activities and water-saving irrigation technologies, but excluding the less easily quantified benefits to downstream water users, the project is expected to generate an **economic rate of return of around 20%**.

D. SUSTAINABILITY

144. Sustainable management of natural resources is the central theme of the project which needs no further elaboration. Other dimensions of sustainability addressed by the project design include:

- Community engagement and empowerment provides the best foundation for sustainability – by developing awareness and the capacity of communities to self-manage their natural resource endowment on an on-going basis.
- Institutional development – through building the capacity of devolved government institutions to manage natural resources sustainably.
- Livelihood enhancement – by focusing on sustainable livelihood options which are beneficial to those who adopt them, as well as the wider community.

145. Alongside these three main thrusts a number of complementary measures are incorporated to enhance the prospects for sustainable smallholder agriculture in the Upper Tana catchment. These include fostering and supporting greater participation of the private sector in the supply of inputs and services, particularly seed, fertilisers and financial services; support for the development of farmer groups; and intensive training for farmers, research and extension staff in modern, more productive and environmentally friendly agricultural technologies.

COUNTRY DATA SHEET

	2000	2005	2008	2009	2010
World view					
Population, total (millions)	31.3	35.6	38.5	39.5	40.5
Population growth (annual %)	2.6	2.6	2.6	2.6	2.6
Surface area (sq. km) (thousands)	580.4	580.4	580.4	580.4	..
Poverty headcount ratio at national poverty line (% of pop.)	..	45.9	..	..	..
GNI, Atlas method (current US\$) (billions)	13.2	18.6	28.3	30.2	31.8
GNI per capita, Atlas method (current US\$)	420	520	740	770	790
GNI, PPP (current international \$) (billions)	35.2	47.9	60.4	62.2	65.9
GNI per capita, PPP (current international \$)	1,130	1,350	1,570	1,580	630
People					
Income share held by lowest 20%	..	4.8	..	..	..
Life expectancy at birth, total (years)	52	53	55	56	..
Fertility rate, total (births per woman)	5.0	4.9	4.8	4.8	..
Adolescent fertility rate (births per 1,000 women ages 15-19)	105	102	100	99	..
Contraceptive prevalence (% of women ages 15-49)	..	..	..	46	..
Births attended by skilled health staff (% of total)	..	..	..	44	..
Mortality rate, under-5 (per 1,000)	111	98	89	87	85
Malnutrition prevalence, weight for age (% of children < 5)	18	..	..	16	..
Immunization, measles (% of children ages 12-23 months)	78	69	76	74	..
Primary completion rate, total (% of relevant age group)	..	90	..	..	..
Ratio of girls to boys in primary and secondary education (%)	98	96	96	95	..
Prevalence of HIV, total (% of population ages 15-49)	9.0	6.8	6.3	6.3	..
Environment					
Forest area (sq. km) (thousands)	35.8	35.2	..	..	34.7
Agricultural land (% of land area)	46.9	47.4	47.6	..	..
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..	..
Improved water source (% of population with access)	52	56	59	..	..
Improved sanitation facilities (% of population with access)	29	30	31	..	..
Energy use (kg of oil equivalent per capita)	447	459	469	..	..
CO2 emissions (metric tons per capita)	0.3	0.3	..	..	..
Electric power consumption (kWh per capita)	110	141	157	..	..
Economy					
GDP (current US\$) (billions)	12.7	18.7	30.0	29.4	31.4
GDP growth (annual %)	0.6	5.9	1.6	2.6	5.3
Inflation, GDP deflator (annual %)	6.1	4.9	11.9	6.7	3.9
Agriculture, value added (% of GDP)	32	27	21	23	19
Industry, value added (% of GDP)	17	19	15	15	14
Services, etc., value added (% of GDP)	51	54	64	62	67
Exports of goods and services (% of GDP)	22	29	28	25	26
Imports of goods and services (% of GDP)	32	36	42	38	39
Gross capital formation (% of GDP)	17	17	20	21	21
Revenue, excluding grants (% of GDP)	19.7	20.2	19.7	20.5	..
Cash surplus/deficit (% of GDP)	2.0	1.5	-4.1	-5.5	..
States and markets					
Time required to start a business (days)	..	54	30	34	33
Market capitalization of listed companies (% of GDP)	10.1	34.1	36.4	36.6	46.0
Military expenditure (% of GDP)	1.3	1.7	1.9	1.9	..
Mobile cellular subscriptions (per 100 people)	0	13	42	49	..
Internet users (per 100 people)	0.3	3.1	8.7	10.1	..

Kenya: Upper Tana Catchment Natural Resource Management Project (UTaNRMP)
Project Design Report – Appendix 1

Roads, paved (% of total roads)	12	..	..	..	..
High-technology exports (% of manufactured exports)	4	3	5	..	..

Global links

Merchandise trade (% of GDP)	38.1	49.5	53.5	49.8	..
Net barter terms of trade index (2000 = 100)	100	89	83	93	90
External debt stocks, total (DOD, current US\$) (millions)	6,141	6,421	7,427	8,005	..
Total debt service (% of exports of goods, services, income)	20.9	9.9	4.8	5.0	..
Net migration (thousands)	-21	25	..	..	-189
Workers' remittances and compensation of employees, received (current US\$) (millions)	538	805	1,692	1,686	1,777
Foreign direct investment, net inflows (BoP, current US\$) (millions)	111	21	96	141	133
Net official development assistance and official aid received (current US\$) (millions)	509	752	1,363	1,778	..

