



**New Partnership for  
Africa's Development (NEPAD)  
Comprehensive Africa Agriculture  
Development Programme (CAADP)**



**Food and Agriculture Organization  
of the United Nations  
Investment Centre Division**

## **GOVERNMENT OF THE REPUBLIC OF KENYA**

### **SUPPORT TO NEPAD–CAADP IMPLEMENTATION**

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**NATIONAL MEDIUM TERM INVESTMENT PROGRAMME  
(NMTIP)**

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**KENYA: Support to NEPAD–CAADP Implementation**

**Volume I: National Medium–Term Investment Programme (NMTIP)**

*Bankable Investment Project Profiles (BIPPs)*

**Volume II: Agriculture Focused Rural Finance Project**

**Volume III: Integrated Land and Water Resources Management**

**Volume IV: Disease Control and Facilitation of Livestock Commodities Marketing**



## KENYA:

### NEPAD–CAADP National Medium–Term Investment Programme (NMTIP)

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### Abbreviations

ADB	African Development Bank
ALRMP	Arid Lands Resource Management Project
ASAL	Arid and Semi–arid Lands
ASSP	Agricultural Sector Support Programme
BIPP	Bankable Investment Project Profile
CAADP	Comprehensive Africa Agriculture Development Programme
CAS	Country Assistance Strategy (WB)
CBO	Community–based Organizations
CEM	Country Economic Memorandum (WB)
CFA	Canada Fund for Africa
CIDA	Canadian International Development Agency
COSOP	Country Strategic Opportunities Paper (IFAD)
CSP	Country Strategic Plan (ADB)
CSP	Country Strategy Paper (EU)
DDC	District Development Committee
DFID	United Kingdom Department for International Development
DFRP	District Focus for Rural Development
EDF	European Development Fund
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation 2003–2007
ESP	Economic Strategy Paper 2002–2007
FFS	Farmer Field Schools
GDP	Gross Domestic Product
GEF	Global Environment Facility
GM	genetically modified
GOK	Government of Kenya
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Development Cooperation, Technical Assistance)
HMPL	High and Medium Potential Lands
ITDG	Intermediate Technology Development Group
IGAD	Intergovernmental Authority on Development
KAPP	Kenyan Agricultural Productivity Project
KARI	Kenya Agricultural Research Unit
KCC	Kenya Cooperatives Creamery
KfW	<i>Kreditanstalt für Wiederaufbau</i> (German Development Cooperation, Financing)
KRDS	Kenya Rural Development Strategy 2002–2017
KSB	Kenya Sugar Board
MCDM	Ministry of Cooperative Development and Marketing
MENRW	Ministry of Environment, Natural Resources and Wildlife
MOA	Ministry of Agriculture
MOALD	<i>(former)</i> Ministry of Agriculture and Livestock Development
MOLFD	Ministry of Livestock and Fisheries Development
MRD	Ministry of Regional Development
MWRMD	Ministry of Water Resources Management and Development
NALEP	National Agriculture and Livestock Extension Programme
NARC	National Rainbow Coalition
NARP II	National Agricultural Research Project II
NEAP	National Environment Action Plan

NEMA	National Environmental Management Authority
NEPAD	New Partnership for Africa’s Development
NIB	National Irrigation Board
PEAK	Pathways for Environmental Action in Kenya
PRSP	Poverty Reduction Strategy Paper 2001–2004
REAP	Rural Enterprise and Agri–Business Promotion Programme
RELMA	Regional Land Management Unit (SIDA)
SIDA	Swedish International Development Agency
SPFS	Special Programme for Food Security
SRA	Strategy for Revitalizing Agriculture
TAG	Technical Assistance Grant (IFAD)
WRMA	Water Resources Management Authority

## *Preface*

*In an effort to halt and reverse the decline of the agricultural sector in the continent, the African ministers for agriculture unanimously adopted, at the 22<sup>nd</sup> FAO Regional Conference for Africa, held on 8 February 2002 in Cairo, a resolution laying down key steps to be taken in relation to agriculture in the framework of the **New Partnership for Africa’s Development (NEPAD)**. As a follow–up to this resolution, they endorsed, on 9 June, 2002, the **NEPAD Comprehensive Africa Agriculture Development Programme (CAADP)**. The recent **Declaration on Agriculture and Food Security in Africa**, ratified by the African Union Assembly of Heads of State and Government during its Second Ordinary Session, held in Maputo between 10 and 11 July 2003, provided strong political support to the CAADP. During this session, the Heads of State and Government agreed to adopt sound policies for agricultural and rural development, and committed themselves to allocating at least 10 percent of national budgetary resources for their implementation within five years.*

*The CAADP provides an integrated framework of development priorities aimed at restoring agricultural growth, rural development and food security in the African region. In its very essence, it seeks to implement the key recommendations on food security, poverty reduction and sustainable use of natural resources, made at recent global conferences. The CAADP comprises **five pillars**:<sup>1</sup>*

- 1. Expansion of the area under sustainable land management and reliable water control systems.*
- 2. Improvement of rural infrastructure and trade–related capacities for improved market access.*
- 3. Enhancement of food supply and reduction of hunger.*
- 4. Development of agricultural research, technological dissemination and adoption to sustain long–term productivity growth.*
- 5. Sustainable development of livestock, fisheries and forestry resources.*

*As an immediate follow–up to the Maputo Declaration, representatives of 18 African ministries for agriculture from member countries of the NEPAD Implementation Committee, the NEPAD Steering Committee, the African Development Bank, the World Bank, the International Fund for Agricultural Development, the World Food Programme, FAO and civil society, participated in a meeting held in Rome on 17 September 2003, in order to discuss the implementation of the CAADP, and more specifically the:*

- Methodology for the review/update of the **national long–term food security and agricultural development strategies**.*
- Preparation of **National Medium–Term Investment Programmes (NMTIPs)**.*
- Formulation of the related “**Bankable Investment Project Profiles**”(BIPPs).*

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<sup>1</sup> Pillar 5 was initially not part of CAADP, but has been added in recognition of the importance of the sub–sectors.

*It is within this context that the Government of Kenya, in an effort to reinforce its interventions aimed at fighting poverty and food insecurity, has requested FAO to assist in preparing a NMTIP and a portfolio of BIPPs, with the aim to:*

- *create an environment favourable to improved competitiveness of the agricultural and rural sector;*
- *achieve quantitative objectives and mobilize resources to the extent needed for the associated investment in agriculture;*
- *achieve the targeted allocation of national budgetary resources to this area, reflecting the commitment made in the Maputo Declaration; and*
- *create a framework for coordinated bilateral and multilateral financing of the sector.*

*The present NMTIP, which draws on work of the recent the Kenya Rural Development Strategy (KRDS), the Economic Recovery Strategy for Wealth and Employment Creation (ERS), the Strategy for Revitalizing Agriculture (SRA) and the Poverty Reduction Strategy Programme (PRSP), was prepared by a team of consultants<sup>2</sup>, under the overall supervision of the National Project Coordinator/NEPAD focal point in the Ministry of Agriculture<sup>3</sup>. The team was assisted by an officer of the FAO Investment Centre Division<sup>4</sup> while the Office of the FAO Representative in Kenya provided crucial administrative support. In the process of preparing this document, participation was sought from major stakeholders from government, development partners, farmer's organisations, private sector and civil society. Key to the finalization of the NMTIP was the **National Stakeholder Workshop** held on 8 June, 2004, during which a draft of this document was discussed and validated, and project ideas for the BIPPs prioritized, based on agreed-upon selection criteria. Three of these were further developed into BIPPs, that are presented in a separate document.<sup>5</sup> Lastly, the NMTIP and the BIPPs were reviewed by an FAO Virtual Task Force of technical experts.*

*This document starts with a brief description of Kenya's agricultural sector in the context of the country's economy and poverty and food security situation. This is followed by a review of national and development partner strategies and programmes, lessons learned, and an analysis of the principal constraints to, as well as opportunities for, the development of the sector. Based on this analysis and taking into account existing government strategies and the five pillars of CAADP, priority areas for investment have been identified. Finally, an attempt has been made to estimate the financing gap in terms of additional resources that would be required to meet the target of allocating 10 percent of national budget to the sector within five years, and a proposal put forward for monitoring and evaluation of the NMTIP implementation.*

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<sup>5</sup> For the purposes of the present exercise, "Bankable Investment Project Profiles" are defined as documents elaborated in a format and with the information that could make them favourably considered by the financial institutions, donors and private investors foreseen in the Maputo Declaration. These documents should enable cooperating partners to make preliminary indications of interest, and of approximate level of funding commitment. Further feasibility analysis and subsequent processing through the concerned partner(s) regular project formulation systems would follow to obtain a project/programme proposal elaborated to the feasibility study level.

## I. INTRODUCTION

### A. The Economy

I.1. The economy performed well in the first decade of independence but declined below its potential during the 1990s. Since 1997, growth has averaged only 1.3%, consistently below the rate of population increase. Consequently, per capita income in constant 1992 prices declined from US\$271 in 1990 to US\$239 in 2002. The proportion of the population living in poverty rose from 48.8% (11.3 million) in 1990 to 51.4% (14.4 million) in 1997 and 55.4% (17.1 million) in 2001. It is estimated to have increased further to 56% in 2003 and achievement of the Millennium Development Goal of cutting in half by 2015 the proportion of Kenyans living in poverty in 1990 appears unlikely.

I.2. Reasons for the weak economic performance and high incidence of poverty include the persistence of pervasive governance failures, the slow pace of economic reforms, low savings and investment, a weak banking system, intermittent shortages and high costs of power, and poor physical and telecommunication infrastructure, together with an inward looking trade regime that has protected industries from international competition. The continued high fertility rate and the burden of disease — particularly HIV/AIDS, where the infection rate reached 13.5% of the adult population in 2000, and malaria — are also contributing to the slow growth rate by keeping the dependency ratio high.

I.3. Partly because of the expected improved policy environment under the new government, elected in December 2002, the potential for economic growth is considered greater than the poor performance of the 1990s suggests. Although the new government inherited a weak fiscal position, strong monetary management in the 1990s produced low inflation and a stable exchange rate. The new *Economic Recovery Strategy for Wealth and Employment Creation* (ERSWEC), launched in June 2003, calls for redefining the role of the state as a facilitator for private sector growth and investment. The strategy identifies key policy actions to spur the economy which include maintaining an environment of macro economic stability, strengthening of institutions of governance, rehabilitation and expansion of physical infrastructure and investment in human capital of the poor. The key theme of the strategy is to strengthen policy and regulatory functions of the state and transfer productive and service delivery activities to the private sector and farmer organizations.

### B. The Agricultural and Rural Sector

I.4. *Contribution to the Economy.* Agriculture is the largest single sector of the economy, directly contributing 26% of GDP and indirectly another 27% through linkages with manufacturing, distribution and other service-related sectors. The agricultural sector accounts for 60% of total employment, with women providing 75% of the labour force. About 80% of the population lives in rural areas and agriculture remains a major source of income although many small farmers are part-time and have additional sources of revenue. The majority of the poor are also to be found in rural areas. Despite its critical contribution to Kenya's development, the rural economy has been languishing due to the poor performance of the agricultural sector. The average annual growth rate of 1.3% between 1990 and 2000 was well below the growth of more than 4% per year achieved during the 1980s. The overall decline is attributed to a mix of exogenous and endogenous factors such as: poor weather and declining world commodity prices; declining fertility of land and poor management of water resources; inadequate infrastructure — particularly rural roads; limited access to credit; poor governance, weaknesses of agricultural institutions; lack of a coherent agricultural policy; and HIV/AIDS resulting in a deteriorating health status of the rural population.

