GOVERNMENT OF KENYA

Agricultural Sector Development Strategy

Medium-Term Investment Plan: 2010–2015

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Executive Summary

This Medium-Term Investment Plan (MTIP) for Kenya's agricultural sector springs directly from the country's Agricultural Sector Development Strategy (ASDS), whose development process fulfilled specific requirements for developing the Kenya CAADP Compact. Key elements of Kenya's sector-wide approach to agricultural sector development affirm core CAADP principles, particularly those related to broad stakeholder consultation and participation, accountability, and coordination.

Agriculture, Growth and Food Security

Despite an unprecedented range of pressures generated by global climate change, the global financial and economic crisis, high food and fuel prices, and internal challenges, Kenya's economy has registered growth rates ranging between 3 and 7 percent since 2005. Between 2002 and 2007, the national poverty rate fell from 56 percent to 46 percent. To achieve ambitious development aims set out in *Vision 2030*, Kenya's development blueprint to 2030, growth rates must be further boosted.

Although less impressive than other parts of the economy, agriculture has also performed well in recent years, growing faster than the rural population. The sector recovered from negative 3 percent growth in 2002 to positive 5.4 percent by 2006. From 2007 to 2009, prolonged drought and other problems negatively impacted on the sector; nevertheless, the sector has returned to a positive growth and development path. Key to the recovery has been vibrant internal demand for major staples, livestock products, and horticultural goods, and a return to growth in key export sub-sectors such as coffee, tea, pyrethrum, horticulture, and cut flowers.

But growth does not automatically translate into sustained improvements in food security. Indeed, Kenya faces major food security challenges. Between 2002 and 2007, food insecurity fell by 12 percent. But poor or failed cropping seasons beginning in 2007 resulted in sustained deterioration of national food security. The number of Kenyans requiring food assistance rose from 650,000 in late 2007 to almost 3.8 million in late 2009 and early 2010. The situation has improved significantly in recent months. But a key recognition is that low purchasing power is a significant driver of food security in the country. Increased food output alone is unlikely to significantly reduce food insecurity on aggregate. Improved access to food via markets is critical, especially given likely continued high food and fuel prices.

Opportunities for spurring growth in the agricultural sector and broader economy co-exist with challenges in translating such growth into greater food security for Kenyans. The MTIP is a central contribution to the win–win agenda.

Current Practice

Under a ;Current Practice; (CP) scenario for agricultural growth—a scenario featuring trend-preserving improvements in the performance of major crop and livestock sub-sectors—key national growth, food security, and poverty reduction targets would not be met. The CP scenario also assumes inertia in the policy environment and associated institutional arrangements, with limited implementation of the legal and regulatory reforms widely understood to be crucial to emergence of a sustainably vibrant agricultural sector.

Beyond Current Practice: The ASDS/CAADP Growth Scenario

The aim of the ASDS, and thus also of this MTIP, is to propel Kenya beyond ;current practice; outcomes. According to the ASDS, such propulsion would emanate from enhanced productivity in key sub-sectors, improved land and natural resource management, improved market access and trade, enhanced private sector participation, institutional reform, and improved coordination. Investment in these areas that created a macro environment and micro conditions that provided farmers with incentives to pursue practices that raised yields of key agricultural commodities to levels that, while aggressive, were within range of reasonable field-based potentials identified by national research and extension agencies, would assure that Kenya achieved ASDS and CAADP agricultural growth targets. Given the central role of agriculture in Kenya's economy, such investment would also lead to rates of GDP growth, poverty reduction, and food security enhancement that matched national targets.

Several constraints facing the agricultural sector combine to prevent the country from fulfilling such potential. The ASDS represents a proactive response to these constraints, aiming to address their immediate impacts while simultaneously seeking to tackle their root causes. The MTIP is similarly motivated and designed.

Investment Framework

The framework for the MTIP is fully aligned with the ASDS and CAADP. It reflects the Government's comprehensive sector-wide approach to agricultural development and food security enhancement. It captures the diversity of agroecological conditions facing sector participants. Its proposed investment areas emerge from the strategic thrusts prioritised in the ASDS and CAADP Compact.

The six MTIP investment pillars are as follows:

1. Increasing productivity, commercialization and competitiveness;
2. Promoting private sector participation;
3. Promoting sustainable land and natural resources management;
4. Reforming delivery of agricultural services;
5. Increasing market access and trade; and
6. Ensuring effective coordination and implementation.

Several challenges and opportunities cut across the MTIP's six investment pillars. Key among these are: policy and institutional reform, gender, food security and nutrition, the role of the private sector, research and extension, climate change adaptation, and capacity development. The investment pillars integrate best practices to address the challenges and opportunities, resulting in an internally consistent and robust portfolio of interventions.

