KENYA COUNTRY STRATEGY AND PROGRAMME EVALUATION | OVERVIEW

Independent Office of Evaluation

IFAD
Investing in rural people

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Abbreviations and acronyms

ABDP	Aquaculture Business Development Programme
ASAL	Arid and semi-arid lands
CPE	country programme evaluation
CSPE	country strategy and programme evaluation
COSOP	country strategic opportunity programme
CKDAP	Central Kenya Dry Area Smallholder and Community Services Development Project
CPM	country programme manager
IFAD	International Fund for Agricultural Development
IOE	Independent Office of Evaluation of IFAD
FAO	Food and Agriculture Organization of the United Nations
M&E	monitoring and evaluation
MKEPP	Mount Kenya East Pilot Project for Natural Resource Management
NRM	Natural resources management
SHoMaP	Smallholder Horticulture Marketing Programme
UTNRMP	Upper Tana Catchment Natural Resource Management Project

BACKGROUND

In line with the International Fund for Agricultural Development (IFAD) Evaluation Policy and as approved by the 116th Session of the IFAD Executive Board, the Independent Office of Evaluation (IOE) undertook a country strategy and programme evaluation (CSPE) in Kenya. This is the second country programme evaluation (CPE) conducted by IOE in Kenya; the first was finalized in 2011.

The main purpose of this evaluation is to assess the results and performance of ongoing country strategic opportunities programmes (COSOPs) and to generate findings, conclusions and recommendations for the upcoming COSOP to be prepared in 2019.

The scope of this CSPE covers the IFAD-supported activities conducted since 2011, when the current COSOP was presented to the Executive Board. The CSPE covers the lending and non-lending activities (knowledge management, partnership-building and country-level policy engagement), including grants, as well as country programme and COSOP management processes.

The CSPE benefited from other IOE evaluations that have covered Kenya. These include the project completion validations for the four closed projects and the impact evaluation of the Smallholder Horticulture Marketing Programme (SHoMap), in 2018. The CSPE used to the extent possible the available impact studies commissioned by the projects. To complement the available impact data, this CSPE also conducted an asset verification exercise and a telephone survey of a sample of 118 dairy groups.

The main mission took place from 4 to 25 June. Field visits were undertaken by three teams to five counties (Embu, Kisii, Kitui, Nakuru and Nyamira). Focus group discussions were held on three thematic areas: value chains; natural resources management (NRM); and youth in agriculture.

A snapshot of IFAD operations in Kenya since 1979

First IFAD-funded project	1979
Number of approved loans	18
Ongoing projects	4
Total amount of IFAD lending	US$376.3 million
Counterpart funding (Government and beneficiaries)	US$205.7 million
Domestic partner funding	US$51.9 million
Co-/parallel financing amount	US$185.4 million
Total portfolio cost	US$819.3 million
Lending terms	Highly concessional
Main co-financiers	World Bank's International Development Association, Spanish Trust Fund, African Development Bank; European Union and Global Environment Facility in most recent projects
COSOPs	2002, 2007, 2013
Past cooperating institutions	World Bank; United Nations Office for Project Services
Country office in Kenya	Country office since 2008
Country programme managers	Robson, Mutandi (2007-2010); Samuel Wariboko, Eremie, (2010-2013); Nadine Gbossa (2014-2015); Henrik Franklin, (2015-2016); Hani Abdelkader Elsadani, Salem (2016-2018); Esther, Kasalu-Coffin (2018-present)
Main government partners	National Treasury; Ministry of Agriculture and Irrigation; Ministry of Water and Sanitation; Ministry of Environment

PORTFOLIO

Since 1979, IFAD has committed US$376 million in highly concessional loans to Kenya to support rural poverty reduction and agricultural development. IFAD has invested in 18 agricultural and rural development programmes and projects, funded by 20 loans.

The lending portfolio for the CSPE period (2011-2018) amounted to US$542.2 million, of which IFAD financed US$283.1 million. The portfolio includes nine operations at different stages of the project life cycle. Four operations are completed, four operations are ongoing and one operation was approved in 2017.

The portfolio reflects a wide range of activities and sectors. It was mainly used for marketing and value chains (25 per cent of commitments), rural financial services and credit (19 per cent), aquaculture (13 per cent), NRM (8 per cent), capacity-building and technology transfer (6 per cent), and infrastructure (5 per cent). Management and monitoring and evaluation (M&E) have taken up 11 per cent of the portfolio. Four per cent was allocated to community development and institutional capacity-building. The remaining 9 per cent was allocated to various sub-sectors, including climate change, irrigation, health and nutrition.