I.5. **Physical.** Kenya's agriculture is mainly rainfed with only about 16% of the land mass of 576,000 km<sup>2</sup> considered to be high and medium potential land (HMPL) favourable to agricultural development. In this area (HMPL), which hosts 75% of the rural population, crop and grazing lands occupy 31 percent and 30 percent respectively, with forests (22 percent), game parks (12 percent) and urban areas, homesteads and infrastructure covering the rest. The remainder of the territory is classified as arid and semi–arid lands (ASAL) and characterised by pastoral livestock production systems with large tracts of communal grazing land and ranches. Only 19 percent of this area is capable of supporting some agriculture — drought tolerant food crops and some tree crops such as gum Arabic, while 31 percent is suitable for ranching or some other form of sedentary livestock keeping and the remaining 50 percent can only support nomadic pastoralism.

I.6. **Structure of Sector.** Smallholder producers, comprising approximately 3 million holdings of which 80% are less than two hectares, dominate the agricultural sector accounting for 75% of total agricultural output and about 60% of gross marketed production. Large farms typically have higher input use and higher crop yields than small farms. Maize is the basic food staple for Kenyans and almost all rural households in the arable areas grow maize for consumption, while more than half are also net buyers of maize. Although smallholders produce 75% of Kenya's maize, more than 83% of marketed maize is sold by the largest 10% of farms. Maize production has been stagnant since the mid–1980s and imports have been increasing. Maize market liberalization has been incoherent and has been controversial in many ways. Despite this, the real maize prices have generally declined since liberalization of the market although the prices have remained quite high by world and regional standards. Reasons for the relatively high domestic maize prices are the high production cost due to high input costs, low level of mechanization and high transport costs brought about by poor infrastructure.

I.7. Agriculture accounts for about 75% of merchandise exports with coffee and tea being Kenya's largest export earners. Although coffee production and export receipts declined dramatically during the 1990's, tea production and exports rose steadily and horticultural exports did well thanks to a dynamic private sector whose production systems make it competitive in the international market.

I.8. Livestock production is the largest sub–sector of agriculture, with both cattle and small stock being important. Production, particularly exports of live animals and meat, has not yet recovered from the impact of market liberalization in the early 1990s, at which time there was a sharp reduction in government services to the livestock sub–sector. Cattle rearing areas in the ASALs have been particularly hard hit by the withdrawal of clinical services. Dairy accounts for about 15% of agricultural GDP with smallholders owning 83% of all dairy cattle. Although the dairy farmers also suffered from withdrawal of government veterinary and artificial insemination services, they appear to have benefited from the response in the provision of the AI services by some private sector providers. The emergence of private processors has provided competition to Kenya Cooperatives Creamery (KCC), which previously monopolized milk purchase. Despite this emergence of the private processors, a large proportion of milk is sold in unprocessed form directly to consumers.

I.9. **Institutions.** Since 1980, the institutional functions and responsibilities associated with the agricultural sector have been dispersed in many different ministries. Mandates have frequently changed in the numerous combinations and separations of the crop and livestock sub–sectors over the years, creating rivalry rather than collaboration and taking away synergy among units of government as well as consistency in planning and implementing programmes and delivering services. Currently, the *Ministry of Agriculture* (MOA) is responsible for agriculture policy and services, crop production and marketing, pest and disease control, agricultural extension services, phytosanitary services and agricultural research. It hosts many state corporations with responsibilities in the sector. These parastatals absorb a significant amount of resources without always making a substantive contribution

to the ministry's core functions. The *Ministry of Livestock and Fisheries Development* (MOLFD) is responsible for veterinary services and disease control, livestock production and extension services and the development of fisheries and apiculture, as well as the development of the hides and skins industry, meat inspections and the development of abattoirs. The *Ministry of Water Resources Management and Development* (MWRMD) is responsible for policy in this sector as well as dam construction, flood control and land reclamation and the *National Irrigation Board* (NIB). The new Water Act, 2002 provides for the establishment of a *Water Resources Management Authority* (WRMA), not subject to day-to-day administrative control by the Ministry, to manage the use of water throughout the country. The *Ministry of Cooperative Development and Marketing* (MCDM) is in charge of cooperative policy and its implementation, cooperative legislation and extension services, and the marketing of agricultural produce including value addition and processing. The *Ministry of Environment, Natural Resources and Wildlife* (MENRW) is responsible for forestry, including agro-forestry, as well as all matters relating to the natural environment. The *Ministry of Regional Development* (MRD) is in charge of policy and capacity building for the six regional development authorities, all of which have agricultural development responsibilities.

I.10. The frequent reassignment of ministerial responsibilities makes it difficult to track expenditure changes over the years with precision. In the past, the Ministry of Agriculture has had a broader mandate covering rural development and livestock, while the Ministry of Environment used to encompass water management as well as forestry and the preservation of the environment. In the context of the *National Medium–Term Investment Programme* (NMTIP), a broad view of the sector is adopted and historical data covering both the Ministries of Agriculture and Environment is considered.

I.11. **Financing.** There has been a drastic decline in the share of government expenditure in the agricultural sector from a high of 13% of the budget in 1983 to 3.4% for the former Ministry of Agriculture and Livestock Development (MOALD) in 2001/02. Addition of expenditure on the Ministry of Environment and Natural Resources gives a total proportion of **6% of the budget** in that year. There were good reasons for some cutback in government expenditure, namely liberalization in the early 1990s that reduced the role of the state, particularly with respect to activities that were amenable to being taken over by the private sector, such as delivery of inputs and veterinary services. However, the anticipated savings in personnel costs and enhancement of operational and investment expenditure were not realized in full as systematic staff rationalization was not effected. MOALD has made some progress in reducing personnel costs, with the share of salaries and wages declining from 73% of the recurrent budget in 1998/99 to 54% in 2002/03, but these savings have not contributed significantly to improving efficiency in operations and maintenance as transfers to parastatals have mostly absorbed them. An exception is the O&M share of recurrent expenditure on extension services, which increased from a low of 6.6% in 1998/99 to 20.1% in 2002/03.

I.12. The actual development budget generally amounts to between 10 to 15% of the size of the recurrent budget although the planned development budget is set closer to 20–25% of the amount. The reason for the difference is the **chronic under spending of the development budget**, suggesting problems of absorptive capacity. Other reasons for under expenditure include under provision of counterpart (government matching) funds, long donor procurement and payment/accounting systems. The comparison of actual with planned expenditure for the Ministries of Agriculture and Environment over the last three years is given in Table 1 below:

Ministry	Actual as % of planned		
	1999/00	2000/01	2001/02
Agriculture	13	18	35
Environment	42	56	49

## C. The Strategic Framework

### (i) Government Objectives and Strategy

I.13. In its major policy documents, the ERSWEC 2003–2007 and SRA 2004–2014, the new government acknowledges that the agricultural sector is the growth sector, which is most likely to play a central role in reducing poverty and increasing food security. The government’s strategy “... *is to make Kenya a less agricultural–dependent country by diversifying to other sectors while still recognizing the strategic position of agriculture in fighting poverty*”. The intention is to put in place initiatives to reverse declining agricultural performance and revitalize the sector. Given the confusion created by numerous statutes governing the sector, the proposal to consolidate these into a single legislation is significant. Other proposals include revision of agricultural extension policy to provide farmers with demand driven extension services; consolidation of public sector agricultural research institutions under the *Kenya Agricultural Research Institute (KARI)*; development of institutions well placed to provide credit to agriculture; rehabilitation and expansion of irrigation schemes improvement of water levels and management for irrigation and diversification of enterprises and crop uses through introduction of non traditional crops; further liberalization of other sub–sectors such as pyrethrum; strengthening of farmer based institutions and value addition to agricultural production. The National Rainbow Coalition (NARC) government is particularly sensitive to the need to integrate ASALs in the overall development strategy of the country and the development objective for these areas is to strengthen rural livelihoods with particular emphasis on support to livestock and range management, including improvement in livestock production and marketing as well as minimising stock losses resulting from drought; ecotourism; improving security and communication; and, where possible, the initiation of long term irrigation projects.

I.14. The policy direction of the NARC government with respect to agriculture is similar to that previously expressed in documents such as the *Poverty Reduction Strategy Paper (PRSP)* (2001–2004) and the *Economic Strategy Paper (ESP)* (2002–2007). In the consultative process of preparation of the PRSP, many communities cited low agricultural productivity and poor marketing as one of the major causes of poverty. The low productivity was attributed to traditional farming methods, low soil fertility, unpredictable weather conditions, poor and inadequate extension services, high cost of inputs, low quality of seeds and lack of credit facilities. The *Kenya Rural Development Strategy 2002–2017 (KRDS)* aimed to expand farm and non–farm income earnings to attain food security; achieve sustainable natural resource management; and improve the rural sector’s physical and social infrastructure through a process involving participation of beneficiary communities with a wide spectrum of stakeholders.

I.15. Since adoption of the *District Focus for Rural Development (DFRD)* in 1983, the *District Development Committee (DDC)* has become the supreme body on matters pertaining to development in the district. While this attempt to decentralize the planning process has been criticized as not resulting in any real devolution of power due to the continued focus on line ministry planning and budgeting, implementation capacity for development activities is clearly focussed at the district level. Rather than simply accommodating the DFRD by allowing for implementation at the District level, the trend in recent projects, often with a strong community development component, is to make provision for locally generated activities to become part of the district development programme supported by the DDC. On going constitutional review process is likely to reinforce a growing emphasis on farmer empowerment and community driven development, reflected in numerous projects from the World Bank supported *Arid Lands Resource Management Project (ALRMP)* to small NGO–backed initiatives.

I.16. The new *Strategy for the Revitalization of Agriculture (SRA)*, launched in March 2000 is a national policy aimed at transforming agriculture into a profitable economic activity capable of attracting private sector investment and providing gainful employment to the population. The strategy identifies key factors that continue to hamper growth of agriculture such as; unfavourable macro-economic environment, unfavourable external environment, inappropriate legal and regulatory framework, lack of capital and access to affordable credit, frequent droughts and floods, reduced effectiveness of the extension service, poor governance and corruption in key institutions supporting agriculture, inadequate markets and marketing infrastructure, inadequate quality control infrastructure, multiple taxes, low and declining fertility of land, high costs and increased adulteration of key inputs, poor infrastructure, lack of coherent land policy, incomplete liberalization and increasing incidences of HIV/AIDS, malaria and waterborne diseases.

I.17. To achieve the vision, mission and primary objectives, the SRA identifies critical areas requiring immediate intervention such as; reform of the legal and regulatory framework governing agricultural operations in order to make it fair and just for all farmers, processors and others involved in agro-related activities; promotion of research and technology development; reform of the extension service system to create more effective linkages between research, extension and the farmers as the ultimate beneficiaries; establishment and development of a market based agricultural credit and input system; promotion of domestic processing of agricultural produce in order to provide increased opportunities for adding value, employment creation and foreign exchange earnings.

I.18. In its *Interim Investment Programme* for the ERSWEC 2003–2007 and the SRA 2004–2014 for which GOK is seeking financial support from its development partners, the government is more specific with respect to proposed actions in the sector of agriculture, livestock and the environment. The specific actions proposed are reflected below:

- **Agricultural research and extension:** With the objective of strengthening the link between farmers' demands, extension provision and the direction of research, the government is in the process of rationalizing the network of all agricultural research institutes by consolidating operations into KARI. The issue of genetically modified (GM) seed will be investigated with a view to clarifying GM policy. Support is also sought for analysing and developing new options for greater private sector participation in extension.
- **Agricultural financial services:** The government is interested in investigating and selecting options to deepen the financial credit market for small agricultural borrowers.
- **Agricultural inputs:** Reforms are being undertaken to improve competition in inputs distribution and marketing and to enforce the law against fraudulent practices and adulteration of input by suppliers and marketing agents in order to resolve the governance issues in the market for inputs.
- **Commercial marketing:** As a way of facilitating trade in rural areas, the government will focus on reducing transport costs by improving rural roads and reducing fuel taxes; bringing down the cost of electricity to reduce irrigation and factory operating costs; and strengthening communications to improve access to market information.
- **Land administration:** In order to address land use and administration, land tenure, and land delivery systems the government plans to develop a coherent land policy.
- **Gender:** As part of its constitutional review, the government is reviewing the laws of succession, which greatly affect gender land imbalances. It will also work to identify

mechanisms to increase women’s access to credit, information and input and output markets.

