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Investing in rural people in **Kenya**

Rural poverty

In 2014, Kenya became a lower-middle-income country and registered robust economic growth for the next five years, averaging 5.5 per cent. The country's economy has been hit hard by the COVID-19 pandemic through supply and demand shocks, which have interrupted its recent broad-based growth path.

Poverty and income inequality persist. Approximately 17 million Kenyans suffer chronic food insecurity and poor nutrition. Rural poverty remains high because of population growth and the country's dependence on rapidly depleting natural resources.

Over 75 per cent of Kenya's estimated 48 million people live in rural areas, where around half of the population face 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. The degradation of natural resources has the heaviest impact on women, 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

Agriculture continues to play a vital role in the Kenyan economy, contributing 26 per cent of GDP directly and another 27 per cent indirectly, through its linkages



with other sectors. The sector employs more than 40 per cent of the total population and about 70 per cent of Kenya's rural population. Agriculture accounts for 65 per cent of the export earnings. The sector also plays an important role in food security.

Farming is predominantly rainfed, with only 2 per cent of agricultural land under irrigation. Kenyan agriculture is dominated by smallholder production farms of between 0.2 and 3 hectares. Nearly 70 per cent of farmers operate on less than one hectare of cultivated land. Over the past two decades, the performance of smallholder agriculture in Kenya has been modest. Yields for most crops and livestock have stagnated and total factor productivity for agriculture dropped by 10 per cent between 2006 and 2015. Value addition within the sector remains low, with only 16 per cent of exports currently being processed.

The Government's efforts to strengthen agricultural performance are presented in the Agriculture Sector Transformation and Growth Strategy (ASTGS 2019-2029), anchored in three outcomes: (i) increasing small-scale farmer, pastoralist and fisher incomes; (ii) increasing agricultural output and value addition; and (iii) boosting household food resilience. These are further complemented by the country's active engagement in the United Nations Food Systems coalitions.

IFAD's strategy in Kenya

Since 1979, IFAD has invested US\$455.09 million in 20 programmes and projects in Kenya (at a total cost of US\$980.31 million), in support of the Government's efforts to reduce rural poverty.

In Kenya, IFAD loans provide support to smallholders and value chain actors (such as agrodealers, private extension services, small traders and processors) in the dairy sector, aquaculture, livestock 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 2020-2025 has three strategic objectives:

- Improve climate-resilient and sustainable community-based natural resource management.
- Improve access to productivity-enhancing assets, technologies, rural finance and services.
- Enhance sustainable access to improved post-production technologies and markets.

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

Under the new strategy, IFAD is extending support to the country's arid and semi-arid areas. 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

Revitalising Irish Potato Production for COVID-19-affected Small-scale Producers (Rural Poor Stimulus Facility Grant)

As part of its response to the COVID-19 pandemic, IFAD launched a multi-donor facility to help improve the resilience of rural livelihoods by ensuring timely access to inputs, information, markets and liquidity. IFAD provided the Government of Kenya with a grant of US\$1.944 million to support 8,000 small-scale Irish potato farmers in the counties of Elgeyo Marakwet, Meru and Nyandarua to access an estimated 3,200 metric tons of improved seeds, fertilizer and agrochemicals.

Farmers benefiting from the project will access farm inputs through an existing e-voucher system, be trained in adaptation practices, and access digital information on weather and production-enhancing techniques. The project will also support group marketing through aggregation facilities and the linking of producers to digital marketing platforms.

Kenya Livestock Commercialization Project (KeLCoP)

KeLCoP is a US\$93.5 million private sector-led value chain project implemented over a period of six years. The project aims to improve the incomes of poor livestock and pastoralist households in rural areas by increasing their output and value addition, and improving their access to markets and resilience to economic and climate risks. This will be achieved through:

- Empowering smallholder farmers and pastoralists, especially women and youth, with adequate life skills.
- Increasing food and nutrition security for vulnerable people, through a graduation approach and the Gender Action Learning Systems Approach (GALS).
- Increasing resilience and ability to cope with climate risks, and enhancing productivity in the three livestock value chains of small ruminants (sheep and goats for meat and goat dairy production), poultry and honey.
- Increasing use of ICT by scaling up e-extension models, e-finance approaches and market information.
- Increasing commercialization and profitability of the targeted value chains by value addition and enhanced access to lucrative markets.
- Increasing the capacity of county governments to deal with the regulatory and policy environment for livestock and rangeland development.

The total cost of the project – which is expected to reach 110,000 households in 10 counties – is US\$93.5 million, including a loan of US\$54.8 million from IFAD.