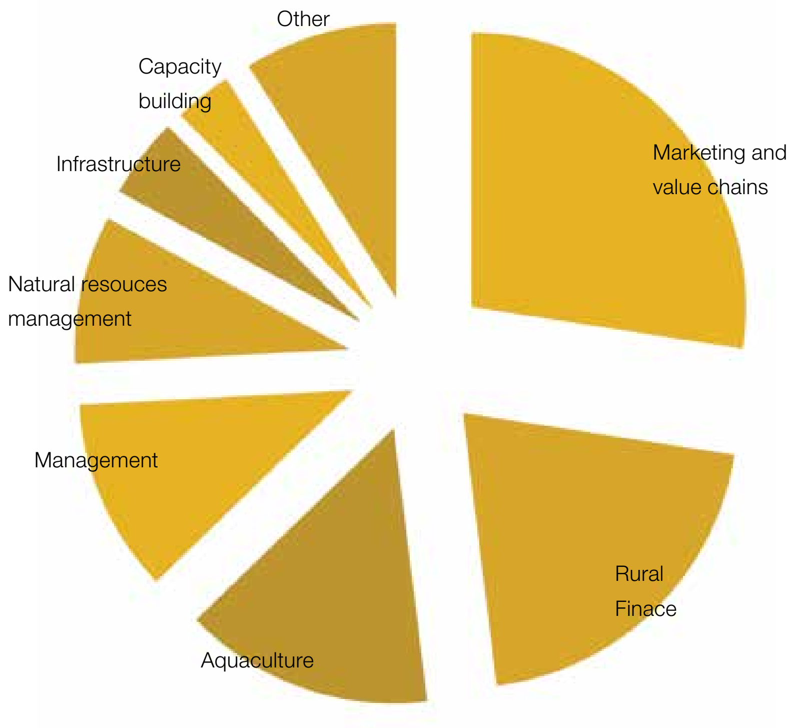
IFAD-financed projects in Kenya under evaluation (2011-2018)

* (US$ MILLIONS)

Project name	Board approval	Loan effectiveness	Project completion	Total cost**	IFAD financing*
Central Kenya Dry Area Smallholder and Community Services Development Project (CKDAP)	07/12/2000	01/07/2001	31/12/2010	18.1	10.9
Mount Kenya East Pilot Project for Natural Resource Management (MKEPP)	11/12/2002	01/07/2004	30/09/2012	25.7	16.7
Southern Nyanza Community Development Project (SNCDP)	18/12/2003	10/08/2004	30/09/2013	23.7	21.5
Smallholder Dairy Commercialization Programme (SDCP)	13/12/2005	12/07/2006	30/09/2019	36.8	35.3
Smallholder Horticulture Marketing Programme (SHoMaP)	18/04/2007	23/11/2007	31/12/2014	26.6	23.9
Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)	16/09/2010	22/12/2010	30/06/2019	83.2	29.9
Upper Tana Catchment Natural Resource Management Project (UTNRMP)	03/04/2012	23/05/2012	30/06/2020	68.9	33.0
Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihoods Window (KCEP-CRAL)	22/04/2015	26/08/2015	30/09/2022	116.0	71.8
Aquaculture Business Development Programme (ABDP)	11/12/2017	19/06/1980	31/12/1989	143.3	40.0

* Includes Irrigation infrastructure, Policy support/development and Food crop production.

Aggregated sub-component type funding share of IFAD projects under evaluation at approval (2011-2018)



Source: IFAD's Grants and Investment Projects System 2018.

For the same period, 59 global and regional grants worth US$115 million were provided to organizations based in Kenya. Only six grants were funded under the country-specific, Global Environmental Facility (GEF), or other windows. The main thematic areas supported by grants included marketing and knowledge management, policy dialogue, NRM, women and youth, farm technology, and support to farmer and producer organizations. The majority of grant recipients were the Consultative Group on International Agricultural Research (CGIAR) centres, not-for-profit organizations and non-governmental organizations (NGOs).

Grant financing (2011-2017)

Grant window	Nº of grants	IFAD grant amount at approval (US$)	Other financing (US$)	Total	%
Country-specific	3	1.500.000	1.635.000	3.135.000	2
Global/regional	59	51.261.716	64.353.293	115.615.009	74.4
Large	36	40.849.200	57.828.570	98.677.770	85.4
Small	15	3.614.170	245.406	3.859.576	3.4
Agricultural Research for Development	8	6.798.346	6.279.317	13.077.663	11.4
Global Environment Facility	2	10.063.835	26.400.000	36.463.835	23.5
Other	1	100.000	-	100.000	0.1
TOTAL	65	62.925.551	92.388.482	155.314.033	100

Source: IFAD's Financial Management Dashboard, Grants and Investments Projects System, Records Management System, Operations Document Center, People Soft Financials and xdesk.

EVALUATION FINDINGS

Context. The past seven years in Kenya have seen considerable political, economic and environmental challenges. In particular, tension around elections, complex devolution processes and severe drought affected the country. While Kenya is a strongly growing economy, poverty is still high and wealth is unequally shared. The Government has maintained a strategic emphasis on agriculture, although its budget commitments have not met the Comprehensive Africa Agriculture Development Programme targets. The private sector is expected to adopt an increasingly vital role in driving the rural economy forward; it is seen as a key element in the Government's new Big Four agenda[1].