- **Food security:** In order to reorient food security policy in favour of the poor, the government is considering issues such as liberalization of maize and sugar markets, limiting the Kenya Sugar Board (KSB) to regulatory functions and privatizing sugar factories.
- **Pyrethrum:** The government is planning to liberalize the pyrethrum sector, and restrict the pyrethrum board to regulatory functions only.
- **Coffee:** In order to increase the share of final sales that farmers receive, the government is considering (a) legislative amendments to the Coffee Act which would allow growers to sell coffee outside the auction, and (b) the establishment of an agency to operate processing, marketing and inputs distribution.
- **Cotton and rice:** Revitalization of cotton and rice production will be supported by means of rehabilitation and development of irrigation systems and introduction of new high yielding varieties.
- **Livestock:** The government plans to implement a concerted strategy for disease outbreak prevention and control, as well as improving the quality and certification of veterinarians and other service providers. It is also considering introducing a single permit system for cattle movement, reviewing options for a decentralized and private sector provided network of slaughterhouses, expanding access to water sources, and improving security.
- **Public resource allocation:** Government commitment to restructuring public spending in the Ministry of Agriculture in order to allocate a greater share of resources to priority programs will require significant rationalization of agricultural parastatals.
- **Environment:** In the course of implementation of the *National Environment Action Plan* (NEAP) and Environment Management and Coordination Act (1999), the government has established the *National Environmental Management Authority* (NEMA), responsible for setting and enforcing environmental standards, which is expected to be fully operational by 2005. NEMA is carrying out a natural resource inventory and valuation.
- **Forestry:** Recent suspension of forestry officers and revocation of timber movement permits underline the government’s serious intentions to reverse the trend in deforestation. The government intends to develop a clear policy in order to eliminate corruption regarding harvesting of forest products and allocation of forest land for private development; to promote agro–forestry; to encourage community participation in forest management and to pursue re–afforestation with the help of the private sector.

(ii) **Major Partners’ Strategies**

I.19. After a period of relative stand–off between donors and the Kenyan Government, a more constructive relationship is emerging. The IMF recommenced lending in November 2003 with a US\$252 million stand–by credit and this is expected to encourage resumption of both aid and private investment. Widespread support for the ERSWEC was expressed at the Kenyan Consultative Group Meeting, with donors seeking to harmonize their assistance. There is an interest in aligning donor activities behind government plans and donors are looking to line ministries to provide a strong lead at the sectoral level. This has now occurred in the agriculture sector with the launch of the Strategy for

Revitalizing Agriculture and the NMTIP could provide an entry point to the implementation of the Strategy.

I.20. **The World Bank.** Agriculture and the environment has not been a priority sector for the World Bank in Kenya, with investment in the sector currently amounting to 14% of the loan portfolio. Sectoral projects include the *Arid Lands Resource Management Project* (ALRMP), which has just started a second phase, *National Agricultural Research Project II* (NARP II), which is due to close at the end of 2004, and *Lake Victoria Environmental Management*. Using a participatory approach, the ALRMP undertook drought mitigations interventions enabling communities in the ASALs to better cope with drought. This was fully in line with government objectives to promote development in the ASALs and the project is being extended to cover remaining ASAL areas in the country. The NARP II has *inter alia* helped to make KARI more responsive to client demands through involvement of intermediary organizations. Plans to consolidate the services and activities of KARI and the other research institutes, in accordance with GOK objectives, are underway and may be realized in the context of another phase of the project. The Lake Victoria project had to be restructured to address weaknesses in management and implementation delays but made some progress with respect to catchments management and water hyacinth control. A follow–up project is expected to be in place by 2006.

I.21. The *Country Assistance Strategy* (CAS) for Kenya is currently being developed but major objectives have been identified in the recent *Country Economic Memorandum* (CEM): “*Kenya: A Policy Agenda to Restore Growth*”. The CEM points out that broad–based agricultural growth is critical to the substantial reduction of poverty and recommends that food security should be improved by increasing the productivity of smallholders and facilitating their move away from production for subsistence towards more commercialised agriculture. Due to time constraints, the CEM does not cover areas that it acknowledges as critical for agricultural growth such as credit, research and extension, input supply and land and water management. However, it does identify certain priorities for agricultural growth:

- **reconsideration of food security policies** by fully liberalizing the maize market; improving the productivity of smallholder maize producers; limiting the KSB to a regulatory role; reducing the sugar development levy; liberalizing the sub–sector, privatising factories and reviewing the input supply regulations;
- **reform of the coffee sector** with a view to reducing transaction costs and ensuring that farmers receive a larger share of final sales;
- **support to the livestock sector** through disease control; introducing a single permit system for cattle movement; improving security and developing sustainable management of water resources in the ASALs;
- **rationalization of public expenditure** in the sector away from non–core activities such as those carried out by many of the parastatals.

I.22. In accordance with the CEM, the Bank signed a new credit line with GOK for the *Kenya Agricultural Productivity Project* (KAPP). KAPP’s long–term project objectives are to contribute to sustainable increase of Kenya’s agricultural productivity and improvement of the livelihoods of its rural communities through the development, acquisition and application of improved and profitable agricultural technologies and production practices. Three phases of three, four, and four years each are anticipated. The total project cost is US\$58,5 million.

I.23. Phase I (2004–2007) seeks to create an enabling environment for productivity increase through improved public services, enhanced role of private service providers and market agents, and empowered community organizations. It would specifically support: (i) the gradual establishment of a pluralistic research system, with continuous focus on reform of KARI; (ii) a consensus building process for the reform of extension services and the empowerment of clients; (iii) pilot interventions in 20 districts to test out innovative and decentralized extension/research/education activities; and (iv) initiation of GEF activities in five selected catchments areas that are critical for agricultural productivity and sustaining the ecosystem.

I.24. Subsequent phases (II and III) would focus on deepening the reform of the pluralistic technology system, broadening of the coverage and consolidation of the extension reform and farmer empowerment processes; and building the basis for sustainable financing. Government has confirmed the objective and scope of the overall program in a letter to the Bank. Key triggers for moving into phase II, which would include:

- National extension policy and related legal, institutional and implementation framework approved and enacted by GOK by mid–year 2006;
- 20 District Plans acknowledged by all concerned institutions and implementation commenced everywhere by June 2007;
- At least 85% district interventions implemented and 50% successful by June 2007;
- At least 40% of NARS organizations being rationalized according to plan by June 2007
- Endowment fund established funding 5% of NARS activities;
- At least 90% HRD, Management, Physical Assets institutional strengthening investment completed in KARI — 100% of ICT investment completed by end of phase and effective over 80% of staff;
- District Client Plans for Ag. Services effective in all 20 districts and being implemented successfully in 60% of cases;
- Information Communication network functional in all twenty districts by end of phase I.

I.25. *African Development Bank (ADB)*. In its overall strategic plan for 2003–2007, the ADB assigns priority in the allocation of resources to agriculture and sustainable rural development, with greater emphasis being given to water supply in vulnerable rural and peri–urban areas. The *Country Strategic Plan (CSP)* for Kenya is in the final stages of preparation, but is likely to conform to the overall strategic plan with focus within the sector in accordance with priorities agreed with government. Areas of particular interest to the ADB include: the adoption of modern agricultural technologies; diversification of crop and animal production systems; efficient management of natural resources; improvement of land and labour productivity for farm and non–farm activities; and the strengthening of rural infrastructure.

I.26. *IFAD*. IFAD's *Country Strategic Opportunities Paper (COSOP)* for Kenya was developed in 2002 in the context of the PRSP and pledges IFAD's support to the reform process through the design of programmes based on PRSP principles. The strategy is for IFAD–funded activities in Kenya to focus on the broad goals of rural poverty reduction and the promotion of food security. Central to IFAD's approach to poverty reduction is the need to maintain and rehabilitate natural resources. Goals

will be achieved by undertaking interventions in support of community–identified and prioritized economic and social development activities.

I.27. IFAD currently has two ongoing, one approved and one project in the pipeline in Kenya. The ongoing *Central Kenya Dry Area Smallholder and Community Services Development Project* constitutes the second phase of a successful project in the dry areas of Nyeri District. Located in the ASALs of Central Province, the project aims to (a) raise food production and income through increased agricultural production and productivity; (b) improve health through cost–effective primary health care, provision of safe drinking water and promotion of improved sanitation; (c) strengthen the institutional capacity of project districts to plan, implement and monitor development processes; and (d) promote beneficiary participation in the planning and implementation of rural development projects. The *Eastern Kenya Horticultural Production Project* constitutes the Phase I of a Horticulture Development Program based on farmers managed irrigation schemes developed on credit and promotion of traditional food crops. The *Mount Kenya East Pilot Project for Natural Resource Management* was approved in December 2002. Through a combination of measures to promote better natural resource management by private individuals and on public lands, the project aims to reverse the land degradation process in the area. The full involvement of local, community–based organizations (CBOs) such as river users’ associations is intended to empower them both to sustain project interventions and to take the lead in future development activities. The *Southern Nyanza Community Development Project* has recently been formulated with the objective of contributing to poverty reduction in Southern Nyanza, one of the poorest areas in Kenya. The US\$19–million project will focus on community empowerment and institutional strengthening; health, water supply and sanitation; and agriculture for rural livelihoods, including agricultural extension support, rural financial services and rural roads.

I.28. In addition to the above projects, IFAD is supporting two activities in Kenya under its Technical Assistance Grant (TAG) programme. The *Rural Enterprise and Agri–Business Promotion Programme* (REAP) is assisting with the development of sustainable market linkages between smallholders and the private sector by means of an innovative organizational model for irrigation development in Kibeuzi District. The other activity is an FAO pilot initiative to test Farmer Field Schools (FFS) in East Africa (see para. I.37).

I.29. **European Union.** The EU is one of Kenya’s largest external donors with annual aid from the EU financing over 10% of GOK’s development budget. In September this year, the European Commission adopted a *Country Strategy Paper* (CSP) and an *Indicative Programme for Kenya* outlining its cooperation planned for the period 2003–2007. The main objective of the strategy is to support GOK in its efforts to achieve sustainable growth and reduce the high incidence of poverty. An allocation of €225 million has been provided for under the 9<sup>th</sup> European Development Fund (EDF), of which €170 million under the ‘A’ allocation is for programmable activities and €55 million under the ‘B’ allocation for unforeseen needs. Assistance will be mainly concentrated on rural development (25–35% of the A allocation), as well as infrastructure/transport (20–30% of the A allocation) — with the emphasis on roads — and macroeconomic budget support. Activities in the rural sector will include: (a) empowerment of rural communities in the local development process; (b) improvement of conditions for private sector activity; and (c) strengthening of the capacity of local authorities in the delivery of rural services and infrastructure. As part of the cooperation agreement with the EU, GOK has undertaken to carry out the following major accompanying policy measures in the agricultural and rural sectors:

- further elaboration of the KRDS and provision of a coherent framework for rural investments, including infrastructure, through the MTEF process;

- actions to give effect to the announced policy of increasing the functional responsibilities of Local Authorities in service delivery and the decentralization of decision making to local communities;
- steps to improve:
  - dissemination of research findings to small farmers;
  - markets and market information;
  - management of farmer and trade organizations, particularly cooperatives and statutory boards.

I.30. Information is not yet available on specific projects to be funded under the 9<sup>th</sup> EDF. Main development projects in the agricultural sector funded under the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> EDF are the *Bio–diversity Conservation Programme*, *Farming in Tsetse Control Areas* and the *Cereal Sector Reform Programme*.