Source: World Development Indicators database

POVERTY, GENDER AND TARGETING

RURAL POVERTY ANALYSIS

1. **Level of poverty:** National absolute poverty declined from 52.3% in 1997 to 46.1% in 2005-06. However, nearly half (48%) of the rural population of the country is classified as living below the poverty line or unable to meet their nutritional requirements. About 6.5 million people are considered as hard-core poor, meaning that they are chronically food insecure even if they were to forego all non-food expenditure. Poverty rates are highest in the arid and semi-arid lands (ASALs). However the majority of the rural poor live in the medium and high potential areas that cover only about 20% of the country. The majority of the target group in the Upper Tana River catchment live in such areas.

2. **Causes of poverty:** There are many reasons why high levels of rural poverty persist in Kenya. One reason is that Kenya has a high population growth rate which has increased pressure on resources. Another is that Kenya has a large gap between the rich and the poor. In addition, there are strong linkages between poverty and environmental degradation, particularly poor water management, soil erosion, declining soil fertility and land degradation. Degradation of the natural resource base leads to low productivity and therefore low incomes. It is therefore not surprising that in the project area, large segments of the poor are located where the natural resources are most degraded. In addition, the unpredictable rainfall and frequent droughts tend to undermine an already fragile resource base and have contributed to declining agricultural yields. Together with the impact of HIV/AIDS, these factors have eroded gains in education, health, food security, employment and income. Rural women are a particularly vulnerable category to poverty because they do not have equal access to social and economic assets.

GENDER ISSUES

3. **Status of rural women:** According to the gender policy in Kenya, over 80% of women live in rural areas and are mostly engaged in food and cash crop production, livestock keeping and in agro-based income generating activities. In most areas, this is mainly due to male migration to urban areas and large-scale farms in search of paid employment. Of the employees in the agricultural sector, it is estimated that women constitute over 70%. Most of these are employed as casual or seasonal employees with no security of tenure and no employment benefits such as housing, medical scheme and pension. As such, they have low and uncertain wages, and they are among the poorest of the poor, particularly those that are household heads.

4. Women in Kenya face a number of social and cultural constraints that hinder their participation and inclusion in decision-making at the family, community and institutional levels. For example, women do not participate in making major decisions that affect their important role in agriculture. Furthermore, they are not involved in the development of agricultural technology, which results in some inappropriate technologies that increase their workload. The participation of women is also constrained by traditional and social practices, which deny women the right to property such as land and livestock. Women only own 1-5% of land titles. Women therefore have limited access to resources such as credit, agricultural inputs, technology, extension and training services that would enhance their production capacity. In most cases, access to credit, training and improved production techniques are linked to land ownership, putting women at a disadvantage. Women are unable to qualify for credit that is connected with collateral requirements such as those related to cash crop production, which are often based on a land title deed. This issue points to the need to build social capital to enhance women and other disadvantaged groups' to access finance and other livelihood activities.

5. Women are also limited in terms of access to important information because the majority of agricultural extension service workers are male who may not be able to reach female farmers due to cultural constraints. They contribute up to 80% of all labour in food production, but receive only 7% of agricultural extension information. With the limited number of extension workers in the public sector, it is important to recruit female volunteers as well to work with the female farmers in the project. About 80% of rural Kenyan women spend between one and five hours per household per day searching for fuelwood. In terms of decision-making only 7.3% of parliamentarians are females. MKEPP's experience indicates that few women and youth were represented in committees that run project activities until a deliberate move was made to reserve at least 30% of the positions for women and youth.

6. In addition, it is widely acknowledged that women have a heavy workload due to their multiple roles and this has serious limitations on their participation in project activities. They have limited time to attend meetings and training which affects the extent to which they can take advantage of new skills and opportunities. Furthermore, adult literacy rate for women is lower (70%) compared to that of men (78%).

7. **Role of women in natural resources management:** Women are the invisible managers of natural resources such as land, water, forests and wildlife in rural Kenya. Women are important because their day-to-day activities bring them in direct contact with the natural resources, and their livelihoods and that of their families depend directly on managing these natural resources. The major concern is land degradation and loss of biodiversity because of intensive, indiscriminate and careless use of land. The main problems related to use of land in the face of increasing land pressure are deforestation, overstocking, soil erosion water siltation and pollution. In such cases, women have to walk long distances in search of arable land and to fetch water and firewood, thereby compounding their heavy workload. Practices that compromise water from streams, underground water and rivers directly affect the welfare of women. Such practices are rife in the UTaNRMP project area.

8. The key gender issues in sustainable NRM in the Upper Tana river catchment are: (i) unequal access to and control over natural resources such as land, forests and water resources, credit and other support services and resultant benefits; (ii) differences in gender roles and priorities; (iii) unequal participation in decision-making and empowerment activities among the gender groups; and (iv) inadequate attention to gender issues in extension and research activities. These issues suggest that the special needs and interests of each gender group in sustainable NRM have to be recognised in order to expand each gender's opportunities to economic empowerment. The project will therefore make deliberate efforts to target both men and women as well as the youth to ensure that each gender needs are addressed, with particular attention to empower women and the youth.

9. **Commitment to gender equity:** GoK is committed to mainstream gender in national development for equitable growth and poverty reduction as evidenced by the establishment of different national machineries and instruments that are complementary. Key instruments include: the National Policy on Gender and Development; the Department of Gender and National Commission for Gender and Development; the Plan of Action (2008-2012) to implement the National Policy on Gender and Development; and the new constitution that specifies a one third requirement for either gender in elected bodies.