Stakeholder consultations yielded objectives, targets and activities for each of these investment pillars. Targets capture indicators through which progress toward the objectives of given investment pillars as a whole will be measured. Activities represent broad programme categories (not projects). The range of activities is necessarily wide, reflecting the breadth of coverage required by the sector-wide approach. For two investment pillars (;increasing productivity, commercialization and competitiveness; and ;promoting sustainable land and natural resources management;), activities are distinct across high rainfall areas and arid and semi-arid lands. In some cases, activities cover existing programmes; in other cases they are prospective. Most existing projects contribute to more than one investment pillar. As one of the first steps of MTIP implementation, each of these projects will undertake a careful assessment of its portfolio, with a view to articulating how it contributes to relevant investment pillars. During this alignment process, further consensus will be built on priorities within investment pillars, and project-specific targets will be further developed, linked to those that have been specified for investment pillars as a whole.

Costs and Financing

Costs

The proposed portfolio of MTIP investments (i.e., the development budget) will require Kshs 247 billion (USD 3.09 billion) over the five-year planning horizon to 2015. Associated recurrent costs will total Kshs 145.59 billion. Given the large role played by physical infrastructure improvement and development in the investment pillars aimed at ;increasing productivity, commercialization and competitiveness; and ;promoting sustainable land and natural resources management,; these two pillars will together account for more than three-quarters of the budget. Investment pillars aimed at ;promoting private sector participation; and ;increasing market access and trade; will make up one-fifth of the budget. Investments in ;reforming delivery of agricultural services; and ;enhancing effective coordination and implementation; will account for the balance. While the distribution across MTIP investment pillars is uneven, it represents major increases in resource allocations to historically under-funded areas, most notably private sector participation and market access. The semi-arid lands will receive the largest share of resources (43 percent), followed by the high rainfall areas (42 percent) and the arid areas (15 percent).

Costs vs. Potential Benefits

Potential benefits accruing to Kenya from successful implementation of the MTIP are estimated to average Kshs 118 billion/year (ranging from Kshs 103 billion in year 1 to Kshs 133 billion in year 5), totaling Kshs 590 billion over 5 years. Aggregate net benefits sum to Kshs 343 billion over the MTIP period; net benefits per farming household average Kshs 19,600 per year. The raw 5-year benefit:cost ratio stands at 2.39 (ranging between 2.15 and 2.78 over the period), and a net present value of Kshs 13.16 billion.

Financing

On average, the GoK has allocated Kshs 25.32 billion to cover recurrent costs in the 10 sector ministries over the last 3 years. The corresponding figure for the 10 ministries' development portfolios is Kshs 28.45 billion, for a total of Kshs 53.77 billion, 5.9 percent of the national budget. These two amounts are taken as the initial levels of public sector investment in the agricultural sector—i.e., in Year 1 of the MTIP period. Based on the evidence of the sector's stellar 7 percent growth performance prior to the disruptions caused by the civil strife in 2008, these levels of initial public sector funding for the sector are deemed appropriate, and adequate to permit achievement of a similar level of performance during the MTIP period. Increased efficiency in the use of public funds and continued improvements in public sector governance will further spur sector performance at this level of public sector support.

In keeping with the Maputo Declaration, the GoK has committed itself to increasing this level of support to the sector by 30 percent by 2015, to Kshs 32.92 Kshs 36.04 billion, by 2015, for a total contribution of Kshs 145.59 billion in recurrent expenditures and Kshs 161.22 billion in development expenditures, Kshs 306.81 billion over the five years.

The Kshs 161.22 billion contribution from the GoK to the MTIP (development) budget will cover 65.3 percent of estimated costs, leaving a gap of Kshs 85.78 billion, 34.7 percent of the budget.

Based on their Kshs 15.4 billion commitment for the 2010-2011 budget, Kenya's development partners are expected to commit at least Kshs 77 billion to the MTIP, about 31 percent of the budget. The private sector could add up to Kshs 2.56 billion of investment over the MTIP period.

Current Government and development partner commitments and expected private sector investments would thus leave an overall funding gap of Kshs 6.23 billion, 2.5 percent of the budget.

On its own, GoK funding of the agricultural sector MTIP portfolio would add Kshs 470 billion directly to GDP over the MTIP period, and a further Kshs 529 billion indirectly. Benefits would be equivalent to Kshs 12,740 per farming household. The poverty rate would fall by 9 percentage points (to 27 percent, 2 percent above the ASDS target) and food consumption in vulnerable areas would rise by over 8 percent. These would be significant impacts but insufficient to reach the *Vision 2030* ad ASDS targets. A fully funded MTIP would add Kshs 120 billions more to GDP directly and Kshs 135 billion indirectly, generate benefits equal to Kshs 19,600 per farming household, reduce poverty by 14 percentage point (to 22 percent, surpassing the ASDS target), and increase food consumption in vulnerable areas by 13 percent. Kenya's prospects for achieving the *Vision 2030* and ASDS growth, poverty reduction, and food security targets would therefore be greatly enhanced by support from development partners and the private sector.

Coordination and Implementation

The MTIP will be implemented through the ASDS institutional framework, operationalized through the Agricultural Sector Coordination Unit (ASCU). With the responsibilities of the agricultural sector currently spread over 10 ministries and the need for joint programming across these ministries and stakeholder groups, the implementation of MTIP will require strong partnerships between the Government, the private sector, development partners and other non-state actors. Strong coordination mechanisms will be fundamental to success. Six Thematic Working Groups (TWGs) have been established under ASCU precisely for that purpose, analyzing, prioritizing, and addressing constraints and opportunities in the agricultural sector.