I.31. **USAID.** The USAID goal with respect to Kenya of helping to build a democratic and economically prosperous country is being addressed through four objectives: improving the balance of power among the institutions of governance, protecting natural resources, improving rural incomes by increasing agricultural and rural enterprise opportunities, and improving health conditions. USAID is the leading donor to Kenya’s population and health sector and the bulk of resources go towards HIV/AIDS prevention although there is also support to a number of pastoral initiatives. The *Natural Resources Management Programme* aims to provide tangible benefits to local communities as well as preserving Kenya’s natural resources through activities to improve management of wildlife outside protected areas, forest management and environmental governance and integrated coastal management. The programme is scheduled to end in FY2005. The *Increased Rural Household Incomes Programme*, also scheduled to end in FY2005, aims to increase rural household incomes through agriculture and micro–enterprise activities. Working with a range of government, NGO and private sector organizations, specific activities involve increasing the agricultural productivity and trade of maize, dairy, horticulture and other activities, improving the ability of smallholder organizations to provide business services to their members, and improving access to business support services for micro and small enterprises.

I.32. **United Kingdom Department for International Development (DFID).** Although Britain has been Kenya’s largest bilateral donor and is committed to the government’s efforts to reduce poverty, it has relatively few activities in the agricultural sector. Projects implemented with the help of NGOs have focused on animal health, smallholder marketing and certification, smallholder dairy development and general support to poor rural Kenyans. At the policy level, a new environmental governance programme, *Pathways for Environmental Action in Kenya* (PEAK) is intended to strengthen community understanding of their rights and responsibilities under new environment legislation, and increase the macro–economic benefits and livelihood opportunities resulting from sustainable management of environmental resources. DFID is also supporting research and advocacy initiatives concerning land policy and related legal issues.

I.33. **German Development Cooperation.** Kenya is a priority partner country for GTZ and current focal areas for development cooperation include private sector development in agriculture and water resource management. It is intended to concentrate on private sector agricultural development in medium and high potential areas in parts of Rift Valley, Western, Nyanza and Central Provinces. Economic activities of small and medium–scale farming enterprises will be promoted through the dismantling of market barriers and making the best possible use of the whole supply chain for selected agricultural produce. Farmers will be assisted in enhancing their market–oriented operations and

lobbying for their interests at policy level. GTZ will also support ongoing reform of water resource management in order to improve the conservation, protection and management of water resources. Kenya does not currently receive any funding from the KfW Group for the agricultural sector.

I.34. **Swedish Development Cooperation.** Swedish development cooperation through SIDA focuses on combating poverty and promoting the development of democracy. Its aims include contributing to the sustainable use of natural resources. SIDA has been instrumental in reorienting agricultural extension to focus on the priorities of farmers themselves through support to the establishment of an almost nationwide operation with a network of experts and advisers called, *National Agriculture and Livestock Extension Programme* (NALEP). Support has also been provided to small–scale water projects and to development of rules for water resource management. Through its Regional Land Management Unit (RELMA), SIDA has been supporting integrated land management in the Lake Victoria Basin. This provides an example of a holistic approach to land management, addressing concerns relating to environment, water, land husbandry and soil fertility issues. A main feature of the Kusa Pilot Project is that the community has been given the responsibility for leadership of the development process.

I.35. **Canadian Development Cooperation.** Following presentation of the NEPAD initiative, the Canadian government launched a Can\$500–million *Canada Fund for Africa* in 2002 to focus on the key challenges identified in NEPAD. The CFA is intended to complement Canada’s ongoing assistance programme in Africa that is administered by CIDA. One of the areas of support is local efforts to increase food production and manage critical natural resources. While Kenya has not yet benefited from any specific county initiatives, it shares in the many pan–African initiatives supported by Canada.

I.36. **Danish Development Agency.** The Danish government, under a DKK150–million *Agricultural Sector Support Programme* (ASPS) due to start in April 2005, will continue assistance to the agricultural sector in Kenya for a further five–year period, following the close of the DKK92.6–million *Agricultural Support Project* (ASP) which has been operational from July 1999 and is due to come to an end in March 2005. The activities already agreed for funding under the ASP include: the national policy framework development, smallholder and MSE empowerment, decentralised agricultural support structures, regional collaboration, study tours, training and research and technical and annual reviews and preparation of a new phase. The objective of this support is to enhance Kenya’s economic growths and poverty reduction, and is in accordance with Kenya’s strategy for development of the agricultural sector, the ERS and Danish policies and strategies. Furthermore, the formulation team should ensure that synergy could be established between the ASPS components, and that lessons learned are documented and form part of the national policy dialogue.

### (iii) *Other Development Initiatives*

I.37. **Food Security and Agricultural Development Horizon 2015: National Strategy.** The strategy identifies that the proportion of undernourished in Kenya was estimated at 44% of the country’s population during the period 1998–2000. The incidence of under nutrition and poverty is paradoxically most serious in the areas of high and medium potential because of high density of population and consequently small farm size per family. Per capita food availability declined from 2,150 kcal per day in 1978–81 to 1,910 in 1992–94. This fall was largely due to local staple food production being outstripped by a relatively high rate of population growth caused by increases in life expectancy offsetting decline in fertility. In addition to the low energy intake, there is widespread incidence of iron deficiency induced anaemia, endemic goitre, and vitamin A deficiency.

I.38. Among the actions identified in the original Horizon 2010 national strategy were the initiatives identified in the KRDS, PRSP 2001–2004 and in the *National Development Plan 2002–2008*. However, most of the aspirations of the KRDS were incorporated in ERS and SRA.

I.39. The *Horizon 2015* document identifies the resources required for the *Kenya Special Programme for Food Security* prepared by the MOA and the MOLFD: US\$52 million is required for the 5 year implementation cycle to cover 40,000 CBOs for local activities, for training and institutional support for the CBOs and for policy and communication. *Horizon 2015* identifies three funding sources as National, FAO/TCP, and multiple external donors. It specifies that FAO/TCP would be the main source of short–term external funds supporting the Special Programme for Food Security Working Group to establish the programme through a district consultative process.

I.40. **Farmer Field Schools (FFS)**. Since 1995, when it was first introduced in Kenya, the FFS approach has been tested and adapted to a wide range of crop and livestock enterprises. As of March 2003, about 1,500 FFS had been implemented in Kenya in 23 districts reaching about 34,000 farmers with support from IFAD, UNDP, FAO, DFID and a wide range of NGOs and local institutions. Preliminary data suggest that FFS is an effective and comparatively cheap tool for accelerating the uptake of improved technologies at the community level, and empowering farmers to find solutions to their livelihood problems. The system of direct funding to farmers groups for payment of extension services has dramatically improved the performance of extension delivery and accountability of extension providers. The approach has also proved amenable to up–scaling through farmer–led FFS. A new development to reduce the costs of FFS implementation is to provide resources on a cost–recovery basis, which poses the challenge of establishing adequate institutional capacity to manage such revolving funds. Particularly in this context, there is need for greater focus on input delivery and produce marketing in FFS initiatives. It would also be desirable to support emerging apex organizations, FFS networks and farmer organizations in their efforts to provide services to their members.

#### (iv) *Development Initiatives by NGOs*

I.41. **Oxfam GB** assists the poor to obtain enough food throughout the year and thereby provides them with the chance to make a decent living. It works with local NGOs and government to improve basic social services such as health and education. The main projects include; working with NGOs supporting street children; working with state and community schools to try to give all children and adults the chance to acquire basic literacy; working with pastoral communities in a bid to eradicate conflicts emanating from scarcity of water and pasture; supporting projects that bring basic education to pastoralists who miss school because they are always travelling in search of pasture.

I.42. **Intermediate Technology Development Group (ITDG)** aims at increasing choices of technologies and approaches accessible to the marginalized groups through establishing a broad range of highly regarded project work. Their *Rural Agriculture and Pastoralism* programme is aimed at increasing the food security of people living in marginal areas and assisting. Marginalized food producers to take greater control of decisions and changes that affect their lives. There is also a transport program aimed at improving mobility of people and reducing transport constraints in crop marketing.

I.43. **Action Aid** works with local organizations to improve poor people’s abilities to demand their basic rights and change policies and practices that affect poor peoples lives. The organization is involved in research and policy intervention in the areas of gender, child rights, education, HIV/AIDS and food security. Action Aid is however increasingly phasing out directly managed development

work in areas where it has been working by training local groups to take over and run their own initiatives.

(v) *Project Pipeline*

I.44. It is difficult to identify a specific project pipeline at this stage, but there is information on activities proposed by the government in the context of the investment programme for the ERSWEC and the newly launched SRA. This is presented in tabular form in the Annex together with summarized information on donor projects and areas of specific interest. The tables show the linkages between the proposed policy thrusts and activities and the five pillars of CAADP.<sup>6</sup>

I.45. In the context of a sub–regional meeting of NEPAD members in Eastern Africa,<sup>7</sup> Kenya put forward proposals for several sub–regional priority projects in the agricultural sector covering: soil and water management, agricultural research and technology development, food security, irrigation development, rural infrastructure and trade related capacities and improvement of livestock marketing infrastructure in the horn of Africa region in cooperation with IGAD.

I.46. Building on experience in both the public and private sectors, work has started on up–scaling the Kenya *Special Programme for Food Security* (SPFS). A significant up scaling programme using existing national funds has been planned beginning with the 2004–2005 budget, with an eventual target of reaching over 6 million people in all 70 districts. However, in order to reach this target, an estimated US\$52 million will be required over five years and much of this will need to come from external sources.

(vi) *Conclusion*

I.47. A major thrust of government, which does not exactly coincide with the CAADP pillars, is the commercialisation of agriculture and the promotion of agribusiness in the context of providing a market orientation to development of the sector. This goes somewhat beyond the improvement of trade related capacities under CAADP pillar 2 and is widely supported by donors.

I.48. Another major priority of government coincides with the first pillar of CAADP, with particular emphasis on the water control aspect. All major donors, except for the European Union, explicitly support natural resource conservation and/or water supply and management either through ongoing or proposed projects (World Bank, ADB, IFAD, USAID) or as an area of special concern. For the government, improving rural infrastructure (CAADP pillar 2) is seen as part of the effort to facilitate commercialisation of agriculture, but both the European Union and the ADB identify roads and other rural infrastructure as a priority area. Increasing food supply and reducing hunger (CAADP pillar 3) is an underlying objective of the overall goal of poverty reduction and is specifically the goal of the proposed up–scaling of the SPFS. Liberalization of the maize and sugar markets is also linked to this pillar.

I.49. The World Bank supports the market liberalization, IFAD and Canada make specific mention of promotion of food security and increasing food production among their objectives, and DFID has supported increased food production in various projects. CAADP pillar 4 coincides with a major thrust of government, which is being addressed by the KAPP (see para. I.22), currently being designed KARI and will receive financial support from by the World Bank. This ambitious 12–year

<sup>6</sup> See *Preface*.

<sup>7</sup> Report of the NEPAD Eastern Africa Region Ministers' Meeting, 28 October 2003.

programme would cover agricultural research, extension and support to farmer/client empowerment and there is expected to be considerable scope for co-financing by other donors. It also has a Global Environment Facility (GEF) component focussing on sustainable management of land and water resources.

I.50. The ADB, the European Union and USAID also mention particular interest in this area. Under the 5<sup>th</sup> pillar, the government has a range of activities proposed for the livestock sector, with particular emphasis on livestock development in the ASAL areas. The World Bank in the context of the ALRMP is already providing some support and there is also an ADB project in the pipeline. Forestry development focuses on implementation of existing policy with emphasis on private sector participation and is being supported by USAID.

I.51. Areas of government concern which appear to fall outside the five pillars of CAADP include policy measures related to land and land administration; the restructuring of public spending in the Ministry of Agriculture; rationalization of parastatals; activities focused on increasing productivity of commercial crops such as pyrethrum, coffee and cotton; and review of cooperatives.