Achieving food security through higher incomes and greater food resilience is a central tenet of the new Big Four strategy. The strategy foresees that smallholder production will be boosted by improved feed supply, credit, warehousing, licensing and support to small and medium enterprises, and enhanced irrigation and fish farming. This agenda is bringing a renewed impetus to the agriculture sector, and IFAD is well placed to align with the imperatives of improving food security alongside a more competitive, market-led enterprise-driven approach backed by government policy and regulatory reform.

IFAD's engagement in Kenya has grown since the last CPE (2011). IFAD established a country presence (2008), shifted to direct supervision and implementation support (2008) and set up a Country Programme Management Team. Since 2011, the country programme manager (CPM) has been out-posted to Nairobi. IFAD's strategic objectives shifted from broad community development towards selected value chains, investing more in semi-arid areas, improving access to rural finance and continuing to address environmental degradation and climate change.

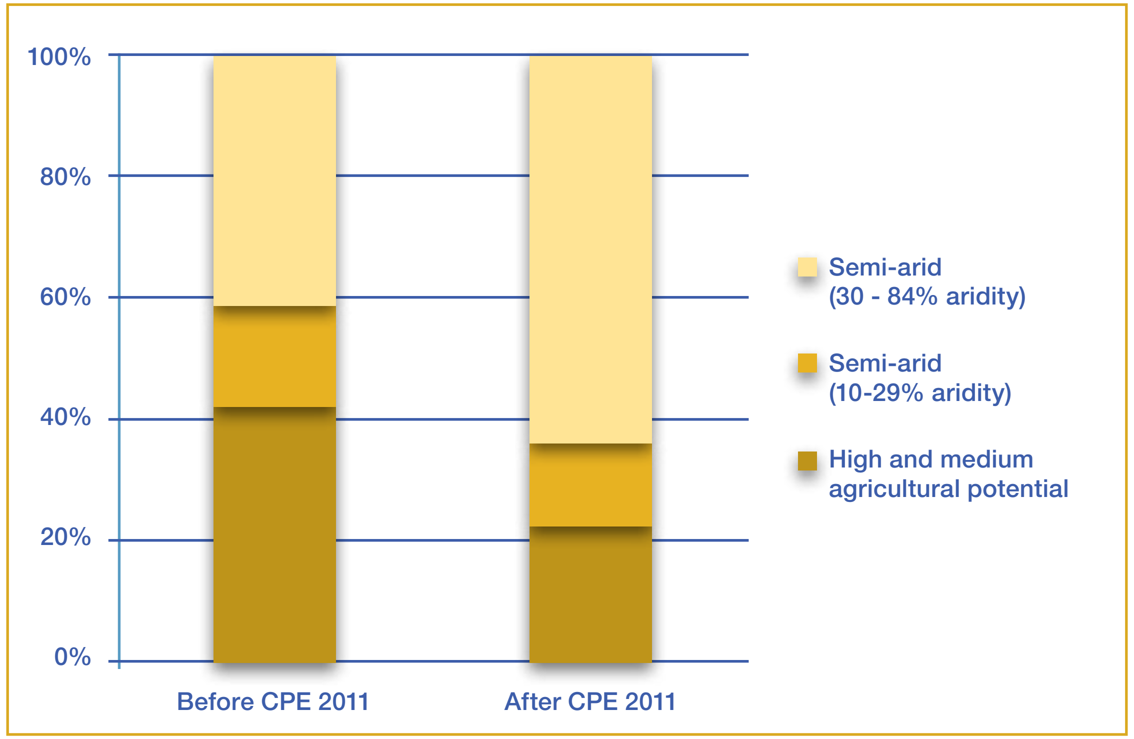
Relevance. The portfolio has been well aligned with government strategies in terms

[1] The Big Four in the President's agenda are: manufacturing, universal healthcare, affordable housing and nutrition and food security.

of thematic focus. However, project designs have only partly adapted to the devolution in terms of targeting and service provision. Only the recent projects have been able to align with the growing county-level mandate to manage their own funding and planning. Targeting has been sound geographically and with sufficient specificity to reach certain groups, in particular women, and to a lesser degree youth. Pastoralists in arid areas have not been targeted.

Recent projects focused on single sub-sectors, which helped to reduce some complexity in design. However, the complexity of engaging with multiple partners along the value chain was overambitious, and value chain diagnoses were insufficiently performed. Ambitions were also high in rural finance. The shift from relatively minor rural finance sub-components in projects to a major new investment in rural finance through a stand-alone project represents a significant change

Proportion of allocated funding for projects designed before and after Kenya CPE 2011



Source: IFAD's Grants and Investment Projects System.

in approach. The complexity and high risk of this approach placed immense challenges on the Project Coordination Unit and its service providers, and led to serious delays.