Chaired by a private sector representative and convened by Directors from sector Ministries, these TWGs promote broad-based understanding and ownership of sector strategies and plans. Each stakeholder recognizes that it needs the other to achieve its individual aims. MTIP coordination and implementation will be grounded in these TWGs.

Monitoring and Evaluation

The Government of Kenya has established a National Integrated Monitoring and Evaluation System (NIMES) whose objective is to measure the efficiency of Government programmes and the effectiveness of its policies. Activities implemented under the MTIP will be linked to the NIMES through a sector-wide M&E system currently being developed by ASCU. The system will be established in a graduated manner, based on pilots, testing and demonstrating success. Capacity development of the organisations and people on whom long term success of the system will depend will be integrated.

Risks and Sustainability

The major external risks facing the MTIP pertain to the existence of the necessary enabling environment. The ASDS and MTIP come at a critical moment in Kenya's history. A new Constitution has been voted into existence, bringing with it both opportunities and risks. Opportunities stem from the emphasis on improved governance and accountability that the new Constitution will usher in. Risks arise from the possibility of a more tightly constrained budget as the new national governance system is implemented with attendant adjustment costs, potentially reducing resources available for development programmes, including those in the MTIP. Legislative bottlenecks may also appear as Parliament strives to enact a large number of new laws, possibly negatively impacting the agricultural sector reform agenda. These risks will be carefully monitored and contingency plans developed as more details emerge about the transition process.

The principal internal risks facing the MTIP relate to the inherent complexity of Kenya's sector-wide approach to agricultural sector development. A strong and well-resourced ASCU is critical, with all 10 ministries contributing competent personnel to the Secretariat. Strong communication and teamwork among all stakeholders is essential.

Next Steps

The following immediate steps are planned for the MTIP startup period:

1. Further awareness-raising and sensitization of stakeholders about linkages among the CAADP process, the ASDS, and the MTIP, aiming for full clarity on respective roles and responsibilities for MTIP implementation;
2. Capacity building in sector-wide approaches to planning and implementing of public initiatives;
3. Harmonization and alignment of existing programmes and projects with the MTIP, where appropriate leading to fresh workplans that specify linkages to MTIP objectives, targets, and activities. The aim of the exercise will be promote coherence between priorities and programmes in the existing agricultural sector portfolio and those set out in the MTIP. A rigorous but pragmatic approach will be taken, aiming for outputs that raise awareness and

build consensus on needed adjustments. As far as possible, existing information sources will be utilized. A lengthy research-driven effort is therefore not envisioned. Specific activities will include:

a. Development of an MTIP results framework;
b. Development of review criteria and processes;
c. Development of guidance for programme and project modification;
d. Completion of an agroecologically-specific commodity sub-sector-based priority setting exercise for Kenyan agriculture, covering all six investment pillars;
e. Further development of the MTIP financing plan, including consultations with the private sector, leading to confirmation of its contribution to the MTIP budget.

4. Operationalization of plans to develop a rigorous but practical M&E system for the MTIP and agricultural sector more broadly;
5. Adjustments to existing programmes and projects; and
6. Development and launching of new programmes and projects.

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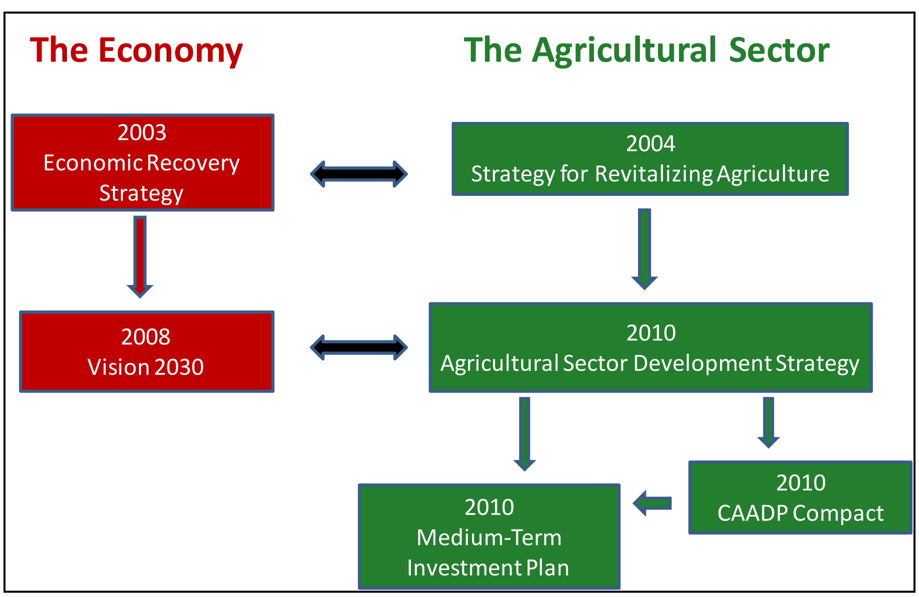
1. Introduction

This Medium-Term Investment Plan (MTIP) for Kenya's agricultural sector is the result of an extensive, highly transparent and participatory national consultation process on the future of the sector. Coordinated by the Agricultural Sector Coordination Unit (ASCU), the process involved in-depth consultation with all 10 sector ministries, development partners, the private sector and civil society, leading to a document that has crucial buy-in across the sector.