## II. CONSTRAINTS AND OPPORTUNITIES

II.1. **Macro-economic.** Although the government has made considerable progress in stabilizing the macro-economic environment, persistent large public sector borrowing requirements, high interest lending interest rates and overvalued and volatile shilling exchange rates have discouraged investment in agriculture. High debt service and non performing loans have also adversely affected producers. This situation is exacerbated by the high proportion of the population living in poverty, the stagnant economy and the burden of diseases, particularly HIV/AIDS and malaria. Although there has been a crackdown on corruption by the NARC Government, which is reflected in renewed optimism among donors, this remains a threat. The improved policy environment under the new government, specifically the ERSWEC and SRA, and the relatively low level of external indebtedness provides opportunities.

II.2. **Unfavourable External Environment.** Declining world commodity prices have had a particularly negative impact on incomes from coffee, tea, sisal and pyrethrum leading to a deterioration in the country's terms of trade. Tariffs and non-tariff barriers imposed by developing countries have increased competition on Kenya's traditional and non-traditional exports.

II.3. **Natural Resources/Environment.** Kenya's renewable natural resources, while still a major economic asset, are under threat. Environmental degradation has accelerated as a result of deforestation, soil erosion and pollution. Forest resources have been depleted in the limited areas of high and medium potential land as population pressure and poverty have increased the demand for agricultural land. Cultivation is extending to more marginal areas where water is scarce. Water availability, particularly in the dry season, is further curtailed by excessive abstraction close to water sources. Opportunities are provided by the range of the new Water Act, which provides for a system of water resource management that includes water users associations. The new government is also taking steps to halt forest depletion. A *National Environmental Management Authority* (NEMA, see page 8 above) has been established and should be fully operational by 2005. In the meantime, a process of environmental impact assessments of all government projects has become mandatory. Following the example of pilot projects, such as the Kusa project in the Lake Victoria basin, there is an opportunity to up-scale or multiply integrated land management activities, which bring about synergy between sustainable farming and the environment.

II.4. **Rural Infrastructure.** Underdeveloped and poorly maintained rural roads have led to high transport costs for agricultural commodities as well as farm inputs, thus raising domestic production costs. High electricity costs and poor telecommunications have also continued to reduce the ability of farmers to compete adequately and curtailed diffusion, thereby imposing a constraint on the commercialisation of agriculture. On the other hand, the high priority accorded by the current government to this objective presents an opportunity for addressing these issues.

II.5. **Agricultural Production.** In addition to constraints imposed by deteriorating natural resources and an unpropitious policy environment, agricultural production has suffered from inadequate infrastructure, limited access to credit, high input cost, weak agricultural institutions, lack of a coherent land policy and declining world commodity prices. Success stories, such as the boom in horticultural exports, show the potential for development when the right incentives are in place. They also underline the dynamism of the private sector and the potential for fruitful collaboration between smallholders and large farmers. Other initiatives, such as alternative approaches to extension (NALEP, FFS) show promise and would be suitable for up–scaling.

II.6. **Livestock Production.** Government emphasis on the ASAL areas in an attempt to reverse the neglect of previous years, presents an opportunity for livestock development, as this is the major enterprise in the area. Activity has already started on improving water availability through rehabilitation of water pans and boreholes. The private sector is beginning to step into the void left by the withdrawal of government veterinary and artificial insemination services. Major constraints remain in the area of marketing due to the cost of moving cattle and inadequate slaughtering facilities.

II.7. **Institutions.** The instability of the institutional environment has had a negative effect on the delivery of services to farmers. Fragmentation of responsibilities for the sector among several ministries continues. Although there has been decentralization of technical ministries to the District level, reliance on budgets from central line ministries restricts local initiative. There are numerous parastatals in the agricultural and livestock sectors, which drain resources from core activities. Opportunities exist in the strong interest in community driven development and participatory approaches. By now, there is a wealth of experience in Kenya on community–driven development from which lessons can be learned and applied to future projects. There is also a clear perception that the private sector has a role to play in service provision and needs to be facilitated to this end. The government has acknowledged the need for reform of the parastatals.

II.8. **Legal and Regulatory Framework.** The proliferation of laws and regulations governing the sector, characterized by omnipresence of government and a very limited role for the private sector, is inappropriate for a strategy envisaging a dynamic private sector as a major player and the government as facilitator. The desire to have a unified legislation in agriculture and the current policy environment, where there is a sincere interest in enlarging the role of the private sector and reviewing that of parastatals, provides an opportunity for legal reform.

II.9. **Conclusions.** The drive and direction of the new Kenyan Government, as expressed in the Economic Recovery Strategy suggest that this is a good moment to pursue activities in the agricultural sector. Although growth has been low in recent years, certain foundations have been laid in the form of partial market liberalization and encouragement of community development, which suggest that the next steps of providing the sector with a market orientation and a professional business approach towards economic recovery and poverty alleviation can be taken. A major challenge will be the coordination of community development initiatives in the interests of an orderly and effective decentralization, which is not anarchic. While much remains to be done at the level of institutional reform and legislative framework, there also appears to be some consensus on the direction of potential investment in the sector. Natural resource conservation and management, particularly of

water, is a clear priority. Another is provision of services in the interests of raising agricultural productivity. Specific activities have been identified in the livestock and forestry sub–sectors.

### III. INVESTMENT PROGRAMME OUTLINE

#### A. Priority Setting

III.1. Preliminary identification of an investment programme for the agricultural and rural sector has already been made in the context of the ERSWEC and the approach adopted here is to build on this programme, particularly those aspects that coincide with the pillars of CAADP and are suitable for developing into bankable projects. The programme outlined below identifies priorities within the CAADP pillars in accordance with the government’s strategic framework and taking account of major constraints and opportunities for development highlighted in the previous section. Projects were identified at the time of the national validation workshop of the NMTIP.

III.2. **Priority #1: Commercialisation of agriculture (improving rural infrastructure and trade related capacities)**. The main priority of government is closely linked to the second pillar of CAADP. Within the areas of the ERSWEC and SRA Investment Programme identified as coinciding with this second pillar (see Annex 1), the following would appear appropriate for further development as bankable projects:

- ***Agricultural/rural financial services***. Any project in this area would depend on establishment of an appropriate strategy for deepening financial markets and improving accessibility for small farmers and rural entrepreneurs in a more cost effective and sustainable way;
- ***Rural access roads***. There is huge potential for building and upgrading rural access roads in the context of reducing transport costs and thereby facilitating marketing of produce and livestock; the constraint is likely to be implementation capacity and construction options outside the public sector would need to be explored;
- ***Agribusiness services promotion***. There is scope for an imaginative project with considerable private sector participation to improve the services available to agribusinesses; components could range from a venture capital fund to timely provision of market intelligence; the project would need to be accompanied by an enabling legal environment. This will also include building partnerships between the government and the private sector particularly in high risk investment areas where the private sector may find it less attractive to invest;
- ***Zones, control and management of livestock movement***, encouraging community health care and investment in vector control. Investment in disease control and eradication is considered best done as a partnership between government and private sector.

III.3. Support is provided by major donors to the commercialisation of agriculture as a means of achieving economic recovery and poverty alleviation. The EU and the ADB specifically mention roads and other rural infrastructure as a priority area. It is possible that investment in rural roads may be captured in another area of the budget, as it may be considered more the province of public works rather than agriculture.

III.4. The four areas identified in the validation workshop relating to the commercialisation of agriculture are: agribusiness promotion, rural infrastructure, rural financial services and other general rural services. Priority areas that were identified under each of these are:

- **NMTIP Project 1: Agribusiness Promotion.** Options considered for investment covered both the production cycle and agro–processing. A wide range of products were identified as being suitable for further development, namely: milk and milk products, fresh fruit and vegetables, hides and skins and in cereal production, processing and marketing aspects.
- **NMTIP Project 2: Rural Infrastructure.** Investment in rural infrastructure was another priority area identified. A comprehensive range of investment in infrastructure included facilities such as rural airstrips. However, the main priorities were for investing in the rural access roads, extending water and rural electrification, and improving market/storage facilities and cooling centres for commodities like milk and fresh fruits and vegetables
- **NMTIP Project 3: Rural Financial Services.** The problem of lack of access to necessary funds was identified. It was recommended that investments targeting improvement in rural financial services should be directed towards capacity building of potential borrowers in finance and business management so that they would be able to make business plans, which financing institutions could then consider for financing.
- **NMTIP Project 4: Other Non Financial Rural Services.** Also noted for investment was the provision of extension, market information, quality assurance etc. The main requirement in the provision of these services was considered to be capacity building for stakeholders. Priority areas of investment include formation and strengthening of farmers’ organizations, supporting rural service providers (including input suppliers and extension agents) and in quality assurance.
- **NMTIP Project 5: Crosscutting Issues.** Among the cross cutting issues, possible areas for investment included the completion of policy reform in agriculture, collaboration and coordination of stakeholders and consensus building in identifying interventions in agriculture, improving governance in the farmer and government institutions and ensuring security to safeguard private sector investment.

III.5. **Priority #2: Sustainable land management and water control.** Given the threat posed to Kenya’s renewable natural resources from environmental degradation, the 1<sup>st</sup> pillar of CAADP is also an important priority for government. Most of the potential projects suggested by the activities identified in the ERS Investment Programme and the SRA are in the area of rural water supply. Others cover irrigation, soil fertility and land reclamation.

- **Rural water supply in ASAL areas.** This is essential for both human and livestock development in these areas and would involve the rehabilitation and establishment of water pans, dams and boreholes;
- **Water conservation.** A project in this area could be focused on assisting the government to implement the Water Act 2002 which has *inter alia* provisions for water resource management by river users associations; the main issue is to increase the availability of water for downstream users; run off water harvesting for small scale household irrigation; impeding of water in holes and quarry excavations to increase ground recharge.

- ***Irrigation rehabilitation.*** There is considerable scope for rehabilitation of large schemes previously under cotton and rice production and even of some small schemes; particular attention would need to be given to establishing a participatory management structure to avoid recurrence of the abandonment of the schemes; the other aspect which is critical is the financial and economic viability of proposed projects in this area;
- ***Land reclamation.*** In specific areas, this could be carried out by means of community projects; reforestation of denuded areas; drainage and land fills.
- ***Integrated land management and soil fertility.*** Sustainability requires an approach that integrates activities such as agro–forestry, improved tillage practices, soil conservation and livestock production to bring about improved soil fertility and increased agricultural production. Local community understanding and commitment to the process is essential. It might be appropriate in the context of a broader based project, i.e. extension, to gradually extend successful pilot projects to neighbouring areas. This could include integration of legumes in cropping cycles, production of composts, use of animal manures in an integrated crop/livestock system.

III.6. The majority of donors indicate that natural resource conservation is an area of special concern. There are also some ongoing or already identified projects. Rural water supply in ASAL areas is being supported by the World Bank through its ALRMP project and will be part of the ADB's National Livestock and Ewaso Ng'iro projects, when they come on stream. The IFAD project in Mt. Kenya focuses on natural resource management including water conservation. Swedish SIDA has experience of small–scale water projects and integrated land management. Although USAID is funding a Natural Resources Management Programme, activities are concentrated on participatory forest management and community based wildlife management. In fact, given the crucial regulatory role of forest cover with respect to water discharge, as well as the devastating impact of the degradation of forest cover in Kenya, it is difficult to isolate forestry activities from land management and water control, suggesting that forestry projects could be considered under this priority area.