Effectiveness. Overall there has been a good level of output and outcome delivery in the lending portfolio. Service provision has strengthened in the form of better-trained extension, health and social officers. Group formation and capacity-building generally met or exceeded targets across the portfolio, as did the preparation of action plans. Environmental targets were mostly achieved in areas such as reduced pollution, forest protection and soil conservation measures. The portfolio achievements were not satisfactory with regard to surveys or diagnostics, and transition to commercial groups. Often these outcomes occurred after a slow start-up period, followed by a rapid and strong period of delivery in the mid to late phase of the project.

Beneficiary outreach targets have been met or exceeded for three of the four completed projects, and overall some 2.3 million people have been reached, against a target of 2.6 million. Beneficiary groups were established, supported and trained by projects in various sectors including health, roads, water, forestry, dairy and horticulture production. Over 2,000 hectares of irrigation schemes have been improved, and soil, water and forest management have also improved. The earlier projects were broadly effective in reaching their physical targets and did so using community-based group-led approaches and action plans.

NRM projects have resulted in improved access to natural resources, and communities have been empowered to manage these resources in a sustainable way. The Mount Kenya project supported the rehabilitation of natural resources within the protected forest and assisted conservation and rehabilitation along five river basins outside the protected area. The Upper Tana Project has continued some of these activities and supported the rehabilitation of 28 river basins.

Value chain-related activities have contributed to increased productivity of crops and livestock, but the activities related to marketing and processing have been less successful. The expected synergies between rural finance and value chain projects were not realized. In rural finance, the delayed results, the low quality of the lending portfolio and the limited outreach to the IFAD target group have been of concern. Outreach to women was good throughout the portfolio and people living with HIV/AIDS were consistently targeted. Youth and pastoralists were not sufficiently reached.

Efficiency. Overall efficiency has been constrained by slow disbursement. The slow issue of Authority to Incur Expenditures was a concern raised in the last CPE and relates to the fact that Project Management Units cannot spend funds until the supervising government authority delegates permission to spend funds to the Unit, usually the Project Manager. The issue has affected all projects and was slow to be addressed due to the ongoing changes in institutional roles and responsibilities. Staff capacities were insufficient due to high levels of turnover and under-staffed Project Coordination Units.

Actual management costs have exceeded the planned allocations for all projects, although the proportion of funds spent on project management costs has fallen from a high of 35 per cent in the earliest project reviewed (CKDAP) to less than 20 per cent for the recently closed horticultural project. Higher than expected management costs for the closed projects were attributed to duplication of coordination structures, the need to match allowances prevailing in the Government, increased fuel prices, and poor planning of Annual Work Plan and Budget activities and project extension. Costs per beneficiary were highest in the value chain projects due to the relatively smaller number of beneficiaries reached. The earlier community development projects kept closest to their estimated cost per beneficiary.

Impact. The available impact studies have found positive economic changes for beneficiaries of all projects. Household incomes reportedly increased between 70 per cent in the earliest project (CKDAP) and 14 per cent in the ongoing Upper Tana Project.

Change in household incomes for selected projects

Project	Nature of change	Direction and magnitude of change (beneficiaries)
UTNRMP	Between baseline and endline for beneficiaries only	+ 14%
SHoMaP	Between treatment and control groups at endline	+ 30%
MKEPP	Between baseline and endline for beneficiaries only	+ 22%
CKDAP*	Between baseline and endline for beneficiaries only	+ 70%

*Household expenditure used as a proxy for income.

Housing conditions were found to be improved as a result. Increasing agricultural production was a central tenet of all projects in the portfolio and it was the most important reason for increases in household incomes and assets.

Changes in productivity occurred for a host of reasons: training; field demonstrations; improved crop varieties and livestock breeds; and the introduction of new technologies such as banana tissue culture. Food security generally improved, as beneficiaries had access to more diverse food baskets, including higher levels of animal and vegetable proteins, and lower levels of tuber and fruit consumption.

For two projects (SHoMaP and SDCP), the studies were able to attribute the significant improvements in productivity, food security and incomes to the project. Here lower transportation costs, better prices and stronger local demand (in the case of milk) led to increased incomes. For all projects, the positive changes, such as increases in productivity, were the result of production-side interventions only. Positive results emanating from the market-side interventions were far less visible.

Training in group dynamics led to positive outcomes such as reduced conflicts. However, the results in terms of group cohesion were mixed. In some instances, project duration was too short to reach a level of social cohesion. Negative group dynamics and mistrust among newly formed commercial groups were difficult to overcome and there were issues of weak governance and leadership. The more successful groups were those that were relatively mature (dairy) and those that were formed and governed by the national constitution (NRM

Change in household assets for selected projects

Project	type of change	magnitude of change
UTNRMP	Number of households owning assets as compared to baseline	+14 %(2nd quartile) +16% (3rd quartile)
UTNRMP	Proportion of beneficiary households living in temporary housing	11% (baseline) 4.2% (endline)
MKEPP	Proportion of beneficiary households living in temporary housing	21.8% (baseline) 8.2% (endline)

groups). The projects successfully built the capacities of staff of government institutions. However, most projects did not have explicit interventions to influence national policy. The grass-roots organizations formed or supported by the projects did not always transform into permanent structures.