Ultimately, the MTIP is based on *Vision 2030,* Kenya's development blueprint covering the period 2008 to 2030 (Figure 1.1). *Vision 2030's* objective is to transform Kenya into a newly industrialized, middle-income country providing a high quality of life to all its citizens by 2030. In keeping with its predecessor Economic Recovery Strategy, *Vision 2030* identified the agricultural sector as one of six growth drivers to 2030, thereby providing a basis for development of Kenya's Agricultural Sector Development Strategy (ASDS). The ASDS, which replaced the successful Strategy to Revitalize Agriculture (SRA), envisages a food-secure and prosperous nation by 2020. Based on the ASDS, the Government of Kenya developed the Kenya Comprehensive Africa Agriculture Development Programme (CAADP) Compact that commits Kenya to the vision, principles and strategy elements of the CAADP. Both the ASDS and CAADP Compact view the agricultural sector not only as a potential engine of national economic growth, but also as a critical element of food security enhancement at household, community, and national levels, further generating benefits for the wider economy.

Figure 1.1: The policy foundations of the ASDS, CAADP Compact and MTIP



Kenya's recently approved new Constitution establishes a novel political and governance landscape for initiatives such as the MTIP that seek to catalyze and promote new processes of growth and welfare enhancement. In many ways, the MTIP could not have come at a more opportune moment. But clearly, the new Constitution implies new demands on Kenya's leaders in the public, private and civil society sectors. The MTIP brings structure and coherence to the set of challenges that will require action in the agricultural sector.

The MTIP elaborates on and concretizes plans for agricultural sector development signaled in the ASDS and CAADP Compact. The MTIP is intended for use in conjunction with the ASDS and CAADP Compact, and does not replace either. Duplication of material contained in these two previous publications is minimized. Readers can consult the other two publications for details on the Kenyan social, economic and policy context, and on key features of the agricultural sector. Also available is a background document prepared by ASCU comprising a comprehensive analysis of major constraints, opportunities, and potential benefits linked to investments in the agricultural sector.[1]

Following this introduction, the document outlines the central role of agriculture in the Kenyan economy, briefly describing recent trends and current conditions in the overall economy, the agricultural sector, and food security. The third section focuses on national targets for growth, food security enhancement and poverty reduction, and on the potential contribution of the agricultural sector toward meeting these targets. Major constraints currently limiting such a contribution from the sector are also outlined. The aim of the analysis is to establish the quantitative rationale for the agricultural sector investment portfolio developed in the MTIP. The economy-wide analytical approach is highly applicable to the Kenya context in which the Government and stakeholders have adopted a cross-cutting sector-wide approach to agricultural development and food security enhancement, stressing linkages between the agricultural sector and the wider economy. The fourth section presents the investment framework and portfolio in detail. The central elements of Kenya's sector-wide approach to agricultural development are described, along with crucial agroecological distinctions, strategic thrusts, and, finally, the medium-term investment pillars themselves, including objectives, rationale and prioritization criteria, challenges, linkages to CAADP, policy agendas, targets, activity areas, and major actors. Costs, benefits, and financing arrangements are detailed in section five. Coordination and implementation arrangements are outlined in section six. Sections dealing with plans for rigorous monitoring and evaluation, and risks and sustainability follow. A summary of next steps rounds out the document, focusing on requirements for a successful launch of the MTIP.

[1] *Background Analysis for the Medium Term Investment Plan for the Agricultural Sector Development Strategy*. Nairobi: Government of Kenya, Agricultural Sector Coordination Unit.

2. Economic Growth, Agriculture and Food Security in Kenya

In recent years, Kenya's economy has shown itself to be extraordinarily resilient, clearly endowed with deep reservoirs of strength and vitality. Despite an unprecedented range of pressures generated by global climate change, the global financial and economic crisis, high food and fuel prices, and internal challenges, the economy has registered growth rates ranging between 3 and 7 percent since 2005. Between 2002 and 2007, the national poverty rate fell from 56 percent to 46 percent. The Government of Kenya recognizes that to achieve ambitious aims set out in *Vision 2030*, growth rates must be further boosted. Key drivers of growth must be supported. Central among these growth drivers is the agricultural sector. Also important to achievement of national growth and development objectives is significant improvement in the food security status of Kenyans. This section briefly sets out these crucial contextual dimensions that have underpinned development of the MTIP.