III.7. Key priority areas of investment in regard to sustainable land management and water control are:

- ***NMTIP Project 6: Rural Water Supply.*** Priority for investment in this area includes provision of water in the ASAL regions. This involves investment in rehabilitation and establishment of water pans, dams and boreholes, increasing productivity and alleviating poverty in these areas. Another area involves exploring possibilities of pumping water for irrigation from Lake Turkana to the surrounding areas and other parts of the country such as Marsabit. There should also be renegotiation of the water rights arising from internationally shared sources such as the river Nile and the Lake Victoria.
- ***NMTIP Project 7: Water Conservation.*** Investment identified in this area should enhance water conservation and the protection of water catchments areas. In enforcing the Water Act, consideration should be given to the Environmental Management and Conservation Act, pollution and quality control with particular reference to downstream areas. Promotion of agro forestry and woodlots on farms would help provide a buffer area between forests and catchments areas and help to protect the latter. With respect to water conservation via riparian protection, the conflict between the Land and Agriculture Acts was pointed out. It was felt the issue of community rights to water sources would be successfully addressed if conservation activities in an area could be carried out for the benefit of all concerned.

- **NMTIP Project 8: Irrigation.** Investment in irrigation should not be limited to rehabilitation of existing irrigation schemes such as those in the rice and cotton sub sectors. The investment should cover both old and new structures and a range of crops, particularly high value and food crops. Potential for constructing dams on rivers flowing into Lake Victoria whereby water could be stored for irrigation and to minimize flooding downstream should be explored. Further exploration of small–scale irrigation technologies was proposed.
- **NMTIP Project 9: Land Reclamation.** Investments in this area should go further than reforestation of denuded areas and should include closing these areas while appropriate vegetation is being introduced. The need to claim land from invasive species such as *Prosopis* (locally known as ‘mathenge’) was identified. Caution was urged with respect to drainage of wetlands and examples of the use of eucalyptus in Kisii Valley Bottoms and the doubtful viability of the drainage of the Yala Swamp were provided.
- **NMTIP Project 10: Integrated Land Management.** The issues raised that are related to integrated land management include investing in soil replenishment and fertilization with both inorganic and organic fertilizers and farmers access to the right fertilizer. Other considerations identified included investments in provision of rural energy needs, encouraging agro forestry/trees on farms, addressing the Land tenure and land use systems and the overall coordination of these efforts.

III.8. **Priority #3: Agricultural research, technology, dissemination and adoption.** While this is a clear government priority, fundamental to increasing agricultural productivity, the World Bank initiated KAPP aims to address most of the concerns in this area. In order to avoid conflicting approaches to agricultural research and extension, it would be advisable for other donors, interested in funding this area, to coordinate with the government and the World Bank. FAO, SIDA, DANIDA and IFAD are currently funding projects whose primary objective is to build the capacity for lateral exchange of information between farmers (Farmer–Farmer Extension) and therefore accelerate technology transfer. The process also develops the capacity of the private sector and NGOs to provide extension services directly to farmers. It will be necessary to strengthen this process further.

III.9. Investments identified under this priority, linked to the 4<sup>th</sup> pillar of CAADP, include raising the level of funding in technology development and dissemination:

- **NMTIP Project 11: Technology Development.** Research funding should be increased from the current level of 2% to a high of 6% of GDP. However the systems to be employed to handle the funding should be addressed. The question raised was whether such services would be more efficiently delivered through a centralized or a decentralized system, by either government or the private sector. Possibilities of putting the research funding into a pool to be distributed by means of a system of competitive bidding on the basis of the research proposals should be considered. The need for stronger linkages between research and extension was also identified. More adaptive research should also be undertaken and more sharing and coordination of research findings particularly at the regional level encouraged. Other major constraints identified in regard to research were the poor remuneration, poor working conditions and inadequate research facilities, which adversely affect the staff morale.
- **NMTIP Project 12: Technology Dissemination.** A market for extension services should be identified and be made accessible to farmers. Under such an arrangement, farmers would be willing to pay for extension services. A framework that would permit pluralism

of service providers should also be developed such as one which involves government, private individuals and processors/marketers. To facilitate such a system some initial seed capital would be necessary to encourage service provision. Once the recipients appreciate the service, no further outside financing would be required.

III.10. ***Priority #4: Livestock.*** Pastoralism is the main economic activity in the ASAL areas and improvement in livestock production and marketing represents a principal means of alleviating the poverty in these areas. The proposed ADB–supported National Livestock Development Programme will go some way towards meeting requirements for investment in the ASAL areas, but there is likely to be scope for supplementary and complementary investment. Dairy and Poultry development are other smallholder activities, which could be supported in the more humid areas of the country. The improvements in the control of animal diseases is essential in order to facilitate Marketing and Stock movements. An earlier attempt to privatise delivery of veterinary services failed because the private sector had no capacity to take up the roles and the poor input supply system to support it vaccines/drugs.

III.11. Investments identified under this project focussed on livestock development for ASAL regions. Accordingly, five major sub–components of an investment programme in this area are:

- ***NMTIP Project 13: Livestock Production.*** The main investment in the area of livestock production included disease control, culling of animals and improvement in livestock breeding.
- ***NMTIP Project 14: Natural Resource Management.*** Key investment areas include capacity building with respect to range management, land tenure reform and water resource management.
- ***NMTIP Project 15: Livestock Disease Control.*** In this area, investment in community mobilization and training was required with respect to disease surveillance, maintenance of disease free activities and awareness creating to effect a change of attitude with respect to commercialisation of production. Activities proposed for investment are in market intelligence systems, market information systems, marketing infrastructure (holding grounds, loading ramps, auctions), abattoirs – for both export and local markets, meat processing plants, encouraging and supporting development of farmer marketing groups, development and delineation of stock routes, development of both local and external markets.
- ***NMTIP Project 16: Partnership/Coordination.*** In order for the previously identified interventions to succeed there would need to be partnership and/or coordination between farmers, traders, government departments, private sector and the development partners.

#### **B. Project Selection Criteria**

III.12. One major project selection criterion, used in the identification of the above investment programme priorities, is government priority. Together with donor interest, this has been used in selecting the proposed investment areas. In the context of identified priorities, specific projects were selected in accordance with the following additional criteria:

- ***Technical feasibility and sustainability.*** This is the crucial test of whether the proposal makes technical sense and can be seen as sustainable in terms of resource utilization. Examples of previous projects or projects in similar areas, which have proved their technical

viability, are useful indicators in this respect. This criterion also covers likely effects upon the environment. Proposals indicating the scope for synergy between various interventions will receive favourable consideration.

- ***Financial and economic feasibility.*** At the early stage of project identification, it is difficult to obtain more than a vague idea of the financial and economic viability of a project, but enough information should be included to justify continuation of the project preparation process. Indicative crop budgets can suggest whether a particular technical process is financially viable in the current pricing and marketing context. A rough idea of irrigation investment costs per hectare in comparison with returns from the crop(s) likely to be grown will give an indication of the financial viability. Wherever possible, a preliminary comparison of the benefits with the costs of the project should be made, possibly using a simple cost/benefit ratio in financial terms.
- ***Absorptive capacity.*** Given the history of under spending of the development budget, this is an important criterion in the Kenyan context. It is a difficult factor to judge, especially at a time of change, reorganisation and uncertainty. However, a subjective judgement may be made in the context of the experience of the particular department/institution(s) concerned with the proposed technology or approach, and their manpower capacity.
- ***Ease of implementation.*** Experience indicates that projects with complicated implementation mechanisms have difficulty in attaining their objectives in a timely fashion. For this reason, priority will be given to projects with well designed implementation mechanisms, suitable to the proposed activities, with clear demarcation of responsibilities.

### C. Identification of Projects for Development with FAO Assistance

III.13. Based on the above criteria, the following projects were selected for development (they are presented in separate documents):

- ***Rural Financial Services*** (CAADP Pillar 2);
- ***Integrated Water and Land Management*** (CAADP Pillar 1);
- ***Livestock Disease Control*** (CAADP Pillar 1).

## IV. FINANCING GAP

IV.1. At the Maputo Summit, Heads of State and Government pledged themselves to commit “... allocating at least 10% of national budgetary resources for [the] implementation of [CAADP] ... and sound policies for agricultural and rural development within five years”. In the case of Kenya, agriculture’s share of the budget (total public expenditure) has not attained that level since the early 1980’s. As pointed out in section I, a combination of expenditure on agriculture – consisting of crops, livestock, fisheries and cooperatives — and environment in 2001/02 came to only 6% of the budget. The most recent figures for 2002/03 indicate a further decline to 5.1%. The budget lines for agriculture and environment are considered to contain the bulk of expenditure on agriculture and rural development since prior to 2003, when ministerial portfolios were redistributed, the budget for agriculture included livestock and that for environment included water. It is possible that some expenditure on rural infrastructure might not be captured as this might fall under public works. Also not captured in these estimates is the expenditure on lands and settlements.

IV.2. A summary of the actual expenditure on agriculture for 2000–2003 and the proposed allocation for 2004–08 are shown in Table 2 below. The expenditure figures are in nominal terms. According to the MTEF estimates for the period 2004/005 to 2006/7, the public expenditure on agriculture is expected to increase from 2.8% of the total government budget in 2003/2004 to 7.6% in 2004/2005 and will decline slightly to 6.4 in 2007. The allocation to environment that includes wildlife management is also projected to increase from 1.0% in 2003/2004 to about 2.7% of the total national budget in 2007/2008. According to these figures, the overall allocation to agriculture and environment therefore increases from 3.8% in 2003/2004 to about 9.1 % in 2007/2008.

IV.3. The allocation to agriculture and environment is projected to increase in line with the growth in GDP according to the base case scenario envisaged in the *Investment Programme for the ERSWEC*, namely 1.9% in 2003/04 rising gradually to attain 4.5% in 2006/07 and remaining at that level thereafter. The increase, if done, would be in line with the importance attached to the revitalization of agriculture committed in the SRA. The allocation could also make it possible for Kenya to meet the Maputo target. The small gap between the 9.1% and the 10% Maputo target could be closed through donor funding if not small adjustments in the budget.

**Table 2: Kenya: Agricultural Financing Gap (*Spending in Agriculture 2000–2008 in Nominal Values*)**

	Actual			Planned				
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<i>Ksh. Million</i>								
Agriculture	6,651	5,753	8,954	6,607	18,575	18,749	16,772	17,611
Environment & Wildlife	3,752	4,317	2,922	2,372	6,869	6,684	7,108	7,463
<b>Sub-total</b>	<b>10,376</b>	<b>10,070</b>	<b>11,876</b>	<b>8,979</b>	<b>25,444</b>	<b>25,433</b>	<b>23,880</b>	<b>25,074</b>
Total Budget	167,017	169,071	231,982	236,390	242,930	251,756	263,085	274,924
<b>Shares % of Total Budget</b>								
Agriculture	4.0	3.4	3.9	2.8	7.6	7.4	6.4	6.4
Environment & Wildlife	2.2	2.6	1.3	1.0	2.8	2.7	2.7	2.7
<b>Sub-total</b>	<b>6.2</b>	<b>6.0</b>	<b>5.1</b>	<b>3.8</b>	<b>10.5</b>	<b>10.1</b>	<b>9.1</b>	<b>9.1</b>
Actual figures are derived from the Public Expenditure Review 2003. Projections of the budget growth are based on estimates in the Medium Term Expenditure Framework 2004/2005 – 2006/2008.								
Agriculture includes ministries of Agriculture, Livestock and Fisheries Development and Cooperatives. It excludes allocations to the ministries of Lands and Settlement.								

## V. MONITORING AND EVALUATION

V.1. Monitoring of the NMTIP could form part of the monitoring framework for the ERSWEC that was proposed at the Kenya Consultative Group Meeting. This would include quarterly reports on progress made available to all stakeholders, including development partners and, possibly, an annual report on *Growth and Poverty in Kenya*. Monitoring of the NMTIP would focus on the agricultural and rural sector. Key indicators could include:

- % of the rural population living in poverty;
- % of the rural population with access to financial services (possessing a bank account and/or a loan from a financial institution);
- km of rural roads built;
- number of service organizations registered in rural areas;
- number of pans/dams/boreholes rehabilitated;
- number of new pans/dams/boreholes constructed;
- number of registered water users' associations;
- hydrological indicators such as level of water flow at critical points;
- km of irrigation canals rehabilitated/built;
- production and yield of major crops;
- area of forest under participatory/community management;
- average weight of live cattle at point of sale;
- incidence of critical livestock diseases.