Sustainability. Across the portfolio, group formation and ownership have been a strong

Conflict over water results in collaboration:
The case of the Lower Rupingazi-water resource user's association (WRUA)

Before the formation of the Lower Rupingazi WRUA, there was a severe conflict among upstream and downstream communities along the Rupingazi River and its tributaries. Upstream communities were over-abstracting water from the river and diverting the streams to irrigate their expanding farms, while the downstream communities were receiving less and less water. A cholera outbreak in 2000 was exacerbated by the fact that untreated sewage was directed into the same river that the water vendors were using to supply water to fresh vegetable sellers in Embu town. The community held a demonstration at the District Water Offices and the idea of a water resource users association was born, making the Lower Rupingazi WRUA one of the oldest WRUAs in the country. After the operationalization of the Water Act of 2002, the WRUA was registered under the Societies Act.

Lessons from the Rupingazi WRUA have assisted the Government to refine the rules and regulations for WRUAs and to share best practices with upcoming WRUAs. For example, initially the WRUA covered only 63 km^2, but after the review of the regulations, several smaller WRUAs were merged to meet the minimum size of 100 km^2 for a single WRUA as per the guidelines. The institutional capacity- building provided, first during MKEPP and later during UTNRMP, enabled the WRUA to fulfil its mandate, including managing conflicts among water users, rehabilitating degraded sections of the sub-catchment, implementing spring protection and irrigation schemes, and establishing and implementing a water-rationing regime especially during the dry season. The user fees charged to households and institutional users, such as Kangaru High School and the Isak Walton Hotel, are used to cover operational and maintenance costs. The WRUA has plans to initiate income-generating activities to diversify its sources of revenue and enable the members to implement a wider range of activities in the sub-catchment.

feature of IFAD interventions. The sustainability of project assets has benefited from the engagement, participation and ownership of local communities and grass-roots organizations. Where enshrined in law, user associations have continued to be effective and many have become self-financing.

Some project infrastructures such as health clinics have been taken over and run by county health departments. However, counties have yet to fully absorb and fund project assets, for example the markets funded under the horticulture project (SHoMaP). At times the ongoing changes of institutional responsibilities have led to delays and inaction at the local level with regard to asset maintenance.

Rural finance models have shown only partial sustainability. Only few community-finance associations established under the earlier projects are still operating. Inadequate staffing, poor security in remote locations, loan default and competition have all affected their survival, as well as their lack of clear legal status. For the ongoing financial graduation pilots, sustainability will depend on the formalization of the savings groups and their linkage to formal financial services through microfinance and banks.

The involvement of the private sector is a key element of sustainability. The links made with private sector actors to enable continued commercial growth of production activities have been valuable – for example, linking dairy groups to the savings and credit cooperative organizations or bulk buyers to the large dairy companies. Lack of linkages with financial service providers in value chain projects may hinder the sustainability of benefits that depend on continued access to finance to maintain and expand project assets.

Innovation. The portfolio has taken innovation seriously in a country which is acknowledged as a leader in innovation. In rural finance, IFAD introduced innovative financial approaches such as value chain financing, micro-venture capital modalities and weather index-based insurance. In NRM, innovative practices such as school-greening, use of indigenous knowledge, hydroponics and solar-powered electric fencing were promoted. The introduction of a value chain approach in the arid and semi-arid lands (ASAL) areas has also triggered the innovative inter-weaving of different production and marketing elements such as conservation agriculture, a county climate change fund, climate information services, warehousing, and new partnerships with private sector and research agencies.

Scaling up. There are examples of replication and scaling up through extension of the duration of projects and adoption by the Government and other actors. Horticultural technologies were replicated by private sector entrepreneurs and initiatives as well as by nearby county governments. However, opportunities were missed to expand to a national level and in other cases have yet to take place. IFAD's work in the NRM sector has been taken to scale by Upper Tana, which rolled out practices such as forest rehabilitation and river basin protection piloted by Mount Kenya over a much larger area.

Gender equality and women's empowerment. Gender has been a successful theme in the portfolio. The promotion of gender equality and women's empowerment has resulted in significant achievements, improving women's access to resources, assets and services and their influence in decision-making at home, in groups and in the community. In this way, the portfolio has contributed to addressing root causes of gender inequality in rural Kenya and to challenging traditional gender norms and roles. Relatively less attention has been given to reducing women's "time-poverty" by promoting an equitable workload balance between women and men. The potential of the portfolio to enable gender-transformative impact is set to increase with the implementation of household methodologies. Women-headed households have benefited from project interventions, although less than male-headed households.