2.1 Agriculture and the Kenya Economy

Agriculture is widely recognized as a bastion of the Kenyan economy. The sector is diverse and dynamic, directly contributing 24 percent of GDP, valued at Ksh 342 billion in 2009, and another 27 percent indirectly, valued at Ksh 385 billion. The sector accounts for 65 percent of Kenya's total exports and provides more than 60 percent of informal employment in rural areas. The sector thus is not only a major driver of Kenya's economy, it is also the means of livelihood for the majority of Kenyans.

Although less impressive than other parts of the economy, agriculture has also performed well in recent years, growing faster than the rural population. The sector recovered from negative 3 percent growth in 2002 to positive 5.4 percent by 2006. From 2007 to 2009, prolonged drought and other problems impacted negatively on the sector; nevertheless, the sector has returned to a positive growth and development path. Key to the recovery has been vibrant internal demand for major staples, livestock products, and horticultural goods, and a return to growth in key export sub-sectors such as coffee, tea, pyrethrum, horticulture, and cut flowers.

2.2 Food Security Challenges

But growth does not automatically translate into sustained improvements in food security. Indeed, Kenya faces major food security challenges. Between 2002 and 2007, food insecurity fell by 12 percent. But poor or failed cropping seasons beginning that year resulted in sustained deterioration of national food security. The number of Kenyans requiring food assistance rose from 650,000 in late 2007 to almost 3.8 million in late 2009 and early 2010. The situation has improved significantly since then. But a key recognition is the weather-driven cyclical nature of food insecurity in Kenya. Pastoral and marginal agricultural areas are especially vulnerable. Extended periods of drought erode livelihood opportunities and community resilience in these areas, leading to undesirable coping strategies that damage the environment and impair household nutritional status, further undermining long term food security.

Kenya has a structural deficit in production of several key foods, including maize, the main staple. Shortfalls in domestic production thus heighten risks of food insecurity for the millions of net buyers of food in the country—a group that includes most smallholder farmers.

Urban food insecurity is also increasing, even in traditionally food secure regions. More than half of Kenya’s 13 million urban dwellers live in informal settlements lacking basic services; many are unable to meet their food needs without compromising non-food expenditures. The low purchasing power and deeply-rooted economic vulnerability that underpin growing urban food insecurity suggests that increased food output alone is unlikely to significantly reduce food insecurity on aggregate. Improved access to food via more efficient markets is critical, especially given likely continued high food and fuel prices.

Opportunities for spurring growth in the agricultural sector and broader economy thus co-exist with challenges in translating such growth into greater food security for Kenyans. The MTIP is a central contribution to the win-win agenda.

3. Growth, Food Security and Poverty Reduction: Targets, Potential and Constraints

In addition to identifying the agricultural sector as a key driver of growth, *Vision 2030* and the ASDS highlight its pivotal role in sustainable poverty reduction and food security enhancement. Potential for achieving key development targets through growth in agricultural and non-agricultural sectors is substantial but constrained by a range of factors. This section analyzes this set of interactions.

3.1 Targets

Vision 2030 and the ASDS specify several national growth, food security, and poverty reduction targets relevant to the MTIP (Table 3.1).

Table 3.1: Kenya's targets for growth, food security and poverty reduction

Indicator	Target
GDP growth rate (%)	10
Agricultural growth rate (%)	7
Poverty rate (%)	25
Reduction in food insecurity (%)	30
Annual increase in agriculture contribution to GDP (Kshs bill)	80
Divestiture in state corporations dealing with production, processing and marketing	All
Reform and streamlining of agricultural services	All

Vision 2030's economic pillar aims to achieve an average Gross Domestic Product (GDP) growth rate of 10 percent per annum beginning in 2012.

The ASDS sets a target agricultural growth rate of 7 percent per year over the next 5 years (i.e., one percentage point above the CAADP-recommended target of 6 percent). Further, assuming an external environment that is conducive, and with support from enabling factors, the agricultural sector has set the following key targets:

- Reduction of people living below the absolute poverty line to less than 25 percent, to achieve the first MDG;
- Reduction of food insecurity by 30 percent to surpass the MDGs; and

- Increase in the contribution of the agriculture to the GDP by more than Kshs 80 billion per year.

Additional qualitative targets include:

- Divestiture in all state corporations dealing with production, processing and marketing that can be better done by the private sector; and
- Reforms and streamlining of agricultural services such as research, extension and regulatory institutions so as to be most effective and efficient.

3.2 Potential Contribution of the Agricultural Sector[2]

Scope for achieving these targets is defined by the level and quality of investments in the agricultural sector. The higher the level of investment in the sector, and the greater its quality (i.e., the more effective is implementation), the better are prospects that the sector will make the anticipated contributions to meeting the targets. Two scenarios are considered here: ;current practice; and ;beyond current practice.;

3.2.1 Current Practice

About 40 percent of agricultural growth in Kenya during 1990-2007 was driven by land expansion; the rest came from changes in cropping patterns and improvements in yields. For example, national average maize yields grew at 1.2 percent per year during 1990-2007, while maize land area grew 0.9 percent each year. Long-term agricultural growth has thus been driven fairly evenly by expanded cultivated land and improvements in cropping technologies. Continuation of this trend would imply 3.7 percent agricultural growth per year to 2015. Non-agricultural sectors would maintain stronger performance than agriculture, with manufacturing and service sectors growing more rapidly at 6.2 and 5.5 percent, respectively. This ;current practice; (CP) scenario reflects trend-continuing improvements in the performance of major crop and livestock sub-sectors without introduction of any major new programs and investments. The CP scenario also assumes inertia in the policy environment and associated institutional arrangements, with limited legal and regulatory reform of the kind understood to be crucial to emergence of a sustainably vibrant agricultural sector in Kenya.