V.2. Many indicators only reveal their importance in comparison with a baseline situation. The national household survey, proposed by the *Central Bureau of Statistics* for 2004 could provide useful baseline data. The overall monitoring of the programme could also draw on the monitoring frameworks established for specific projects. In terms of institutional responsibility, either each Ministry could be responsible for monitoring activities within its mandate i.e. the *Ministry of Water Resources Management and Development* would focus on hydrological data, irrigation schemes and water users associations; or a central unit in the *Ministry for Planning and National Development* could undertake to monitor the programme in conjunction with the ERSWEC as a whole.



## **ANNEXES**

- Annex 1: Linkages to CAADP**
- Annex 2: Stakeholder Workshop Report**
- Annex 3: Reference List**



**Annex 1: Linkages to CAADP**

**A. Government Investment Programme**

Sector/Policy/Activity	Potential Relevance to CAADP Pillars				
	1	2	3	4	5
<b>Agriculture and livestock</b>					
Restructure and rationalize agricultural research				X	
Implement National Agricultural Extension policy emphasizing demand-driven services and private sector participation /Establish database for extension planning and performance monitoring				X	
Carrying out PRA throughout the country, facilitated by extensionists.					
Develop strategy to improve public sector efficiency in agriculture and livestock, including rationalization of parastatals					
Develop strategy for deepening markets of agricultural financial services e.g. <ul style="list-style-type: none"> <li>• Competitive rural finance access fund</li> <li>• Competitive agricultural finance fund</li> <li>• Rural financial services access policy programme</li> </ul>		X			
Liberalize and regulate inputs market		X			
Promote commercialization of farm products including reducing transport costs by improving rural roads and reducing fuel taxes; reducing irrigation and factory operating costs by bringing down electricity costs; and improving access to market information by strengthening communications.		X			
Agribusiness Services Promotion Programme including: <ul style="list-style-type: none"> <li>• Venture capital fund</li> <li>• Small agribusiness development</li> <li>• Enabling legal environment</li> <li>• Parastatal reform</li> <li>• Support to parastatals</li> <li>• Market information</li> <li>• Market intelligence</li> <li>• Laboratory &amp; certification services</li> <li>• Inland beaches infrastructure</li> </ul>		X			
Revitalize quality assurance laboratory.				X	
Provide crop and livestock information services through radio, bulletins, internet, and the like.				X	
Develop a coherent land policy to address land use and administration, land tenure, and land delivery systems					
Liberalize maize and sugar markets			X		
Implement plans to liberalize the pyrethrum sector, and restrict the pyrethrum board to regulatory functions					
Coffee: implement reforms in the coffee sector with the objective of increasing the share of final sales that farmers receive					
Cotton: Re-establish Cotton Board, clear outstanding debts, expand irrigation schemes, review Cotton Act, encourage small scale ginning					
Rice: rehabilitate irrigation schemes to enhance rice production	X				
Livestock: Implement strategy for disease outbreak prevention and control i.e. create disease free zones. Introduce single permit system for cattle movement. Review options for a decentralized and private sector provided network of slaughterhouses. Expand access to water sources. Improve security. Provide breeding services (cattle, goats, sheep). <ul style="list-style-type: none"> <li>• ASAL areas animal improvement</li> <li>• ASAL animal marketing initiative</li> </ul>					X

NEPAD – Comprehensive Africa Agriculture Development Programme  
**Kenya: National Medium–Term Investment Programme (NMTIP)**

Sector/Policy/Activity	Potential Relevance to CAADP Pillars				
	1	2	3	4	5
Cooperatives: review Cooperative Societies Act (1997), address indebtedness, sensitize coop members on their rights					
Food security: <ul style="list-style-type: none"> <li>• SPFS</li> <li>• Cross border trade promotion</li> <li>• Irrigation investment</li> </ul>	X	X	X		
Restructure public spending in the Ministry of Agriculture to allocate a greater share of resources to priority programs					
<b>Rural Water</b>					
Water Conservation	X				
Drill boreholes.	X				
Rehabilitate dams and pans	X				
Rehabilitate 20 irrigation systems.	X				
Rehabilitate irrigation canals and flood control dikes	X				
Clean waterways initiative	X				
Formulation of a land policy.					
Formulation of an agricultural policy.					
Formulation of irrigation policy.	X				
Carry out geophysical and hydrogeological, and hydrological surveys.	X				
Implement the Water Act 2000.	X				
Land reclamation: implementation of community projects.	X				
<b>Land Resources</b>					
Develop a coherent land policy to address land use and administration, land tenure, and land delivery systems					
Land valuation, registration of titles, and land administration.					
Convening tribunals to hear and resolve land/boundary disputes.					
Procurement of modern survey and mapping equipment, and computerization of land records					
Implementation of recommendations of Njonjo Commission of Enquiry					
<b>Environment</b>					
Environmental Management: implement National Environment Action Plan (NEAP) and Environment Management and Coordination Act (1999), implement WSSD and MDG, implement Lake Victoria Environmental Management Project, and consolidate National Environment Management Authority functions	X				
Forestry: Implement Forestry Development Policy, enforce Forestry Act and promote private sector participation in Afforestation and management of forest plantations					X
Agro–forestry promotion					X
Soil fertility programme	X				
Germplasm conservation programme				X	
Wildlife Conservation: work with local communities in conservation of wildlife and benefit sharing, manage human–wildlife conflicts, and strengthen KWS capacity					X

NEPAD – Comprehensive Africa Agriculture Development Programme  
**Kenya: National Medium–Term Investment Programme (NMTIP)**

**B. Activities/Interest of Major Donors**

Donor	Area of Interest/Project	Potential Relevance to CAADP Pillars				
		1	2	3	4	5
World Bank	Arid Lands Resource Management Project II (Total cost US\$77.9 million, of which IDA credit US\$60 million; implementation 2003–09)	X		X		X
	Agricultural Productivity Project (at design stage)				X	
	Lake Victoria Environmental Management (IDA credit US\$4.6 million; closing Dec. 31, 2004)	X				X
	Reconsideration of food security policies			X		
	Reform of the coffee sector					
	Support to livestock sector	X				X
	Rationalization of public expenditure					
African Development Bank	National Livestock Development Project					X
	Ewaso Ng'iro North Natural Resources Conservation Project	X				X
	Adoption of modern technologies				X	
	Diversification of crop & animal production systems				X	X
	Efficient management of natural resources	X				
	Improvement of land and labour productivity for farm and non–farm activities	X			X	
IFAD	Strengthening of rural infrastructure		X			
	Central Kenya Dry Area Smallholder & Community Services Development Project (Total cost US\$18.08 million, of which IFAD loan SDR 8.45 million; implementation 2001–07)			X		
	Mount Kenya East Pilot Project for Natural Resource Management (Total cost US\$25.7 million, of which IFAD loan SDR 12.7 million; implementation 2003–10)	X	X			
	Southern Nyanza Community Development Project (Formulation stage, total cost estimated at US\$19 million)		X		X	
	Promotion of food security			X		
European Union	Maintain & rehabilitate natural resources	X				
	Empowerment of rural communities in the local development process					
	Improvement of conditions for private sector activity		X		X	
	Strengthening the capacity of local authorities in the delivery of rural services and infrastructure		X			
USAID	Roads		X			
	Natural Resources Management Programme (Proposed expenditure in FY 2004: US\$2.776 million; estimated completion in FY2005)	X				X
	Increased Rural Households Incomes Programme (Proposed expenditure in FY 2004: US\$4 million; estimated completion in FY2005)		X		X	X
	Protect natural resources	X				X
UK–DFID	Improve rural incomes		X		X	X
	Various small projects		X	X		X
	Environmental governance	X				
Germany GTZ	Land policy					
	Private sector agricultural development in medium and high potential areas in parts of Rift Valley, Western, Nyanza & Central Provinces		X			
Sweden SIDA	Water resource management	X				
	Agricultural extension through NALEP, project ended in 2003				X	
	Sustainable use of natural resources	X				
Canada	Small–scale water projects & water resource management	X				
	Increase food production			X		
	Manage critical natural resources	X				



## **Annex 2: Stakeholder Workshop Report**

### **Introduction**

A workshop was held on 8<sup>th</sup> June 2004 at the Kenya Agricultural Research Institute (KARI) headquarters in Nairobi. The theme of the workshop was to validate the findings and proposals of a draft *National Medium Term Investment Programme* (NMTIP), prepared under TCP/KEN/2908 with the support of FAO. Over 60 participants attended the workshop from government ministries and departments, NGOs, private sector, donors and farmers (Appendix A).

### **Official Opening**

**Dr Romano Kiome, Director, KARI**, welcomed the participants and introduced Mr Joseph Kinyua, the PS Agriculture, and Mr Bruce Isaacson, the FAO Representative in Kenya.

**Mr Bruce Isaacson, FAO Representative in Kenya**, outlined the origins of the *New Partnership for Africa's Development* (NEPAD) *Comprehensive Africa Agriculture Development Programme* (CAADP) and indicated FAO's pivotal role in its development. He summarized the CAADP action plan, underlining the objectives of:

- creating conditions for sustainable development (security, governance, capacity building);
- formulating clear sectoral priorities;
- resource mobilization.

These objectives were to be seen in the context of the overall goal of eradicating hunger and poverty and accelerating economic growth in Africa. Mr Isaacson then focused on the Kenyan context, underlining Kenya's comprehensive participation in all consultations that developed NEPAD and its associated development strategies. He made reference to the April 2003 NEPAD–CAADP workshop in Nairobi, which aimed to sensitize participants on the principles and objectives of NEPAD, and identified the following critical aspects of the way forward:

- government should increase budgetary support to the agricultural sector;
- food security aspect to be addressed by all relevant organizations in the country;
- involvement of farmers and communities at all levels of project development and implementation.

Reference was subsequently made to other NEPAD meetings and activities, in particular the NMTIP draft document, which built on various national strategies and had been prepared with the assistance of the FAO Investment Centre and Kenyan counterparts and which was the subject of the current workshop. Finally, Mr Isaacson emphasized the need to agree on and finalize priority projects and ensure their implementation.

**Mr Joseph Kinyua, Permanent Secretary, Ministry of Agriculture (MOA)** officially opened the workshop. In his opening speech he placed the CAADP in the context of the decline of the agriculture sector in Africa and the need to reverse this. He made particular reference to the July 2003 meeting of the African Heads of State of the African Union in Maputo at which the *Declaration on Agriculture and Food Security in Africa* was endorsed, thereby providing strong political support to the CAADP. He pointed out that while the main NEPAD desk in Kenya is under the Ministry of Planning and National Development, initiatives related to the CAADP have a secretariat in the

Ministry of Agriculture. Mr Kinyua acknowledged the support of FAO in facilitating the preparation of the NMTIP and bankable investment projects and provided assurance of the strong commitment of the Kenyan government to the process, which would include making all necessary efforts to prepare and implement action plans. Mr Kinyua reiterated the need to coordinate all the investment efforts in agriculture. He emphasized that these different investments must be consistent with the *Economic Recovery Strategy (ERS)* and the *Strategy for Revitalization of Agriculture (SRA)*.

Mr Kinyua urged workshop participants to freely contribute their views and suggestions as to how the current situation could be changed and improved and emphasized the need to move on to the next stage of implementation. While the Ministry of Agriculture was expected to spearhead many activities, the critical role of other relevant government departments and development partners was emphasized. Wishing participants fruitful deliberations and expressing the hope that the workshop would come up with tangible and implementable projects that would lead to the revival of the agricultural sector and economic development, the PS declared the workshop officially open.