HIV/AIDS ISSUES

10. HIV/AIDS is most prevalent among young and middle-aged Kenyans, the most productive segment of the population. An estimated 1.5 million people were living with HIV at the end of 2009 while 80,000 people died from AIDS related illnesses. AIDS is one

of the leading causes of death amongst adults, and is a major factor in the country's low life expectancy. However, intensive efforts have been made in recent years to increase awareness about HIV and to prevent its spread, and these efforts have had positive impact. Kenya's HIV prevalence increased from 5.1% in 1990, reaching its peak of 13.4% in 2000. Thereafter, prevalence declined steadily to 6.3% in 2009, which is just above the average for Sub-Saharan Africa (5%). This is attributed in part to significant behaviour change, increased access to therapy and high death rates.

11. Kenya has a generalised HIV/AIDS epidemic that has affected all sectors of society. HIV prevalence among women is twice as high as that for men. Young women aged 15-24 are four times more likely to become infected than men of the same age. Kenyan women experience high rates of violent sexual contact, which is thought to contribute to the higher prevalence of HIV. The epidemic has heavily affected children. At the end of 2009, an estimated 180,000 children were living with HIV and 1.2 million children had been orphaned by AIDS. This contributes to the high dependency ratio in poor households. Although adult HIV prevalence is greater in urban areas (8.4%) than rural areas (6.7%), the total number of people living with HIV is higher in rural areas (one million) than in towns (400,000), in view of the fact that about 75% of Kenyans live in rural areas. Many people are still not being reached with HIV prevention and treatment services. For example, only one in three children needing treatment is receiving it.

12. A number of impacts are felt in the agriculture sector. The epidemic has caused massive premature adult mortality, thereby destroying human capital and reducing the labour force. At household level, it is noted that the gender and position of the deceased family member in the household matters. Death of an adult male household head adversely affects the crop production level particularly where cash crops such as coffee, tea and sugar are produced. Death of a female household head or spouse is particularly felt in the area of food crops, pointing to the differences in the gender roles of men and women. Second, the transmission of human capital to future generations is weakened, as children are left orphaned and surviving adults are correspondingly burdened. As a consequence, income decreases and households easily slip into poverty.

TARGETING STRATEGY AND MECHANISMS

1. **The target group:** The population of the Upper Tana catchment is approximately 5.2 million people and the population density averages 300 people/km². The Project targets around 205,000 poor rural households whose livelihoods revolve around the use of the natural resources of the river basin. Special focus will be on women and youth as well as other vulnerable groups. The project will also provide indirect benefits to the non-target groups through services and enterprises linked with the project activities, as well as to populations outside the catchment who rely on water and hydro-electricity from the river system.

2. The rural poor in the project area are a diverse category, calling for a strategy that will ensure that the targeted poor men and women actually participate in and benefit from the interventions. The catchment's rural poor are numerous and living in different ecosystems of the catchment. As such, the targeting strategy integrates poverty concerns with the ecosystems in which the rural poor are located. The two-pronged strategy is to address poverty and natural resource management simultaneously, on the basis that they are closely inter-linked. This means that all natural resource users in the catchment area will benefit in some way. However there will be special measures to ensure **inclusion** of disadvantaged and vulnerable groups, without the intention to exclude the better-off households.

3. Table 1 shows that the average poverty rate in the project area is 45.6% (just below the national average of 48%), ranging from 30.8% in Nyeri County to 63.5% in Machakos, with some sub-counties having rates higher than the county average. Total

poverty head count is around 2.4 million, or about 480,000 households. Most of the remainder are near-poor, and at risk of slipping backwards into the ranks of the poor due to the high pressure on natural resources. The poverty head count shows that the poor are more concentrated in Meru (665,000), Embu (303,000) and Murang'a (302,000). The project will prioritise communities with high levels of poverty and treat all households as part of the target group. This approach is particularly valid for NRM initiatives where all households contribute to the management of the natural resources. Prioritising communities with the highest concentrations of needy people increases the likelihood of the project to help more people out of poverty.

Table 1: County Population ('000) by Poverty Rate

County	Male	Female	Total	Poverty level %	Poverty head count
Meru	671	686	1,356	49.0	665
Embu	243	262	505	60.0	303
Murang'a	458	485	943	32.0	302
Tharaka Nithi	178	187	365	60.5	221
Nyeri	340	354	694	30.8	214
Nyandarua	292	304	596	34.0	203
Kirinyaga	261	267	528	35.3	186
Machakos	132	141	274	63.5	174
Total	2,575	2,686	5,261	45.6	2,399

Source: KNBS Population Census 2009 and KNBS 2005/06 poverty survey

4. The specific mechanisms to ensure that the different categories of the poor benefit from the project interventions take into consideration the population, poverty levels, the ecosystem, gender and other social issues such as HIV/AIDS and vulnerability. Specific targeting mechanisms include: geographic targeting, enabling measures, empowering and capacity-building measures, self-targeting, and direct targeting.

- **Geographic targeting:** The focus will be on the counties and sub-counties with the greatest numbers of people living below the poverty line. The river basins have been ranked in order of priority based on five criteria: (i) rivers that are over-utilised with high levels of water use inefficiencies; (ii) those with significant pockets of environmental degradation; (iii) those with greatest risk of natural resources degradation; (iv) those cutting across several agro-ecological zones and; (v) those having a large section of needy population. These criteria led to the identification of twelve priority river basins for initial targeting. Within these the project will select Focal Development Areas (FDAs), also based on poverty, degradation of natural resources and other social indicators. The project will also support poverty reduction and improved NRM in communities living on the margins of forest reserves.
- **Enabling measures** include a number of policies to address the high levels of poverty, degradation of natural resources, low capacity for service delivery, unequal power relations, gender disparities and the impacts of HIV/AIDS. The main policies which will guide the implementation of the project provide an enabling environment to target the poor and the most degraded natural resources. These include the over-arching social and economic development policies as well as sectoral policies on agriculture, rural development, water and the environment.
- **Empowering and capacity building measures** aim to build capacity and confidence of community members to enable them participate actively in planning, decision making and project activities. The Community Empowerment Component is designed to build capacity and empower community members at different levels. Sensitisation and awareness-raising activities for community empowerment will be gender sensitive and include quotas to ensure the participation of women in the preparation of CAPs, and the representation of women on committees for WRUAs, FDACs, CIGs, CFAs etc, as well as the county

environment committees. This will ensure that local-level plans reflect the needs and priorities of disadvantaged and vulnerable groups within the community, such as women-headed households and families affected by HIV/AIDS.