Under this CP scenario for agricultural growth, overall national GDP would grow at an average rate of 5.1 percent during 2007-2015 (Figure 3.1).[3] With population growth at 2.5 percent per

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[2] The analysis in this section draws substantially from a recent study by the International Food Policy Research Institute: Thurlow, J. and S. Benin. 2008. ;Agricultural Growth and Investment Options for Poverty Reduction in Kenya.; Report prepared for Kenya's Comprehensive Africa Agricultural Development Programme (CCADP) Roundtable discussion. Washington, DC: International Food Policy Research Institute. This study developed an economy-wide computable general equilibrium (CGE) and microsimulation model for Kenya to analyze linkages and tradeoffs between economic growth and poverty reduction at macro and micro levels. A brief description of the model and its relevance for the MTIP is provided in Annex I.

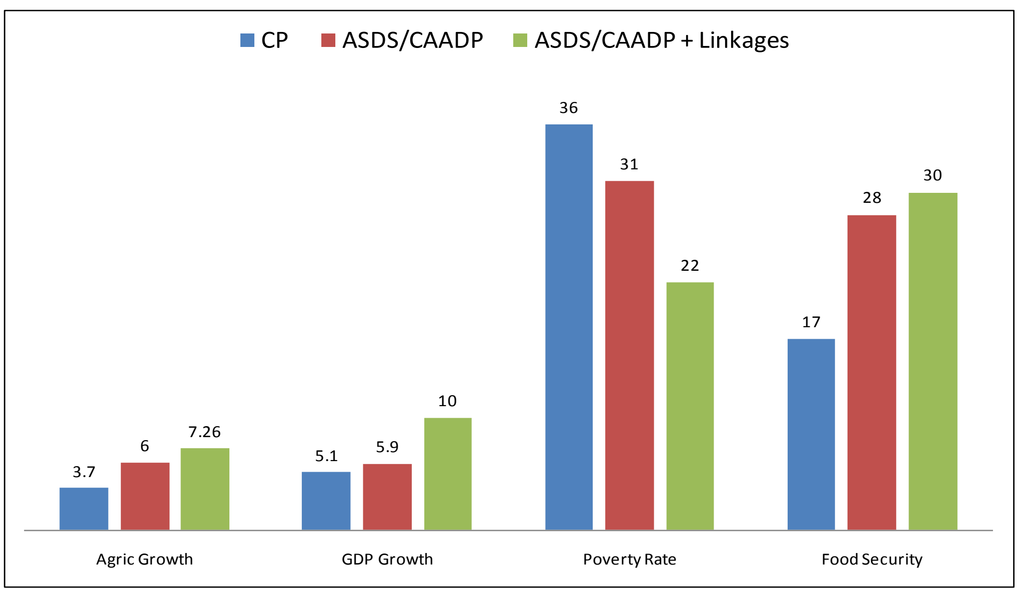
[3] This would be consistent with the average GDP growth rate of 5.4 percent experienced during 2002-2007.

year, this would mean that per capita GDP would grow at 2.6 percent per year. With rising per capita incomes and fairly balanced growth across all sectors, poverty would decline from 47 percent in 2007 to 36 percent in 2015.[4] With this rate of poverty reduction, the absolute number of poor people in Kenya would decline from 16.6 million people in 2007 to 15.4 million by 2015.

Data do not exist to permit rigorous and comprehensive tracking of the impacts of the CP agricultural growth scenario on all dimensions food security. Available data do, however, allow capture of the effects on food consumption, one dimension of food security. Under CP, food consumption in Kenya's most food insecure regions (Eastern and North Eastern Provinces) would increase by 17 percent. This suggests significant reductions in food insecurity, but likely well below the target 30 percent decline.

Relatively balanced growth across both agricultural and non-agricultural sectors would mean that national income growth would be distributed across both rural and urban areas. Accordingly, urban poverty would fall from 35.2 to 27.4 percent by 2015, while rural poverty would decline from 49.7 to 37.8 percent. Assuming the poverty rate was roughly 50 percent in the early-1990s, poverty reduction under the CP scenario would be insufficient to reach the first Millennium Development Goal of halving poverty by 2015 (Figure 3.1). Agricultural GDP would increase by Kshs 103 billion, well beyond the Kshs 80 billion target, but clearly insufficient to take broader growth and poverty reduction to their targeted levels.

Figure 3.1: Kenya's performance against growth, food security and poverty reduction targets under alternative investment scenarios



[4] This would be consistent with recent findings that poverty is likely to have declined between the two recent household surveys in 1998/99 and 2005/06.