### **Presentation**

Dr Joseph Wanjama, Director of Agriculture, MOA, chaired this session. He introduced the main speaker, **Dr James K. Nyoro, Executive Director, Tegemeo Institute**, one of the national consultants working on the preparation of the programme, who presented the report.

#### ***Structure and content of NMTIP***

##### ***Performance of the economy:***

- growth rate consistently below rate of population
- declining capita income
- increase in production poor
- unlikely to achieve the mgs

##### ***Reasons attributed for the poor performance of the economy:***

- persistence of pervasive government failures
- slow pace of economic reform
- low savings and investments
- poor implementation of policies & strategies
- weak banking system
- unreliable and high costs of power
- poor physical & telecommunications infrastructure
- inward looking trading regimes
- HIV/AIDS epidemics – High infection rates

##### ***Key components of the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC):***

- redefines role of government vis-à-vis that of the private sector

- identifies the need to facilitate the private sector
- stresses on maintaining macro–economic stability
- formulates strategies to strengthen institutions of governance
- need for rehabilitation and expansion of infrastructure
- need for investment in human capital of the poor
- identifies the need to strength policy and regulatory functions of the state
- identifies the need to transfer productive resources from government to private sector and farmer organization

***Performance of the agriculture sector:***

- persistently low growth rates
- poor implementation of policies and strategies
- declining world commodity prices
- declining land fertility
- poor management of natural resources
- inadequate infrastructure
- limited access to rural finance
- poor government of farmer institutions
- lack of coherent agricultural policy
- deteriorating health status of population (HIV/AIDS and malaria)

***Key Components for the Strategy for Revitalization of Agriculture (SRA):***

- reform and legal framework (unified legislation)
- promotion of research and technology development
- reform of extension service delivery
- establishment of market based agricultural credit
- promotion of domestic value adding
- strategies to enhance use of yield enhancing agricultural inputs
- strategies to attain food security
- strategies to reform the output market reform
- strategies to revitalize livestock production and marketing
- implementation of the natural resource inventory and valuation (NEMA)
- Rehabilitation and expansion of forestry

***Linkages between ERS, SRA & CAADP:***

- improving rural infrastructure
- output market reform and trade related activities
- natural resource inventory and valuation (NEMA)
- increasing food production and reducing hunger
- irrigation development
- agricultural research, technology development, dissemination and adoption
- development of livestock, fisheries and forestry

***Priority setting for CAADP Kenya***

- Priority # 1 (CAADP Pillar 2): Commercialization of agriculture – Improving infrastructure, improving trade related activities. Key components:
  - agricultural rural and financial services
  - rural access roads
  - agribusiness promotion
- Priority # 2 (CAADP Pillar 1): Sustainable land management and water control. Key components:
  - pastoralism
  - rural water supply in ASAL areas
  - water conservation
  - irrigation rehabilitation
  - land reclamation
  - soil fertility – restore integrated land management
- Priority # 3 (CAADP Pillar 4): Agricultural research, technology, dissemination and adoption
- Priority # 4 (CAADP Pillar 5): Livestock. Key components:
  - Control of animal diseases
  - Pastoralism
  - Dairy and Poultry Development
  - Private sector/government partnership in delivery of veterinary and AI services

**Discussion**

The discussion following the presentation covered the aspects below:

- ***Priorities.*** There was some confusion as to the nature of the priorities put forward in the report and it was agreed that rather than priorities, they should be presented as components of the investment programme.
- ***Livestock.*** It was pointed out that livestock was integral to all components of the investment programme, particularly research and extension, and should not be considered in isolation. It

was agreed that instead of focusing on livestock, the fourth component of the programme should instead concentrate on ASAL development.

- ***Gaps in Report.*** It was felt that initiatives such as the UN *Initiative to Cut Hunger in Africa* should be referred to in the report. It was also important to put the financing gap analysis in the context of the MTEF.
- ***Farmers' Concerns.*** Farmer representatives pleaded for a halt to talking and a start to action in the field as little investment was getting through to small farmers. Particular concerns were the issue of markets for produce and accessibility of finance.

### **Group Work and Presentation**

**Dr Hezron Nyangito Executive Director, Kenya Institute of Public Policy and Analysis (KIPPRA)**, who chaired this session, provided guidance for the deliberation of the working groups. Commenting that the report and Dr Nyoro's presentation, provided a good synthesis of previous documents and a concern to fit in with the existing overall plan for development of the sector, he suggested that the working groups should consider whether the proposed programme was appropriate and then go on to identify tangible actions that could be taken. The following working groups and chairmen were then identified:

<b><u>Working Group</u></b>	<b><u>Chairperson</u></b>
1. Commercialization of agriculture .....	Stanley Karuga
2. Sustainable land management & water control.....	Mr Wangila
3. Agricultural research, technology, dissemination and adoption .....	Gem Argwings–Kodhek
4. ASAL development.....	Dr Bengat

Initially, workshop participants were asked to choose which group they wished to join, but as numbers were unevenly distributed, with a very high proportion of participants wishing to participate in the Commercialization group, the Chairman was obliged to divide participants between the groups. Even so, the Commercialization group was significantly larger than the others.

The discussions and conclusions of the individual working groups, including plenary discussion at the time of the presentations, are given below:

***Group 1: Commercialization of agriculture.*** The group focused on four areas and attempted to establish priorities within these. In addition, certain crosscutting issues were identified.

- ***Agribusiness Promotion.*** There was heated discussion about the alternative options of considering the whole production cycle or focusing on agro–processing and eventually the latter option was favoured. A wide range of products suitable for further development was considered and priority was assigned to the following:
  - milk and milk products;
  - fruit and vegetables;
  - hides and skins;
  - cereals.
- ***Rural Infrastructure.*** A comprehensive range of infrastructure was considered, including rural airstrips, but eventually priority was assigned to the following:

- rural access roads;
  - both water and rural electrification;
  - market/storage facilities and cooling centres.
- **Rural Financial Services.** The group identified the key problem here as Access to appropriate services and suggested that the main requirement was capacity building of potential borrowers in finance and business management so that they would be able to make business plans, which financing institutions could then consider for financing.
  - **Rural Services.** The main requirement here was considered to be capacity building which was needed in the following areas and for the following recipients:
    - formation and strengthening of farmers’ organizations;
    - rural service providers (including input suppliers, extension agents, etc.);
    - quality assurance.Another requirement was for market information systems.
  - **Cross–cutting Issues.** In the area of commercialization, the group considered that the following cross–cutting issues should be taken into account:
    - policy;
    - collaboration and coordination of stakeholders;
    - corporate governance;
    - security.

**Group 2: Sustainable land management and water control.** The group preferred to move away from the terminology of CAADP Pillar 1 and call this component of the investment programme Sustainable Land and Water Management. Discussion within the group closely followed the sub–components identified in the NMTIP draft document.

- **Rural Water Supply.** The group preferred to omit specific reference to the ASAL areas as this was considered important for all rural areas. In addition to the proposed rehabilitation and establishment of water pans, dams and boreholes, it was suggested that other areas should be explored such as the piping of water from Lake Turkana for irrigation in Turkana and Marsabit. Consideration should also be given to water rights arising from internationally shared rivers. Finally, it was pointed out that water was essential for both human and agricultural use.
- **Water Conservation.** In an editorial comment, the group pointed out the overarching nature of the Water Act and suggested that all issues relevant to water conservation should be identified in the introduction. A critical issue was the conservation and protection of water catchment areas. In addition to the Water Act, consideration should be given to EMCA and pollution and quality control with particular reference to downstream areas. Promotion of agro forestry and woodlots on farms would help provide a buffer area between forests and catchment areas and help to protect the latter. With respect to water conservation via riparian protection, the conflict between the Land and Agriculture Acts was pointed out. It was felt the issue of community rights to water sources would be successfully addressed if conservation activities in an area could be carried out for the benefit of all concerned.
- **Irrigation.** This should not be limited to rehabilitation of just rice and cotton, but cover both old and new structures and a range of crops, particularly high value and food crops. Potential

was identified for dams on rivers flowing into Lake Victoria, whereby water could be stored for irrigation and minimize flooding downstream. Further exploration of small–scale irrigation technologies was proposed.

- **Land Reclamation.** The group suggested going further than reforestation of denuded areas to close them while appropriate vegetation was introduced. The need to claim land from invasive species such as *Prosopis juliflora*, locally known as mathenge, was identified. Caution was urged with respect to drainage of wet lands and the examples of the use of eucalyptus in Kisii Valley Bottoms and the doubtful viability of the drainage of the Yala Swamp were provided.
- **Integrated Land Management.** The previous heading of soil fertility was considered inappropriate. Issues were raised with respect to soil replenishment and fertilization with both inorganic and organic fertilizers and farmers access to the right fertilizer.
- **Gaps.** The group identified the following gaps in the proposals for this area:
  - rural energy needs;
  - agroforestry/trees on farms;
  - land tenure;
  - coordination.

**Group 3: Agricultural research, technology, dissemination and adoption.** This group focused on priority areas for investment.

- **Research.** In the context of raising research funding from 2% to 6% of GDP, the question was asked, which system would be more efficient – centralized/decentralized government/industry? It was proposed that funding be put into a pool and provided through a system of competitive bidding on the basis of the research proposals. The group emphasized the need for stronger linkages between research and extension and the need for more emphasis on adaptive research and for more sharing and coordination of research, particularly at the regional level. Major issues in the sub–sector were identified as remuneration, working conditions and facilities.
- **Extension.** The group considered that if a market was identified and accessible, farmers would be willing to pay for extension services. A framework was required that would permit pluralism of service providers i.e. government, private individual and processors/marketers. A requirement for some initial seed capital was identified to encourage service provision, but it was considered that once recipients appreciated the service, no further outside financing would be required.

**Group 4: ASAL Development.** This group decided that livestock development was the priority for ASAL areas and formed its recommendations accordingly. Five major sub–components of an investment programme in this area were identified:

- **Livestock Production.** The main requirement is for capacity building in the following areas:
  - disease control;
  - cropping of animals;
  - breeding.

- **Natural Resource Management.** Capacity building was also considered to be a major requirement with respect to:
  - range management;
  - land tenure reform;
  - water resource management.
- **Livestock Disease Control.** In this area, community mobilization and training was required with respect to:
  - surveillance;
  - maintenance of disease free zones;
  - livestock movement;
  - community health care;
  - vector control.

While the Government needed to invest in disease control and eradication, it was felt that there was scope for private sector involvement as well.
- **Market Development.** A major precursor or accompaniment to most of the activities proposed in this area would be awareness creating to effect a change of attitude with respect to commercialization of production. Activities proposed included:
  - market intelligence systems;
  - market information;
  - marketing infrastructure (holding grounds, loading ramps, auctions);
  - abattoirs, for both export and local markets;
  - processing plants;
  - farmer marketing groups;
  - development of stock routes;
  - development of both local and external markets.
- **Partnership/Coordination.** The group considered that in order for the previously identified interventions to succeed there would need to be partnership and/or coordination between the following agents:
  - farmers;
  - traders;
  - government departments;
  - private sector;
  - development partners.

### **Official Closing**

This session was again chaired by **Dr Joseph Wanjama, Director of Agriculture, MOA** who introduced **Ms Suzanne Raswant** from the **FAO Investment Center** to make some concluding remarks.

Ms Raswant thanked all participants for their thoughtful contributions to the workshop and identified some of the modifications proposed such as the inclusion of livestock as an integral part of

all investment programme components. She then outlined the next steps in the formulation of the NMTIP and bankable projects. The document would be revised to accommodate the proposals made at the workshop and then three or four bankable project profiles would be developed in line with the priorities identified at the workshop. Every attempt would be made to identify sources of funding for the projects identified with a view to initiating implementation as soon as possible.

Dr Wanjama then summarized the achievements of the workshop and expressed his hopes that there would be a significant contribution to development of the sector and economic growth. He thanked everyone for their participation in the workshop and declared it officially closed.



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