PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC18818

Project Name	National Agricultural and Rural Inclusive Growth Project (P153349)
Region	AFRICA
Country	Kenya
Sector(s)	General agriculture, fishing and forestry sector (60%), Sub-national government administration (20%), Agro-industry, marketing, and trade (10%), Public administration- Other social services (10%)
Theme(s)	Rural services and infrastructure (40%), Social Inclusion (30%), Micro, Small and Medium Enterprise support (30%)
Lending Instrument	Investment Project Financing
Project ID	P153349
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Devolution and Planning
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	02-Mar-2015
Date PID Approved/ Disclosed	04-Mar-2015
Estimated Date of Appraisal Completion	10-Nov-2015
Estimated Date of Board Approval	20-Jan-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Although poverty rates in Kenya seem to have fallen, formidable challenges at reducing poverty, in particular in rural areas, remain. Kenya's poverty reduction from 47 percent in 2005/6 to about 39 percent based on best estimates in 2012/13 , has been driven by solid growth across most of the economy, but improvements in income are not evenly shared amongst people but also amongst regions and inequality appears to be rising . The scale of consumption poverty in Kenya is staggering, and is concentrated in rural areas. Based on the last national household budget survey, close to half of the population (nearly 17 million Kenyans) was poor in 2005, the vast majority of the poor lived in rural areas, and were more likely to depend on income and consumption from crops and livestock, as a source of livelihood. Revised poverty estimates indicate that nearly 4 in 10 Kenyans continue to live in extreme poverty. Poverty levels are highest in arid and semi-arid areas, with roughly 70 percent the population living in the “small share” (about 12 percent) of the more agriculturally productive regions of the country (source: CPS FY2014-18). Tackling poverty must address the difficulties of low-income rural communities as well as the distinct problems of urban poverty that also encompass secondary cities.

Income inequality levels are not likely to have decreased in recent years, and achieving inclusive growth remains Kenya’s key development objective. Kenya’s Gini coefficient of 47.7 is above that of neighboring comparators, including Ethiopia, Tanzania, and Uganda. The richest 10 percent of the population garner 40 percent of the nation’s income, whereas the poorest 10 percent receive only 2 percent of national income. While fostering income growth of the bottom 40 is not currently a target set explicitly by the national authorities, in practice it is currently equivalent to fostering income growth of the extreme poor. Significant investment and economic reform must be part of the effort to cut the poverty rate by 2 percentage points each year from now to 2030 if extreme poverty is to be ended in that timeframe (source: CPS, FY2014-18).

Sectoral and Institutional Context

Agriculture is the mainstay of Kenya’s economy, but is not reaching its potential to fully contribute to poverty reduction and shared prosperity. The sector directly accounts for 25 percent of GDP, and provides 62 percent of formal employment, and 45 percent of government revenue. However, although specific high-value sub-sectors like horticulture and tea have performed well, small-scale agriculture – the main livelihood for most of Kenya’s poor – has performed very poorly. Despite demographic changes and urbanization, the majority of the rural population still derives their livelihoods from agricultural and related activities, at low levels of productivity. There is therefore a very strong linkage between agriculture and the overall performance of the economy as well as the wellbeing of the Kenyans (both rural and urban).

Vulnerable groups in rural areas bear the highest incidence of poverty depending on how well they have been prepositioned to face shocks. Social exclusion creates vulnerability particularly among women and youth. Lack of stable income, secure shelter, isolation from markets, jobs scarcity, lack of access to information and technologies and knowledge, education etc. all act as drivers to social exclusion and lack of prosperity that is being experienced by rural families. In agriculture, women comprise more than 70 percent of the labor force, yet they own only 1-5 percent of agricultural land titles. In terms of non-agricultural employment, only 29 percent of those earning a formal wage are women and female youths are twice as likely to be unemployed as adult females.