3.2.2 *Beyond Current Practice: The ASDS/CAADP Growth Scenario*

The aim of the ASDS, and thus also of this MTIP, is to propel Kenya beyond the CP scenario and its outcomes, generating impacts that stimulate growth and rendering occupations within the agricultural sector attractive, especially to Kenya's youth. According to the ASDS, such propulsion would emanate from enhanced productivity in key sub-sectors, improved land and natural resource management, improved market access and trade, enhanced private sector participation, policy and institutional reform, and improved coordination. Investment in these areas that provided farmers with incentives to pursue practices that raised yields of key agricultural commodities at rates that, while aggressive, were within range of reasonable field-based potentials identified by national research and extension agencies, would assure that Kenya achieved the CAADP agricultural growth target of 6 percent per annum.[5] This investment scenario is labeled the ;ASDS/CAADP; scenario in Figure 3.1.

This acceleration of agricultural growth under the ASDS/CAADP scenario would increase the national GDP growth rate from its current 5.1 percent to 5.9 percent per year. Faster agricultural growth would spur growth in non-agricultural sectors, by raising final demand for non-agricultural goods, lowering input prices, and fostering upstream processing, generating strong economy-wide growth-linkage effects. For instance, the growth rate of agriculture-based processing in the manufacturing sector would increase from 5.3 percent under the CP scenario to 7.7 percent per year under the ASDS/CAADP scenario.

Faster agricultural growth, and the spillover effects into non-agriculture, would cause poverty in Kenya to decline by a further 5 percentage points. Under the ASDS/CAADP scenario, the share of Kenya's population under the poverty line would fall to 31 percent by 2015, compared to 36 percent under CP. An additional 2.1 million people would be lifted above the poverty line by 2015, taking Kenya half way to achieving the first MDG. Food security under the ASDS/CAADP scenario (as captured by food consumption in Eastern and North Eastern Provinces) would rise by 9 percentage points more than under the CP scenario. The target annual increase in agricultural GDP would be even more significantly surpassed.

The ;ASDS/CAADP; scenario for agricultural growth is ambitious. Yet, agricultural growth that met the 6 percent target would still be insufficient to meet the MDG1 poverty-reduction target. Deeper cuts in poverty must come through stronger links with more rapidly-expanding non-agricultural sectors. This is fully consistent with the ASDS and *Vision 2030*. Such a scenario is labeled ;ASDS/CAADP + Linkages; in Figure 3.1. Non-agricultural sectors would grow at 8.5 percent (compared to between 5.5 percent and 6.2 percent in recent years. Such growth would further stimulate agricultural growth (from the demand side) to a rate of 7.26 percent. The combined effect would lift national GDP growth to the targeted 10 percent. With such growth,

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[5] Taking maize as an example, for the ;ASDS/CAADP; scenario the annual yield growth for maize would rise from the CP rate of 1.35 percent to 3.95 percent. Yields of other commodities would also increase in a similar manner, but to differing degrees based on long-term trends and potential yields (Thurlow and Benin, 2008. Op cit).

the national poverty rate would fall 3 percentage points below the MDG1 target of 25 percent by 2015, with associated increases in food consumption in vulnerable areas.

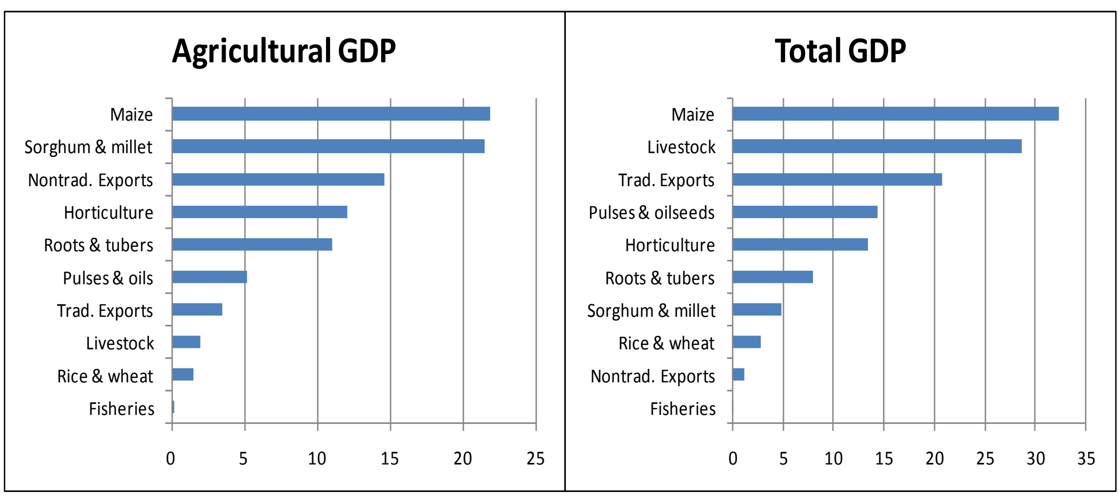
3.2.3 Divergent Potential Across Commodity Sub-Sectors

Biophysical and socioeconomic realities dictate that potential for generating growth differs across Kenya's agricultural commodity sub-sectors. Figure 3.2 depicts these differences for the main commodity sub-sectors in the country. The figure compares, first, the individual impacts on agricultural GDP of commodity sub-sectoral growth rates associated with the ASDS/CAADP growth scenario, and, second, the impacts of such changes on economy-wide growth. At one extreme, growth emanating from the maize sub-sector would cause agricultural GDP to increase by Kshs 21.9 billion. At the other extreme, growth emanating from the fisheries sub-sector would generate an increase of just Kshs 200 million.