- **Self-targeting measures** aim to ensure that project interventions are attractive to the target groups. Each component will have capacity-building activities related to the needs of community groups and their committees. However, the bulk of the interventions target the specific needs of poor households along the forest margins and river basins and are all related to the protection or restoration of natural resources.
- **Direct targeting** measures will allow the project to channel services to specific individuals or households. This may include activities such as re-forestation and income generating activities to be funded through matching grants to CIGs. The project will develop eligibility criteria for evaluating proposals for funding in conjunction with committee members and responsible line ministries. Communities will be sensitised of the requirements and trained in the procedures to follow, including wealth ranking to ensure inclusion of the poor and vulnerable households.

COMMUNITY ORGANISATION AND STRUCTURES

5. Several types of community organisation will be involved in the engagement of target group communities including decentralised government, Water Resource User Associations (WRUAs), Community Forestry Associations (CFAs), and Common Interest Groups (CIGs). Administratively, the Counties (previously districts) are subdivided into sub-counties and then locations. The location is the key administrative unit in the implementation of programme activities. The project will be based along river basins and forests that cut across one or more counties, which is a challenge. Representatives of each line ministry are found at county and sub-county level. However, due to limited capacity, some ministries are not represented at sub-county level. For this reason, most project coordination activities will happen at county level.

6. **Water resource user associations:** WRUAs are newly emerging civil society organisations empowered by the Water Act as custodians of the water resources in their catchment areas. They are funded by Water Services Trust Fund (WSTF) and technically supported by the Water Resource Management Authority (WRMA). In order for WRMA to undertake its stipulated responsibilities, the Act provides for decentralised and stakeholder involvement. This is implemented through regional offices of the Authority based on drainage basins (catchment areas) assisted by Catchment Area Advisory Committees (CAACs). The Water Act mandates WRMA to formulate a catchment management strategy after public consultation for the management, use, development conservation, protection and control of water resource within each catchment area; and to facilitate the establishment and operation of WRUAs for conflict resolution and co-operative management of water resources.

7. MKEPP built capacity of WRUAs in the development of SCMPs, facilitated cooperative water resources management activities and mobilisation of communities to protect and conserve water resources and catchment areas. Consultations with WRUAs revealed that most associations came into being after conflicts among water users as result of over-abstraction of the river water resulting into water scarcity. These conflicts have not completely disappeared although the water scarcity has reduced, suggesting that more work is necessary to strengthen the capacity of the old WRUAs.

8. **Community forestry associations:** The main role of CFAs is to assist in the management of forests through a community participatory approach to achieve the twin goals of poverty reduction and environmental conservation. The CFA has as members communities which are 5km around the forestry edge. Just like with WRUAs, CFAs are legal entities established according to the Forestry Act. They enter into a Forest

Management Agreement Plan with KFS after which they are expected to develop a forestry management plan which is the basis for implementation activities. Only one CFA is allowed for each Forest Station and there are 35 Forest Stations. Most of the CFAs are in infancy and there is opportunity for capacity building.

9. **Common interest groups:** CIGs represent the lowest administrative unit under the WRUAs, FDACs and CFAs. They are formed based on the group extension approach known to be effective in reaching a wider audience. Individual extension teaching methods are expensive in terms of time and effort and only reach a limited number of people. In addition, groups provide the necessary collateral that enables individual members to access loans collectively. For these reasons, much extension teaching activity consists of group methods. In the group approach, beneficiaries are contacted in a group. These groups are usually formed around common interests and experience with 20-30 members drawn from a particular WRUA, FDAC or CFA.

10. MKEPP has used this approach by organising men and women into groups based on the expressed prioritised needs of the community documented in a community action plan. Men and women with common interests form a group to implement activities as identified by the community. Apart from forming new groups, the project will work with existing CIGs whose activities correspond to those identified by the community. Alternatively, beneficiaries who are already practicing in the chosen activity would be invited to be part of the new group. MKEPP found that existing CIGs were more sustainable since their activities were not project specific. Group activities will be of various types and relate to the river basin or forest problems.

COUNTRY PERFORMANCE AND LESSONS LEARNED

COUNTRY PROGRAMME EVALUATION

1. IFAD's Office of Evaluation undertook a comprehensive country programme evaluation (CPE) in 2010. The CPE found useful results in natural resources management and environmental conservation, community development, and the introduction over time of approaches that favour income generation and commercialisation of small farmers as a means of rural poverty reduction. However there has been insufficient attention to **policy dialogue and partnerships** with bilateral and multi-lateral donors, and this has constrained the Fund from contributing even more widely to improving rural incomes and livelihoods.

2. The CPE noted that Government and IFAD share a common vision of using agriculture as a vehicle for improving rural livelihoods and incomes. The ASDS 2010-20, as well as the Kenya Vision 2030, provide an opportunity for further strengthening the partnership, given the close alignment between Government's own objectives in boosting agriculture and IFAD's mandate and priorities.