Youth. Youth were not consistently targeted, and outreach has been mixed as a result. For example, 60 per cent of the members of the savings groups in the financial graduation pilots in Kitui county are youth; youth also account for 20 per cent of the members in the project-supported dairy groups. Youth have benefited from interventions, such as cows and other asset transfers, improved access to savings and loans, and employment by marketing milk on motorbikes in these projects. But youth were only indirectly targeted in two of the reviewed projects and not targeted at all in another two projects.

NRM. NRM has been a strong and successful theme within the portfolio. The two main projects in the area of natural resources, the environment and climate change performed very well. They have resulted in improved access to natural resources and a growing empowerment of communities to manage these resources in a sustainable way. Other IFAD projects contributed to NRM outcomes through, for example, the establishment of tree nurseries for agro-forestry and the rehabilitation of degraded areas, and promotion of soil and water conservation.

Climate change was not consistently recognised and mitigated in the portfolio. In the earlier projects, recognition of climate risks was minimal and indicators were not included. Nevertheless, actions such as supporting drought-resistant crops, biogas plants, energy-saving stoves and tree nurseries appeared as part of the activities. Climate change adaptation strategies were relatively well incorporated into projects, including conservation agriculture, irrigation, promotion of drought-tolerant crops and integrated pest management.

Knowledge management. Attention to knowledge management in projects has been unsatisfactory. Although knowledge products have been produced by some projects, they have not been well harnessed by IFAD or others. There was hardly any country-level analysis; for example, no review of the current COSOP has taken place from 2013 until this year. IFAD has also paid less attention to strengthening the Government's role in and ownership of knowledge management – for example, IFAD linking project M&E with the National Integrated Monitoring and Evaluation System (NIMES) and the County-level equivalent (CIMES).

Partnership-building. IFAD has maintained good relations with national and local government agencies involved as implementation partners. IFAD projects are generally seen as being responsive to local needs. The 2007 and 2013 COSOPs recognized the need to strengthen local authorities and communities to manage their own development as part of the ongoing devolution process. However, while overall support was positive, there were no specific measures identified or funded to help implementing partners to adjust to the ongoing institutional changes.

The private sector should have played a greater role in partnerships. Project designs underrated the role for the private sector as partner in horticulture, dairy and cereal value chains; private sector actors were seen to have complementary though secondary supporting roles. In the recent operations, certain private sector actors, particularly banks, agro-dealers, traders and NGOs, have taken a more active role.

Cofinancing has not been a prominent feature in the portfolio but has been increasing in the recent projects. The two NRM projects (Mount Kenya, Upper Tana) had cofinancing from GEF and the Spanish Trust Fund, respectively. The ongoing value chain projects (KCEP, ABDP) have cofinancing from the European Union and the Food and Agriculture Organization of the United Nations (FAO), respectively.

Interaction with the Rome-based agencies has improved over the years and their complementary roles have been focused and valuable. FAO in particular has been closely involved in technical and training work around IFAD's investments in aquaculture, ASAL and dairy.

Policy engagement. The 2013 COSOP agenda remained as ambitious as the earlier COSOPs, yet while a country office was established in the interim, limited resources were provided and no clear mechanisms were defined to take policy work forward to a new level. The relatively high turnover of CPMs has also contributed to the limited engagement. Nevertheless, IFAD has been active in the sector working groups, and its contribution has been seen as particularly strong in the past five years.

Policy engagement was one of the focus areas of IFAD grants, with some positive results. For example, the grant in support of the African Green Revolution Forum led to the President of Kenya announcing a fund for young farmers and young agriculture entrepreneurs. Another example is the grant for Pro-poor Rewards for Environmental Services in Africa that contributed to the adoption of rewards for environmental services in the Kenya Water Policy under the new Constitution of 2010.

Grants. The grant portfolio of Kenya has been broadly relevant and aligned to IFAD strategies. Grant-funded areas were of key importance to the country strategy and thus have contributed to COSOP objectives. Although grants targeted relevant thematic areas, few documented examples exist that demonstrate the uptake of results from their activities, such as the support for capacity-building for community groups to improve their production and incomes. Often actions were conducted at very small scale compared to the size of the watersheds and this limited their relevance to policy makers.

Regional grants account for the largest share of this portfolio, but for those grants that focused on knowledge management there was lack of a clear framework to engage with the country programme. This resulted in knowledge being disseminated through regional (east Africa) workshops as opposed to country-level workshops, which would have been more effective. The country portfolio could have benefited from more country-specific grants.