Management of natural resources and water catchments is critical to the well-being of the most vulnerable and to improving prosperity of rural communities. Kenya's growth prospects and main economic activities, especially agriculture, hydro-power generation and water supply are strongly linked to the country's environment and natural resource base. However, such catchment areas in Kenya have undergone intensive environmental degradation resulting in the siltation of rivers, reservoirs and irrigation canals, which in turn exacerbates flooding and vulnerability. Kenya already is one of the most degraded areas in the region with about 70 percent of the population living in the 12 percent of total land area that is classified as being of medium to high potential for agriculture and livestock production. Further, Kenya is highly vulnerable to the impacts of climate change. Many of the economic activities and livelihoods rely on natural resources will be impacted by climate change related occurences, such erratic weather patterns, floods and droughts. Proper management and conservation of key catchment areas, as well as actions to respond to climate change (such as the adoption of climate-smart agriculture practices, or strengthening the adaptive capacity of communities through improved access to information and services) are key strategic requirements for increasing for increasing agricultural productivity, poverty reduction and economic growth.

The 2010 Constitution gives hope in addressing some of the exclusion witnessed in the past. Devolution to 47 Counties paves way for a more equal distribution of resources and better service delivery. The Constitution Bill of Rights emphasizes the need to protect the vulnerable and marginalized members of Kenyan communities. Much needs to be done in practice to ensure that it rectifies the unequal distribution of investments and services and does not instead cause service delivery to deteriorate. The Constitution also recognizes improved governance, transparency and citizen participation as essential to realize Kenyan aspirations.

The Constitution and the Government's ambitious devolution process bring major new opportunities, as well as near-term challenges, for enhancing poverty reduction, citizen participation, agricultural productivity, as well as governance. Counties now play the primary on-the-ground role in delivering agriculture services that previously were managed by the national government. Key functions related to these services were transferred to the Counties in August 2013, and the "Equitable Share" includes significant resources that had formerly been allocated to national ministries to carry out these services, with national government retaining a policy making role. There is a major need, and window of opportunity, to support Counties to put in place institutional structures, mechanisms and staffing to deliver on their mandates. Many Counties are looking for mechanisms, such as community-led development programs, that can help to mobilize their citizens to take an active role in delivery of services.

Kenya has significant experience supporting community-led development, agriculture and citizen-centered governance, specifically gained from the Western Kenya Community-Driven Development and Flood Mitigation (WKCDD/FM) Project and the Kenya Agricultural Productivity and Agribusiness Project (KAPAP) . Both projects are delivering on their development objectives and have demonstrated new approaches to mobilizing communities and small-scale agriculturalists, while facing implementation and governance challenges that have afflicted multiple projects in the Bank's Kenya portfolio. These types of operations have demonstrated results in mobilizing poor communities to undertake initiatives that improve local livelihoods, and have progressively sought to incorporate lessons learned from similar community-led initiatives in South Asia and other regions. Experience thus far suggests that unlike top-down approaches, effective community-level planning and execution encourages innovative development solutions that reflect local priorities.

Rural transformation in an inclusive and sustainable manner is the long-term vision of the Government of Kenya (GoK). To achieve this inclusive transformation, a series of multi-sector programs will be required over the next 5 to 15 years. The Bank, in response to the GoK's request to scale up community-led and market-driven approaches in the agricultural sector as the first program in the series, proposes a Kenya National Agricultural and Rural Inclusive Growth Project (P153349) to be implemented over five years with an approximate IDA envelope of US$200 million.

Relationship to CAS

The Government, as well as the World Bank's new Kenya Country Partnership Strategy (CPS/ FY2014-18), places a strong priority on supporting agriculture and the devolution process to enhance poverty reduction and shared prosperity. Enhancing the role of agriculture in generating shared prosperity and poverty reduction, as well as in supporting national and County governments to provide effective decentralized service delivery are key priorities. The agricultural sector is identified as one of the key sectors of the economic pillar in the “Kenya Vision 2030” which is operationalized by the Second Medium Term Plan (2013-2017), as well as other key policies such as the Agriculture Sector Development Policy aiming to achieve 5 – 7 percent annual agriculture sector growth. The CPS identifies agriculture as the sector with the most potential to make a significant difference to Kenya’s rural poor, including women, who make up 70 percent of the rural labor force; and to deliver on national objectives for shared prosperity.