3. A key question raised by the CPE is whether, after ten years of solid experience of working in multiple sub-sectors, time has come to focus more narrowly in fewer areas and to partner with Government and other development organisations to provide the inputs in sub-sectors that IFAD does not prioritise in the future. This would be a way to achieve even better results in the future, in an even more efficient and sustainable manner.

4. The CPE also considered that IFAD could have done more to support the Government in promoting small scale irrigation. Currently, just nine per cent of the country's irrigation potential has been developed including in the ASALs, where rivers, lakes and groundwater offer significant opportunities for developing irrigated agriculture. In spite of some productivity increases on small farms in the recent past, sustainable water management remains a significant constraint for further enhancing productivity in the agriculture sector. This is therefore an area that requires consideration moving forward.

5. Efficiency of operations in Kenya is the weakest performing evaluation criterion covered by the CPE. Some of the reasons for weak efficiency include slow procedures for replenishing special accounts, delays in payment for services, high project management costs as a proportion of total project costs, multiple components and institutions involved in project execution, and in some cases, cost overruns that are hard to explain. Ensuring better efficiency therefore is an area that merits concerted attention and efforts in the future.

6. IFAD's participatory and bottom-up approaches as well as emphasis on community development, and grassroots institution building are valued by the Government and all main partners in Kenya. These characteristics including its focus on small farmers distinguish IFAD from other donors in the country. They are critical for building ownership at the local level that can contribute to better sustainability of benefits.

7. Recent IFAD-supported projects (e.g. dairy and horticulture development) have adopted value chain approaches including promotion of commercialisation and access to markets. However, the CPE found limited involvement of private sector entities at different stages of the value chain, that project staff had insufficient familiarity with value chain approaches (e.g., of horticulture trade patterns in Kenya), opportunities for collaboration with other development organisations (e.g., USAID) working on the same

value chains (horticulture and dairy) in the same project areas were not sufficiently explored, and the approach was more supply driven rather than based primarily on the priorities and expectations of targeted communities and individuals.

8. The CPE underlined a number of areas of concern regarding the performance of Government, including weak project implementation capacity at the district level, small allocation of counterpart funds in the context of IFAD-supported projects, insufficient commitment to policy implementation, slow flow of funds, and inadequate financial management, auditing and procurement processes.

9. Fragmentation of the institutional architecture - with ten different ministries dealing with agriculture and rural development - has created dispersion of resources and challenges in the delivery of projects and their co-ordination. The Government appears now to be seriously concerned in revitalising the sector, and has recently issued a new agriculture sector development strategy, signed the CAADP compact, and adopted a new national constitution. Moreover, the Ministries of Finance, Planning, Agriculture, Livestock, Water and Irrigation, Public Health, and Gender Children and Social Development, have designated desk officers who follow IFAD matters in a more timely manner.

10. IFAD has established a robust partnership with the Government of Kenya, which values IFAD as a key multilateral development organisation. Partnership with NGOs and CBOs in the context of IFAD operations has also been good, including the recent partnership with AGRA. Even though IFAD was a signatory of the Kenya joint assistance strategy, no discernable partnership was observed with two other major multilateral development Banks (AfDB and World Bank) in the country. There have been some co-financing partnerships with the UN system, but much more can be done with them and also those bilateral agencies (e.g. USAID) who are active in agriculture. Private sector engagement in IFAD operations was limited in the past, even though there is now an interesting partnership with Equity Bank in the provision of rural financial services.

11. The CPE considered that there are opportunities for IFAD to contribute more widely to national policy processes through the donor working group on agriculture. However, the Fund has been constrained by the limited amount of resources allocated for policy dialogue, and because achievements in policy dialogue are not normally used as a measure of success in individual performance evaluations of IFAD staff. The indicators for policy dialogue achievements in the COSOP results management framework have not been sufficiently developed. IFAD has an opportunity to take a greater role in bringing to the table its rich project experience that might have policy implications for small farm agriculture in Kenya. This would also be compatible with the expectations of, and appreciated by, Government and other partners.

LESSONS LEARNED

11. The design of UTaNRMP has been informed by lessons learned from relevant IFAD-assisted and other projects on NRM in the Tana River catchment and elsewhere. These include the on-going World Bank-assisted NRMP, the Livelihoods Support Towards Food Security (Njaa Marufuku, NMK) of GoK, the World Bank-assisted Arid Lands Resource Management Project II, the Water Resources Management Authority (WRMA) experience in Embu Region, and the on-going MKEPP and MKEPP-GEF. The lessons emerging from these interventions that have been incorporated into the design of UTaNRMP include:

Lesson Learned	UTaNRMP Response
<ul style="list-style-type: none"> Active involvement of communities in NRM enhances sustainability. 	<ul style="list-style-type: none"> Component 1 of UTaNRMP will be devoted to community empowerment based on sensitisation and awareness raising, capacity building, participatory planning and the establishment of systems and structures for project implementation.
<ul style="list-style-type: none"> Linkages between livelihood improvements and environmental management are key to sustainable NRM. 	<ul style="list-style-type: none"> UTaNRMP will promote sustainable income generating activities to ensure community commitment to conservation activities, for communities to see NRM as a worthwhile investment and not depend on handouts. Matching grants will be used to jump-start group livelihood activities rather than cash and material handouts.
<ul style="list-style-type: none"> A differentiated implementation strategy produces better results for the combination of sustainable NRM and livelihood objectives. 	<ul style="list-style-type: none"> The design of UTaNRMP has proposed the following implementation approaches: (i) Community Driven Development for interventions at the community level; (ii) an ecosystem approach for NRM activities which may cross administrative boundaries; (iii) an inclusive gender mainstreaming approach that will ensure equitable participation of women; (iv) use of private sector service providers; and (v) engaging various types of financial institutions for the delivery of financial services.
<ul style="list-style-type: none"> Legal and regulatory instruments have a role to play in achieving more sustainable utilisation of natural resources, along with participatory and community based approaches. 	<ul style="list-style-type: none"> This applies particularly to environmental hotspots (such as quarries) and point sources of pollution (e.g. coffee processing plants). UTaNRMP will therefore strengthen the legal and regulatory capacity of the National Environment Management Authority (NEMA).
<ul style="list-style-type: none"> Water use efficiency in most irrigation schemes is low and there is inadequate attention to community-based operation and maintenance. 	<ul style="list-style-type: none"> The approach to irrigation development will focus on improving the efficiency of water utilisation and control of illegal abstractions rather than expansion of irrigated land. Key interventions will include improved intakes, piped conveyance and water efficient micro-irrigation. This is highly necessary in most of the rivers due to over-abstraction of river water creating shortages for domestic use and environmental flows. UTaNRMP will support the creation and strengthening of irrigation water user associations to take responsibility for operation and maintenance.
<ul style="list-style-type: none"> Improvements in the profitability of agro-based income generating activities are best achieved by engaging with the entire value chain rather than supply-driven approaches. 	<ul style="list-style-type: none"> UTaNRMP will actively engage the private sector in addressing marketing bottlenecks and inefficiencies in the value chains. Full participation of the private sector, is critical to the success of the value chain approach.
<ul style="list-style-type: none"> Matching grants under MKEPP have proven successful in stimulating the uptake of environmental management and income-generating activities and communities have proven willing to make a contribution of 30% of more. 	<ul style="list-style-type: none"> UTaNRMP will continue to utilise the matching grants process with rigorous independent milestone verification to ensure that funds are used for the intended purpose. Hybrid funding arrangements will be used where possible by combining grants with credit from financial institutions. The PIM will define procedures for quantifying and estimating the value of in-kind contributions.
<ul style="list-style-type: none"> A number of projects have suffered from slow flow of funds, procurement delays and lack of implementation capacity at district level. 	<ul style="list-style-type: none"> Use of an on-shore designated account will accelerate flow of funds. Management systems and procedures will be streamlined and well documented in the Project Implementation Manual (PIM) together with appropriate training and

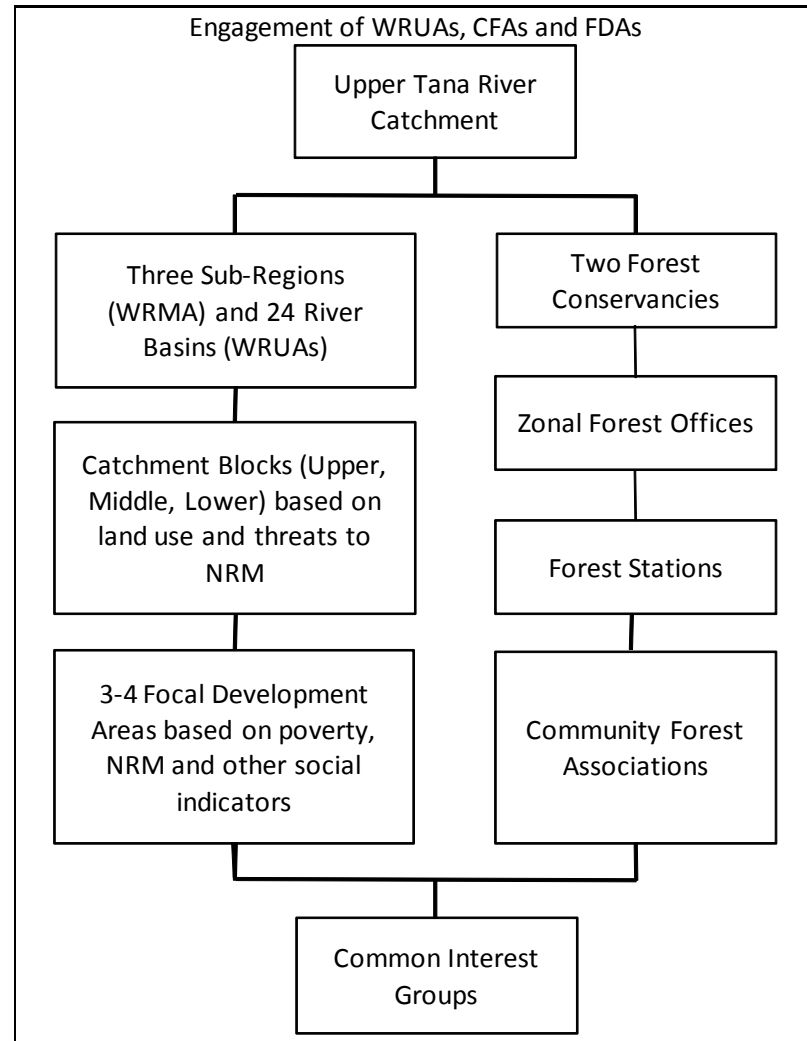
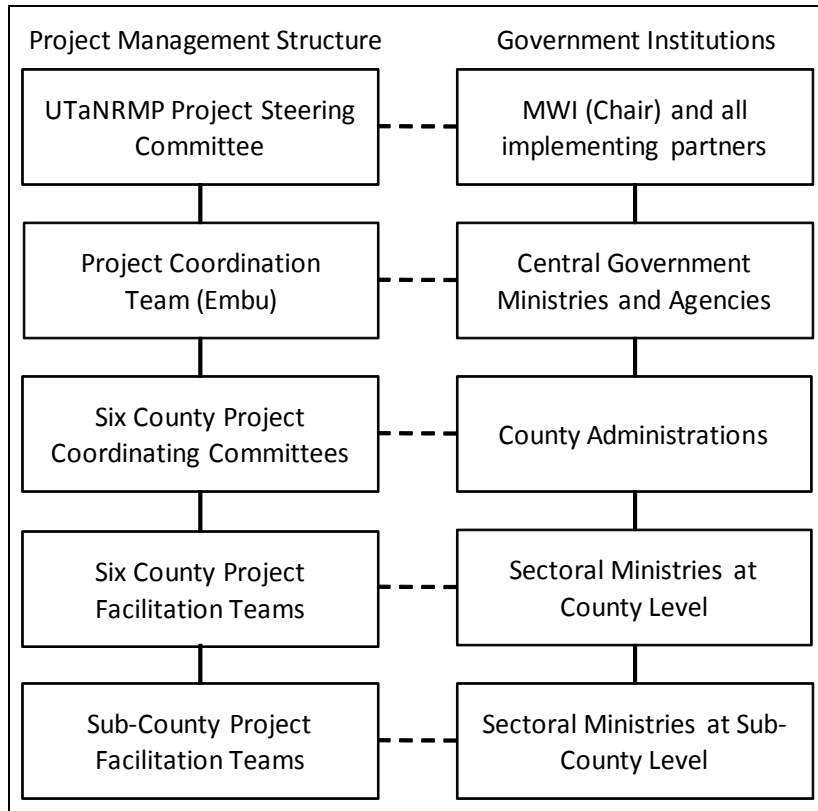
Lesson Learned	UTaNRMP Response
	capacity building.
<ul style="list-style-type: none"> • A comprehensive knowledge management strategy ensures that the lessons learned and the technologies being promoted have a wider outreach. • The wider impact of IFAD-supported programmes (loans and grants) can be greatly amplified by engaging in more effective knowledge management and communications, and engaging more fully in policy dialogue with GoK and the donor community. 	<ul style="list-style-type: none"> • UTaNRMP will have an integrated knowledge management and learning (KM&L) system that encompasses information management, monitoring and evaluation, learning and adaptation, and communication at the community, county, project coordination team, steering committee, and lead ministry levels. • The objective is to integrate KM&L in all aspects of project management in order to improve implementation processes and delivery of the project objectives.
<ul style="list-style-type: none"> • The two IFAD grant-funded programmes: Pro-Poor Rewards for Environmental Services in Africa (PRESA), and Green Water Credits (GWC) suggest that approaches to establishing systems of payments or rewards for environmental services (PES/RES) need to take full consideration of policy and institutional constraints and should incorporate strict (performance-based) conditionalities. 	<ul style="list-style-type: none"> • Rewards for environmental services will be in the form of commercially sustainable investments in improved soil and water management, rather than cash payments; i.e. rewards should come in the form of profits rather than grants or subsidies.