IFAD as a partner. IFAD has achieved higher and more effective interaction with the Government, partners and projects, especially since the establishment of direct supervision in 2008. IFAD has been active in the donor coordination groups, such as the Agricultural Rural Development Group, although it has not taken a chairing role so far. It is seen as a valuable partner with strong field knowledge and valuable experiences to share. The IFAD office in Nairobi faces a high burden with regard to coordination because of the large donor presence. The regional hub role of the office also places an additional layer of complexity on the IFAD team. Currently there are five staff contributing to strategy and policy engagement. However, three of them (covering Gender and Youth, Environment, and European Union Operations) also have a regional role.

Smallholder Dairy Commercialization Programme

Dairy farmer. Kapkures Dairy Group, Nakuru County, Kenya.

©IFAD/Johanna Pennarz

The Government as a partner. The Government has made several changes to the ministerial framework that have made relations less efficient. The Government's devolution policy has negatively affected project efficiency. From 2013 onwards, when the devolution policy came into effect, increasing implementation responsibility for projects was placed on county governments rather than line ministries. At district/county level, facilitation teams were the mechanism used to provide coordination with local government structures.

In general, the anticipated government contributions have been met or exceeded. The Project Management/Coordination Unit model has worked to the benefit of projects in terms of finance and procurement, especially from 2013 onward, when devolution was ongoing. Since 2016, projects have had to work harder to integrate with county-level arrangements. Only the most recent project (ABDP) has been able to reflect more clearly the new relationship between national and county governments by setting up dedicated project accounts at county level alongside the national account.

CONCLUSIONS

Adapting to the process of devolution has been a defining challenge for IFAD and affected the portfolio's performance and sustainability over the COSOP period. IFAD's procedures were somewhat slow to adapt. The need to engage effectively with both national and county-level partners has added pressure on the limited IFAD Country Office resources. Devolution, government ministry reorganization, and slow policy reform processes have also limited the impact of the substantial investments into building the capacities of government staff and other service providers in areas such as agricultural extension, credit delivery, marketing and gender mainstreaming until now. Only recently have newer projects been able to align with the growing county-level mandate to manage their own funding and planning.

The lending portfolio has been affected by slow disbursement and over-ambitious start-up timeframes. Project delivery has relied on Project Management Units, which also had to adjust to the growing role of county governments. These Units have continued to suffer delays around staff recruitment and partnership-building, and have proved costlier than planned. Projects that have been extended, or have been able to use established management infrastructure, were able to avoid these start-up delays.

Despite these challenges, the portfolio has overall achieved a moderately satisfactory performance, mainly due to the following reasons. The continuity of and extended financing for project implementation has enabled interventions to build on existing institutions and lessons learned, and it has deepened effectiveness. While IFAD has tried to introduce new approaches to its portfolio and given more attention to rural finance and to private sector engagement, this has increased the complexity of designs and implementation, leading to delays in disbursement, difficulties in achieving sufficient staff capacity and finalization of partnership agreements. IFAD's focus on supervising project management has absorbed considerable resources, but has yielded positive results within the lending portfolio, in particular with regard to outreach to poorer groups, integration of cross-cutting issues and fiduciary oversight.

IFAD has met head-on the difficult task of building more commercial approaches amidst the poor and resource-challenged farmers, especially in ASAL areas. Group approaches have worked here to provide risk-sharing, and IFAD has also been innovative in bringing in solutions around credit delivery, agro-processing and environmental management. But graduation models, while offering a logical pathway for households to produce at a more commercial level, have sometimes been over-ambitious, especially where climate risks are acute or where links to large processors remain a challenge.

IFAD has achieved most success in the area of NRM, and value chains and rural finance have also performed well. Working with group-based approaches in NRM has been successful and sustainable because of the favourable legal and institutional framework in Kenya, and IFAD has thus been able to leverage its comparative advantage in community development. For value chains, IFAD has been successful for relatively mature and better integrated value chains such as dairy, while in the more nascent and less integrated value chains such as horticulture it has been unable to achieve the stated objectives within the limited span of a project. Progress has been made on raising the productivity of dairy, horticulture and cereal producers, but linkages with the processing and marketing parts of the value chain have not yet been fully realized. With rural finance, IFAD has stimulated immense interest in its drive to leverage Kenya's banks and microfinance institutions to lend to smallholder producers as well as in preparing poorer farmers to access credit through financial graduation. There is good potential now to expand, while more carefully monitoring who benefits. Expected synergies between rural finance and value chain projects have yet to be fully realized.

Targeting of the poor has been successful in the NRM and value chain projects and also in the financial graduation component of the rural finance project. Targeting has been strong in terms of gender, with an increasingly transformative approach. On the other hand, youth have been less well addressed, and IFAD could have done more to focus on this constituency given that nationally youth unemployment is double that of adults. The move toward the ASAL, recommended by the last CPE, has been limited to semi-arid areas so far. Given that IFAD has a focus on value chains and so far has not been able to reach out to pastoralists, targeting the arid areas may be hard to realize within the COSOP objective of market access. The newest project (ABDP) reflects again a move away from an ASAL focus.

