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Investing in rural people in **Kenya**

Rural poverty

Kenya became a low-middle-income country in 2014. Its economic growth is expected to continue at an annual average rate of 5.9 per cent over the next five years. However, poverty and income inequality remain persistent challenges. Approximately 10 million Kenyans suffer from chronic food insecurity and poor nutrition.

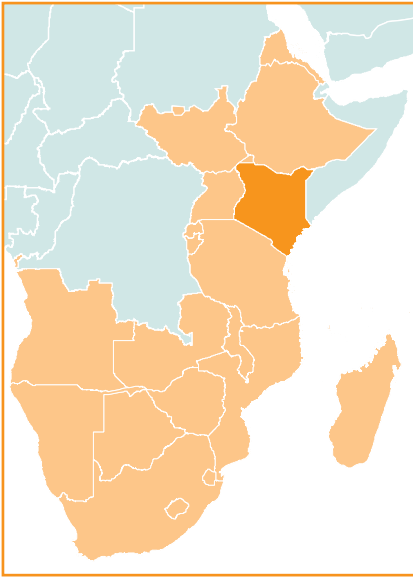
Over 75 per cent of Kenya's estimated 43 million people inhabit rural areas, where around half of the population lives in poverty (as of 2009). Arid and semi-arid lands make up nearly 90 per cent of the country's land mass and are home to approximately 38 per cent of its population. These areas have the highest incidence of poverty.

Rural poverty remains high due to population growth – the national population has more than tripled over the past 30 years – and dependence on rapidly depleting natural resources. The degradation of natural resources hits women the hardest, as they assume greater responsibility for providing their families with food, water and fuelwood.

Kenya's long-term development blueprint, Vision 2030, was launched in 2008. It was designed to guide the nation's transformation into an industrialized, middle-income country. This has recently been spurred by the Government's Big Four Agenda (Food Security, Manufacturing, Health Care and Housing).

Agriculture sector

The agriculture sector remains the backbone of the Kenyan economy, employing 80 per cent of the rural population and accounting for about 65 per cent of exports.



Projects: 18

Total cost: US\$819.3 million

**Total approved IFAD financing:
US\$376.3 million**

Directly benefiting: 4,335,597 households

Kenya also has one of the largest and most developed dairy sectors in sub-Saharan Africa. It accounts for about 4 per cent of GDP and grows 4 per cent annually.

Agriculture, which contributes over 25 per cent of annual GDP, is threatened by climate change. If this is not addressed, its economic costs are estimated at 3 per cent of GDP per year by 2030, and could reach 5 per cent by 2050.

Nearly all the country's crop production is rainfed, and almost half of animal production occurs in arid and semi-arid lands. The growing impact of drought and unreliable rainfall are expected to significantly constrain the sector.

The Government has recently begun to transform smallholder agriculture, making it more market-oriented. It has made complementary investments in infrastructure, and institutional and policy reforms. Strengthened private sector engagement is part of the country's Big Four Agenda, and also reflects its Vision 2030.

The country's agricultural development strategy for 2010-2020 aims to achieve agricultural growth of 7 per cent annually and to reduce food insecurity by 30 per cent. The Government and IFAD believe that improving people's access to key staple foods can help to reduce poverty, and improve food and nutrition security.

IFAD's strategy in Kenya

Since 1979, IFAD has invested US\$376.3 million in 18 programmes and projects in Kenya (which have a total cost of US\$819.3 million), in support of the Government's efforts to reduce rural poverty.

In Kenya, IFAD loans provide support to smallholders and value chain actors (agro-dealers, private extension services, small traders, processors, etc.) in the dairy sector and cereal value chains. In addition, they strengthen the resilience of the natural resource base and improve access to rural financial services.

The country strategic opportunities programme (COSOP) for 2013-2018 has three strategic objectives:

- improved natural resource management that is gender-responsive, climate-resilient, sustainable and community-based
- improved access to assets, technologies and services for vulnerable rural women, men and young people in target areas
- enhanced, sustainable access to markets for smallholder farmers, agro pastoralists and rural entrepreneurs.

In the past, IFAD activities concentrated on rural areas with medium to high productive potential, where most of Kenya's poor people live.

Under our new strategy, we are extending support to the country's arid and semi-arid lands. This shift supports the Government's commitment to improve small-scale irrigation, community resilience, extension services, marketing and access to financial services in areas with high poverty rates. The emphasis is on a market-oriented approach in the sectors of horticulture, dairy production, cereal commodities and rural finance.

In addition, IFAD recently began supporting the Government's new priority through diversification to smallholder aquaculture value chain development. This aims to support the country's fishery and blue economy agenda.

Ongoing operations

Aquaculture Business Development Programme

The aquaculture sector has significant potential to reduce poverty, but is not being fully exploited.

The Aquaculture Business Development Programme will enable existing and potential aquaculture producers to benefit from fish production in an economically and environmentally sustainable manner. It will also promote local income-generating businesses that provide support services to the aquaculture sector. The proposed approach blends public- and private-sector investments in the aquaculture value chain with community-wide initiatives that promote good nutrition and food security.

The total cost of the programme is US\$143.3 million, including a US\$40.0 million loan from IFAD. It is cofinanced by the Food and Agriculture Organization of the United Nations (US\$400,000), the Government of Kenya (US\$31.4 million) and by the beneficiaries themselves (US\$43.6 million). It will target 15 counties and reach 35,500 households, including women, youth and landless people. Indirect beneficiaries will include rural communities, who will benefit from improved education in nutrition and improved access to affordable nutritious food.