Alignment with Country Partnership Strategy. The proposed program is fully aligned with the focus areas of the CPS and will contribute to its objectives through the Bank’s three key domains of engagement in Kenya. First, under Domain 1 – “Competitiveness and sustainability: growth to eradicate poverty”, the proposed project would help achieve the high level objective of improving agriculture productivity and sustainability . Second, the proposed project would directly contribute to Domain 2 – “Protection and potential: delivering shared prosperity”, where the focus is to protect the vulnerable and help them develop their potential. The CPS recognizes that agriculture is one of the high priority areas interventions to target support for the poor that directly links with helping farmers in rural areas. Engaging communities and supporting especially women and youth are also recognized to be important. Third, the proposed project would also assist in achieving the two high level objectives of operationalizing the devolution framework for local decision making and smooth delivery of decentralized services under Domain 3 – “Consistency and equity: delivering a devolution dividend”.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed development objective is to reduce vulnerabilities and promote inclusive agricultural and other livelihoods of the small-scale and marginal farmers in the targeted communities.

Key Results (From PCN)

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Achievement of the PDO and key results are proposed to be measured by the following indicators: (a) Direct project beneficiaries (number) of which female (percentage)- this core indicator will essentially measure the number of vulnerable and poor/small and marginal farmers (bottom 40 percent, disaggregated by gender) benefitting from project interventions both in terms of infrastructure and livelihoods; (b) Communities and Counties, through their own institutions, implementing, operating, and managing their development activities (number); and (c) Increase of household incomes and assets of small and marginal farmers (less than 2 acres) (percentage). A detailed results monitoring framework and indicators will be developed during the project preparation.

III. Preliminary Description

Concept Description

Project Approach and Scope: To promote inclusive and sustainable agricultural and livelihood development, the proposed project interventions will use a three-pronged approach along the key guiding principles of: participation, inclusion, poverty targeting, transparency, accountability, value-for-money, and self-help. First, to address key aspects of rural development that cut across cultural, ecological, and socioeconomic areas , the project design will use a holistic, integrated landscape approach that looks at all resources (natural capital (land, water, and other natural resources), physical capital (infrastructure, etc.) and social capital (communities, institutions, etc.) to develop strong horizontal and vertical collaboration with stakeholders to managing competing demands. Second, to effectively identify and address distinct local needs, the project will use a community-led approach that has been successfully providing services to rural populations in Kenya. Participation of the beneficiary population and County governments in all stages of the process would be essential for ensuring ownership and sustainability of the investments. Third, the project will adopt a market-driven approach to ensure that agricultural development and livelihood promotion are linked to markets/private sector thereby contributing to increased economic transformation and improved livelihoods of the target population. With focused support, a sizeable group of small farmers and other vulnerable groups can be a source of much needed employment and growth in the rural areas. The project will also place a strong emphasis on sustainability – how to build and sustain community-led institutions and farmer-led market associations that can raise adequate revenues to sustain and expand operations, and are incentivized to deliver tangible benefits for poor and vulnerable populations.

Project Area. Selection of the proposed project area will be defined during preparation recognizing that some degree of geographical concentration will be needed in order to provide widely shared benefits. Roughly, the project will cover about 10 to 15 counties, benefitting about 500,000 farm-families, about 2. 5 million population . Selection of the project area will be in done following an overall holistic/landscape approach, ensuring close collaboration and coordination with proposed IDA-supported rural roads, rural energy and devolution projects currently under preparation. The selection criteria could include: (i) agricultural and livestock potential areas; (ii) number of poor people living in rural areas; (iii) human development indicators such as malnutrition, food insecurity, sanitation coverage, etc.; (iv) willingness of County governments and communities to commit to the program’s objectives/principles and provide cash/labore or in-kind support, and; (v) clustering approach – in terms of both physical/biological clustering as in case of watershed, and economic clustering.