The large scale of operations, the complexity of projects and the geographic spread have absorbed the limited the IFAD Country Office resources and left little time to engage in non-lending activities. Policy dialogue has been *ad hoc* and without a coherent approach that builds on the lending portfolio as a whole, and with a somewhat detached grant portfolio. So far IFAD's policy work has been through active engagement in donor and government working groups. However, there is considerable potential for IFAD to draw on its field experiences to inform the wider national policy agenda in Kenya as well as to inform IFAD and its other development partners. Knowledge management has received insufficient attention, and M&E has not been robust enough to drive the capture of useful findings, and the IFAD country office has not had capacity to aggregate and share evidence across the portfolio. Learning lessons has not been helped by the high turnover of IFAD CPMs and the failure to monitor COSOP performance punctually. Partnership-building has been more effective but mainly built around project service provision, and with somewhat less success with private sector actors. International cofinancing has been increasing in the newer projects and there is scope for further growth. Partnerships with the Rome-based agencies have been relatively new, but they are showing promising signs of success. Challenges remain with regard to the coordination of activities on the ground.

RECOMMENDATIONS

Recommendation 1.

Consistent with the importance and size of the Kenya portfolio, commit sufficient effort and resources to non-lending activities. In line with the recommendations from the last CPE, this CSPE highlights the need for engagement beyond lending, recognizing the significance of Kenya as a hub for international development partners and the size of IFAD's investment in the country. The next COSOP should define specific areas for policy engagement together with an actionable strategy and dedicated (financial and human) resources. This means that additional staff with relevant technical skills will need to be added to the IFAD country office. Areas for policy engagement need to build on IFAD's comparative advantage in the rural sector and its long-standing experiences on the ground. It is expected that policy engagement will also benefit from the expertise available within the new Eastern Africa and Indian Ocean Hub of IFAD, based in Nairobi. Greater investment from loans and grants is needed to take stock of experiences and analyse successful models that can effectively inform the lending operations. In addition, mechanisms for cross-learning between projects and non-lending activities should be adopted as part of the annual portfolio review. More active contribution to and use of knowledge-sharing platforms (within IFAD and with other development partners) should be pursued, and IFAD should work to better integrate its M&E systems with national systems (NIMES, CIMES) as well with close partners such as FAO.

Recommendation 2.

Build on IFAD's comparative advantage and retain focus on selected themes and geographic areas. There is still "unfinished business" in the areas where IFAD has successfully worked in the past. IFAD's portfolio should continue its focus on NRM, value chains and rural finance. It should concentrate on consolidating its achievements (e.g. by strengthening market access), identify and strengthen linkages (e.g. between rural finance and value chains), and deepen inclusive outreach (e.g. to youth). Geographic stretch should be reduced through greater focus on selected counties in semi-arid areas. IFAD should build on places where it has established good relations and the County Integrated Development Plans can integrate IFAD activities. To ensure stringency in its selectivity, IFAD should dialogue with the Government on aligning its requests with IFAD's comparative advantage in Kenya.

Recommendation 3.

Address recurrent design and institutional issues undermining programme efficiency within the context of the ongoing devolution process. Lessons from overambitious and overly complex project designs have yet to be learned. Designs need to be realistic and implementable, supported by sound technical and institutional analysis. Given the complexity of the portfolio and the limited resources of IFAD's country office, inefficiencies in project management should be addressed by more realistic timeframes and better sequencing of activities. This would allow sufficient time to establish partnerships, recruit staff and conduct baselines. From IFAD's side, it should aim to reduce loan disbursement delays; from the Government's side, it should recruit project staff and set up Authority to Incur Expenditures in a more timely manner. Fiduciary controls should be retained in small but capable Project Management Units while at the same time seeking greater integration with devolved government planning, financial procurement and M&E systems. Greater ownership at county level is desirable and could be fostered through participation right from project design and start-up (e.g. inclusive project launches). IFAD-supported projects should make sure that they are included in the County Integrated Development Plans and that county government budgets assume an appropriate level of cofinancing. IFAD and the Government should assess economic return and value for money more rigorously, particularly for value chain projects.

Recommendation 4.

In line with the Government's strategic planning, create space and opportunities for engaging the private sector. The success of the value chain and rural finance projects will depend to a large extent on the involvement of private sector players. Within the Government's strategy (Big Four) the private sector is expected to contribute significant financing to drive the rural economy. In the value chain projects, the role of the private sector could be enhanced through improved supply of inputs, credit and market-related infrastructure (e.g. warehouses). IFAD will need to play a stronger brokering role between farmer groups and private sector partners. The public-private-producer partnerships will require strategies to identify and mitigate the risks and transaction costs for all stakeholders.

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Cover photo
Banana farmer, Upper Tana Catchment Natural Resource Management Project.

Njega Banana Growers Group,
Krinyaga County, Kenya.