KEY INSTITUTIONS AND THEIR CAPACITY

Institutions	Roles and Responsibilities	Capacity
Ministries and Institutions (defined by areas of responsibility)		
Water and Irrigation	<ul style="list-style-type: none"> Lead Agency responsible for overall project implementation and for the Sustainable Water and Natural Resources Management component. 	<ul style="list-style-type: none"> Has capacity to coordinate activities but will hire service providers for implementation. Few staff and no presence at lower administrative levels limits capacity to coordinate M&E.
Social Services	<ul style="list-style-type: none"> Responsible for Community Empowerment component and leading PRA. 	<ul style="list-style-type: none"> Expected to have staff network through community development officers down to Ward level.
Agriculture, Livestock, Cooperatives & Marketing	<ul style="list-style-type: none"> Responsible for the Sustainable Rural Livelihoods component including extension and research services. 	<ul style="list-style-type: none"> Presently well-staffed but not known how capacity will be maintained under new system. Policy to promote many extension service providers in the sector.
Forestry	<ul style="list-style-type: none"> KFS is responsible for establishing CFAs, supporting preparation of participatory forest management plans and entering into agreements with CFAs. Provide extension services and supervise implementation of community forest management plans. 	<ul style="list-style-type: none"> Adequate staff at forest stations but few forestry extension staff. Promising development from the community involvement in forest management through CFAs.
Kenya Wildlife Service (KWS)	<ul style="list-style-type: none"> Mitigates human-wildlife conflicts. Supports protection of wildlife barriers. 	<ul style="list-style-type: none"> Inadequate capacity for maintenance of wildlife fences – but this is undertaken with community participation.
Fisheries	<ul style="list-style-type: none"> Can participate in livelihood component. 	<ul style="list-style-type: none"> Small organisation expected to collaborate with other service providers.
Rural finance	<ul style="list-style-type: none"> Participating through PROFIT to enhance access to financial services for sustainable NRM practices. 	<ul style="list-style-type: none"> Financial services are provided by a quickly growing private sector. Ministry of Finance working in the background with supportive measures.
WSTF	<ul style="list-style-type: none"> Managing grant resources for preparation and implementation of WRUA sub-catchment management plans. 	<ul style="list-style-type: none"> Capacity for monitoring and financial management need to be strengthened to cope with increased financial flows.
Rural Roads	<ul style="list-style-type: none"> Collaborator, participating in PRA planning. May provide services on market access roads. To be involved in remedial works for environmental hotspots. 	<ul style="list-style-type: none"> Unclear how Rural Roads Authority will operate under the devolved system. Project implementation through hiring of contractors.
Environment	<ul style="list-style-type: none"> Promotion and compliance with environmental laws. Supervision of environmental policy implementation. 	<ul style="list-style-type: none"> NEMA is thin on the ground. Required to approve and advise on EIAs and environmental audits undertaken by service providers.
Finance and Planning	<ul style="list-style-type: none"> Ensure flow of funds through government institutions. Oversee accounting and audits. Supervise M&E in the counties and 	<ul style="list-style-type: none"> Adequate staff but technical capacity needs to be enhanced. CDO will be provided with well-equipped offices in the counties to be able to lead planning and