Project Components: The project will comprise 4 components:

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Component 1: Support to Farmer/Community Institutions and Agricultural/Rural Livelihoods (roughly US$100 million of IDA Credit): This component will provide support and resources to communities for building and strengthening their institutions (farmer/producer groups, cooperatives, etc), improving agriculture and rural livelihoods (extension, technology, irrigation, natural resource management, finance, etc), reducing vulnerabilities such as unemployment (especially youth), disability, food insecurity and malnutrition, and improving quality of life (small access roads/ bridges, water, etc). This component could provide support through two windows aimed at: (a) providing financing for public goods, and; (b) promoting agricultural and rural livelihoods as private goods. The funds will be released directly to the communities in tranches based on their performance, and will be managed at the community level. Investments would need to be made in land rehabilitation and land conservation measures also to arrest erosion-induced declining land productivity, and connecting the farmers as well as community to roads and markets.

Component 2: Strengthening Inter-community/Producer Cooperatives and Investments for Agricultural Value Chains (roughly US$60 million of IDA Credit): This component will support the strengthening of higher level farmer institutions (cooperatives, producer federations, natural resource users associations, etc) that help farmers and communities work together to improve productivity and value-addition, and to achieve efficiency and economies of scale of local activities. The component will also support activities that require cooperation within and across multiple communities. Key activities proposed under this component include: (i) strengthening producer federations and cooperatives; (ii) developing value-chains and commercial agriculture; (iii) improving catchment management practices; (iv) promoting innovative technology, farming methods, and good agricultural practices that help target beneficiaries to improve efficiency and quality of their production; and (v) complementing existing subsistence strategies that promote climate resilience with new measures such as efficient irrigation, new crop varieties (e.g., drought and disease tolerant, quicker-growing), and erosion controls. These climate smart techniques and dissemination of climate information (e.g., seasonal forecasts and long-term trends) can address more intense rainfall events and water conservation measures. Component 2 will build synergies with other initiatives at the national level and in the project area such as feeder roads development, rural electrification and devolution, etc., in order to have a multiplier effect on achieving sustainable results.

Component 3: Building Capacity of County Governments and Other Partners to Support Community-Led Development (roughly US$30 million of IDA Credit): This component will support County governments and other partners (including communities) to strengthen their roles and capacity as enablers of community-led initiatives for farmers and vulnerable populations. Proposed activities to be supported will include: (i) integrating community-led initiatives in County Integrated Development Planning and Budgeting processes; (ii) building County capacity including policies, staff, processes/systems, and monitoring; (iii) identifying and monitoring progress and needs of poor and marginalized communities, and; (iv) developing platforms to share information on ongoing initiatives, identifying and disseminating good practices, and enhancing coordination among different actors.

Component 4: Coordination, Facilitation and Monitoring (roughly US$10 million of IDA Credit): This component will support overall national level coordination, facilitation, management, technical support, and monitoring, learning and evaluation.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✗		
Natural Habitats OP/BP 4.04			✗
Forests OP/BP 4.36			✗
Pest Management OP 4.09	✗		
Physical Cultural Resources OP/BP 4.11			✗
Indigenous Peoples OP/BP 4.10	✗		
Involuntary Resettlement OP/BP 4.12	✗		
Safety of Dams OP/BP 4.37		✗	
Projects on International Waterways OP/BP 7.50			✗
Projects in Disputed Areas OP/BP 7.60		✗	

V. Financing (in USD Million)

Total Project Cost:	200.00	Total Bank Financing:	200.00
Financing Gap:	0.00		

Financing Source	**Amount**
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	200.00
Total	200.00

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