Kenya Cereal Enhancement Programme – Climate-Resilient Agricultural Livelihoods Window (KCEP-CRAL)

KCEP-CRAL aims to reduce rural poverty and food insecurity among smallholders in Kenya's arid and semi-arid lands. It develops their economic potential, while improving their natural resource management capacity and their resilience to climate change in an increasingly fragile ecosystem. This goal will be pursued through:

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

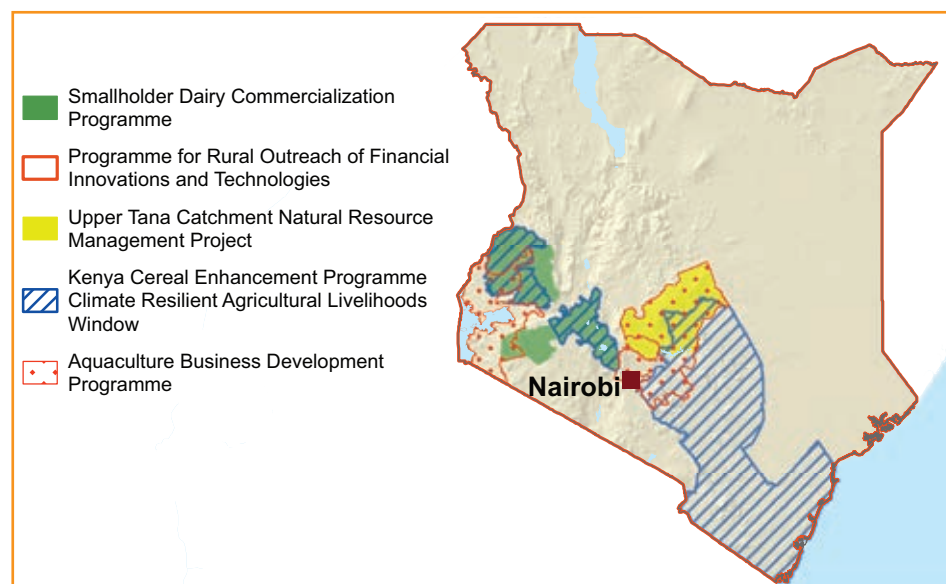
KCEP-CRAL costs US\$153.2 million with IFAD providing financing of US\$63.8 million plus a grant of US\$10.0 million from the Adaptation for Smallholder Agriculture Programme (ASAP). It is cofinanced by the European Union through IFAD (US\$33.3 million), the Government of Kenya (US\$4.5 million), financial institutions (US\$5.5 million) and the beneficiaries (US\$36.1 million).

The programme is expected to reach 185,000 smallholder farmers (men, women and youth) whose livelihoods depend on maize, sorghum, millet and associated pulses, including:

- 100,000 food-insecure smallholder farmers, who will be supported in graduating from recurring food insecurity and climate vulnerability to food security and then to market-oriented commercial farming
- 85,000 smallholder subsistence farmers, who will be supported in graduating into commercial farming.

The programme area covers 13 counties in the western, eastern and coastal regions of Kenya: Bongoma, Embu, Kakamega, Kilifi, Kitui, Kwale, Machakos, Makeni, Nakuru, Nandi, Taita Taveta, Tharaka Nithi and Trans Nzoia. The programme will support these smallholders through the following means:

- an innovative e-voucher system based on a network of chain operators
- targeted training on post-production management and financial literacy with market linkages
- strengthened ability to create community-resilient assets
- strengthened capacity of farmer groups and county governments.



Upper Tana Catchment Natural Resource Management Project

UTaNRMP aims to help reduce rural poverty in the Upper Tana River catchment through increased sustainable food production and incomes for poor rural households, as well as sustainable management of natural resources.

The project has three main components:

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

The total cost of the project is US\$68.8 million and IFAD is contributing through a US\$32.0 million loan. It is cofinanced by Spanish Trust Fund (US\$18.0 million). The target area is the Upper Tana catchment, covering 6 of the 47 counties. Around 205,000 poor rural households – including smallholder crop and livestock farmers, agropastoralists, fishers and rural traders – are expected to benefit. It has a special focus on women, young people and other vulnerable groups.

Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)

PROFIT aims to help reform the financial sector policy in Kenya. It supports the development of a range of innovative financial products – such as savings and remittance services, community infrastructure loans, value chain and medium-term financing for the agriculture sector, and index-based insurance and health insurance – and improves the access of poor rural households to these services. It also helps programme participants manage their assets, market their produce and increase their employment opportunities.

PROFIT works throughout Kenya's rural areas, especially in arid and semi-arid lands and areas with both agricultural potential and a high incidence of poverty. It reaches out to smallholder farmers, pastoralists, women, landless labourers and young people. The programme seeks to increase incomes of the target group by improving the productivity of rural smallholder farm and off-farm sectors.

The programme cost is US\$83.2 million and IFAD is contributing with a US\$29.3 million loan and US\$600,000 grant. It is expected to directly benefit 196,000 households.

Smallholder Dairy Commercialization Programme (SDCP)

At least 800,000 smallholder farmers in Kenya depend on dairy farming for their livelihoods. Dairy production improves household nutrition and provides extra income. In addition to family labour, dairy farming generates jobs in wage labour and mobile milk trading for a further 365,000 people.

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

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

The total programme cost is US\$36.8 million. IFAD is contributing with a US\$34.5 million loan and US\$845,000 grant.

IFAD has invested in rural people for 40 years, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$20.2 billion in grants and low-interest loans to projects that have reached about 476 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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