Institutions	Roles and Responsibilities	Capacity
	at lower levels.	monitoring. • Expected to set up and maintain a database for the county.
WRMA	<ul style="list-style-type: none"> • Water allocation • Catchment protection and conservation • Water resource assessments and conservation • Delineation of catchment areas • Gazetting water protected areas • Protection of wetlands • Catchment Management Strategies • Stakeholder engagement through WRUAs 	<ul style="list-style-type: none"> • Regional and sub-regional offices each covering more than one county. • Rely on WRUAs for field activities.
Civil Society Organisations and the Private Sector		
WRUAs	<ul style="list-style-type: none"> • Management and conservation of the water resource of a particular river basin or aquifer. 	<ul style="list-style-type: none"> • Community organisations currently being established. • Good potential to become strong organisations with capacity to manage projects in their catchments.
CFAs	<ul style="list-style-type: none"> • Community forest management. • Participate in preparation of community forestry management plans. • Implement CFMPs in collaboration with KFS 	<ul style="list-style-type: none"> • Community organisations currently being established with potential capacity to play a major role in the implementation of forest management plans.
Service Providers	<ul style="list-style-type: none"> • Provide services such as extension, training, and other activities through contractual arrangements. 	<ul style="list-style-type: none"> • Relatively small but growing sector due to Government policy to promote private service provision. • Need training component and supervision to ensure quality work.

ORGANISATIONAL CHART



ADHERENCE TO IFAD POLICIES

IFAD's STRATEGIC FRAMEWORK

Strategic Element	Project Response
<ul style="list-style-type: none"> • Create natural resource and economic asset base. 	<ul style="list-style-type: none"> • Improved natural resource management is a key element of UTaNRMP through promotion of interventions which are both more productive and more sustainable in terms of protection against degradation of land and water resources. Support will also be given through grants for building of economic assets at community level.
<ul style="list-style-type: none"> • Improved access to services. 	<ul style="list-style-type: none"> • The project emphasises promotion of sustainable natural resources management and agricultural practices which have been demonstrated to be effective and relevant to the needs of the target group. The project will apply transparent criteria for eligibility to the services and involve the beneficiaries in the decision making process.
<ul style="list-style-type: none"> • Rural people to manage profitable and sustainable enterprises. 	<ul style="list-style-type: none"> • The project will invest in the development and capacity building of common interest groups to identify and manage sustainable income generating activities, and develop partnerships financial institutions through collaboration with the IFAD-supported rural finance project, PROFIT, for enhanced access to financial services.
<ul style="list-style-type: none"> • Rural people to influence policies and institutions. 	<ul style="list-style-type: none"> • The project provides for representation of the community groups at the national and county steering committees and at the annual review workshops. Public accountability meetings will also to be held at community level for open discussions on project implementation.
<ul style="list-style-type: none"> • Create enabling institutional and policy environments to support agricultural production and related activities. 	<ul style="list-style-type: none"> • By engaging with a wide range of implementing agencies the project will participate fully with the Government and other development partners in local and national policy dialogue. The strong knowledge management sub-component of the project will also facilitate the generation of evidence for improved policies.

OTHER ELEMENTS OF IFAD’S POLICY FRAMEWORK

Policy	Project Response
<ul style="list-style-type: none"> • Targeting policy • Gender policy 	<ul style="list-style-type: none"> • The project design (see Annex 2 and Working Paper 3) provides a detailed analysis of poverty, gender and targeting. The targeting strategy defines mechanisms to ensure that the targeted poor men and women actually participate in and benefit from the planned interventions. These include: (i) geographic targeting measures; (ii) enabling measures; (iii) empowerment and capacity building measures; (iv) self-targeting measures; and (v) direct targeting measures. The gender and targeting checklists are given in Appendix 2 of Annex 12.
<ul style="list-style-type: none"> • Rural finance policy 	<ul style="list-style-type: none"> • UTaNRMP will not engage directly in the provision of rural financial services. Rather it will develop linkages with PROFIT, an IFAD-supported programme to extend the outreach of financial services into rural areas. Matching grants are provided under the project to community groups that engage in sustainable natural resource management activities that have a public good effect.
<ul style="list-style-type: none"> • Private sector and rural enterprise policy 	<ul style="list-style-type: none"> • The Project will engage directly with the private sector, especially in the area of improving access to key agricultural inputs, marketing of agricultural produce, and outsourcing of service provision.
<ul style="list-style-type: none"> • Environment and climate change 	<ul style="list-style-type: none"> • UTaNRMP is expected to result in positive environmental outcomes (see ESRN below) associated with the adoption of improved agronomic practices, soil and water conservation works on farmers’ fields, and forest protection and rehabilitation. • The project will also contribute to climate change adaptation by promoting agricultural practices which are more resilient to climatic extremes, especially droughts; and to climate change mitigation through carbon sequestration in soil organic matter and through forest enrichment planting and farm woodlots.
<ul style="list-style-type: none"> • Knowledge management 	<ul style="list-style-type: none"> • Sub-component 4.2, Knowledge Management and Learning recognises the knowledge-intensive nature of the proposed interventions and the need to systematically harvest, process, store and disseminate knowledge about sustainable NRM practices and the factors which influence their adoption (see Annex 6).