Aquaculture Business Development Programme (ABDP)

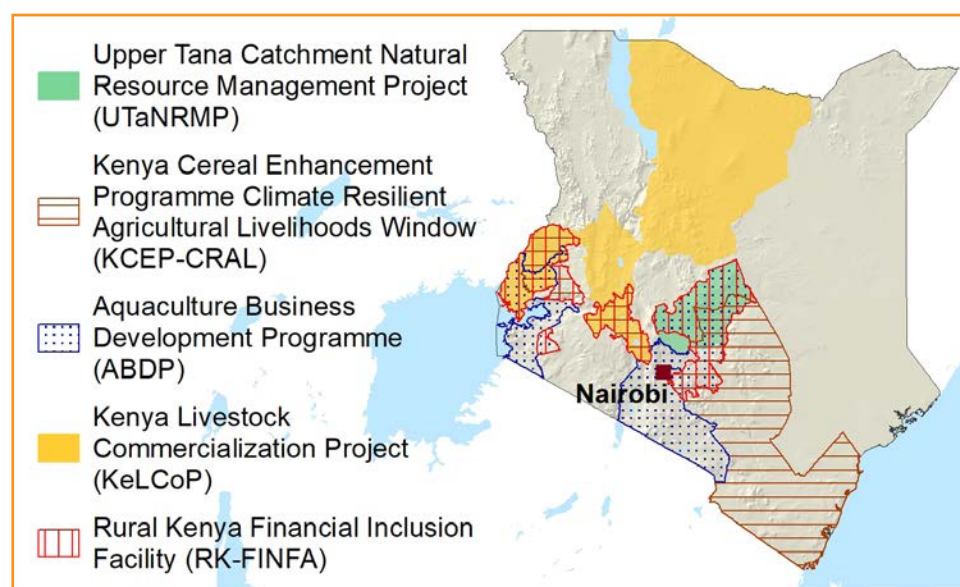
ABDP will enable existing and potential aquaculture producers to benefit from fish production in an economically and environmentally sustainable manner. It will also promote local income-generating businesses that provide support services to the aquaculture sector. The proposed approach blends public-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

The programme will target 15 counties and is expected to reach 35,500 households, including women, youth and landless people. Indirect beneficiaries will include rural communities, that will benefit from improved education in nutrition and improved access to affordable, nutritious food.

The total cost of the programme is US\$143.3 million, including a US\$40 million loan from IFAD. It is cofinanced by the Food and Agriculture Organization of the United Nations (US\$400,000), the Government of Kenya and by the beneficiaries themselves.

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

KCEP-CRAL aims to reduce rural poverty and food insecurity among smallholder farmers in Kenya's arid and semi-arid areas. 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:

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

The programme is supporting smallholders through an innovative e-voucher system based on a network of chain operators, targeted training on post-production management and financial literacy with market linkages, strengthening their ability to create community-resilient assets and building the capacity of farmer groups and county governments.

The total cost of KCEP-CRAL is US\$153.2 million, with IFAD providing financing of US\$63.8 million plus a grant of US\$10 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 whose livelihoods depend on maize, sorghum, millet and associated pulses. Programme coverage extends over 13 counties: Bungoma, Embu, Kakamega, Kilifi, Kitui, Kwale, Machakos, Makueni, Nakuru, Nandi, Taita Taveta, Tharaka Nithi and Trans Nzoia.

Upper Tana Catchment Natural Resource Management Project (UTaNRMP)

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 goals:

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

The total cost of the project is US\$68.8 million, including a US\$32 million loan from IFAD. It is cofinanced by Spanish Trust Fund (US\$18.0 million), the Government of Kenya (US\$ 11.34 million) and beneficiaries. 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.

Upper Tana Nairobi Water Fund (UTNWF)

UTNWF is a five-year public-private partnership project worth US\$23.6 million, funded by the Global Environment Facility (GEF) through IFAD and implemented by The Nature Conservancy. The project works with public and private sector partners to establish the Water Fund as a sustainable financing mechanism supporting sustainable land management and integrated natural resource management approaches in the Upper Tana catchment area. The goal of the UTNWF project is to increase investment flows for sustainable land management and integrated natural resource management in the Upper Tana catchment. This concept is being replicated in Eldoret through the Eldoret Iten Water Fund, which is currently under design with an anticipated project cost of US\$2.63 million.

IFAD is an international financial institution and a United Nations specialized agency. Based in Rome – the United Nations food and agriculture hub – IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided more than US\$23.2 billion in grants and low-interest loans to fund projects in developing countries. Last year, IFAD-supported projects reached an estimated 130 million people.

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