For all the sub-sectors, due to backward and forward production and consumption linkages, total GDP would increase by more than agricultural GDP. Again, at one extreme, for every Kshs 100 increase in agricultural GDP driven by maize, there would be an additional Kshs 48 increase in non-agricultural GDP—i.e., a ;growth linkage ratio; of 1.48. At the other extreme, the linkage ratio for fisheries would be 0.79.

Maize, livestock, traditional exports (e.g., tea and coffee), pulses and oilseeds, and horticultural crops emerge as crucial drivers of broad-based agriculture-led growth in Kenya. Commodity sub-sectors such as roots and tubers, sorghum and millet, rice and wheat, non-traditional exports (e.g., cut flowers), and fisheries generate gains that are smaller and more narrowly distributed within the economy.

Figure 3.2: Differences in growth-generation across agricultural commodity sub-sectors



Potential for poverty reduction also varies by commodity sub-sector. Table 3.2 illustrates differences in poverty reduction from agricultural growth associated with the ASDS/CAADP growth scenario, emanating from alternative agricultural commodity sub-sectors.

Table 3.2. Poverty reduction under alternative commodity-led agricultural growth scenarios

Source of Growth	Percentage change in poverty rate caused by one percent growth in agricultural GDP led by the following crops and sub-sectors		
	Incidence (P0)	Depth (P1)	Severity (P2)
Maize-led growth	-0.99	-1.04	-1.12
Sorghum & millet-led growth	-1.05	-1.11	-1.19
Rice & wheat-led growth	-1.51	-1.38	-1.48
Root-led growth	-0.55	-0.39	-0.33
Pulses & oilseed-led growth	-1.01	-0.98	-1.04
Horticulture-led growth	-0.71	-0.69	-0.71
Traditional export crop-led growth	-1.12	-1.07	-1.13
Nontraditional export crop-led growth	-0.93	-0.93	-0.96
Livestock growth	-0.68	-0.54	-0.49
Fisheries-led growth	-0.79	-0.90	-0.95

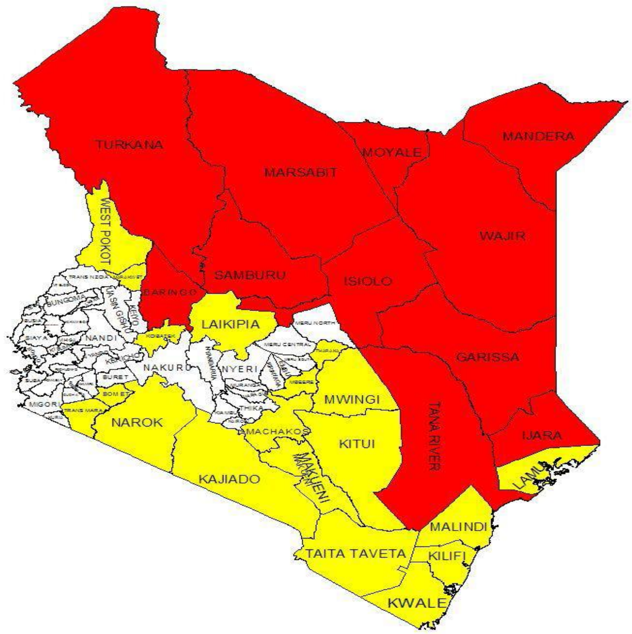
In general, agricultural growth driven by growth in cereal crops is more effective in reducing poverty than is that driven by other crops. Cereals are especially effective at reducing poverty amongst the poorest households. Nontraditional export crops have lower impacts on poverty than do traditional exports. Production of nontraditional export crops is geographically concentrated in parts of the country in which poverty is relatively less severe than it is in other rural areas, whereas traditional exports are grown more widely in the country, and by a larger number of smallholders.

Viewed together, Figure 3.2 and Table 3.2 identify growth in the cereals and traditional export sub-sectors are most effective in both driving growth and reducing poverty. Livestock products and nontraditional exports generate strong growth impacts but are relatively less effective in reducing poverty.

3.2.4 Agroecological Distinctions

Kenya’s agricultural sector is ecologically diverse, implying distinct growth potential in this dimension. Given the heavy reliance on rainfed agricultural production, these distinctions are most compactly captured by differences in rainfall as follows: high rainfall areas and marginal areas, which can be further sub-divided into semi-arid lands, and arid lands (Figure 3.3).

Figure 3.3: Agroecological map of Kenya - 1



Key: Red = Arid; Yellow = Semi-Arid; White = High Rainfall

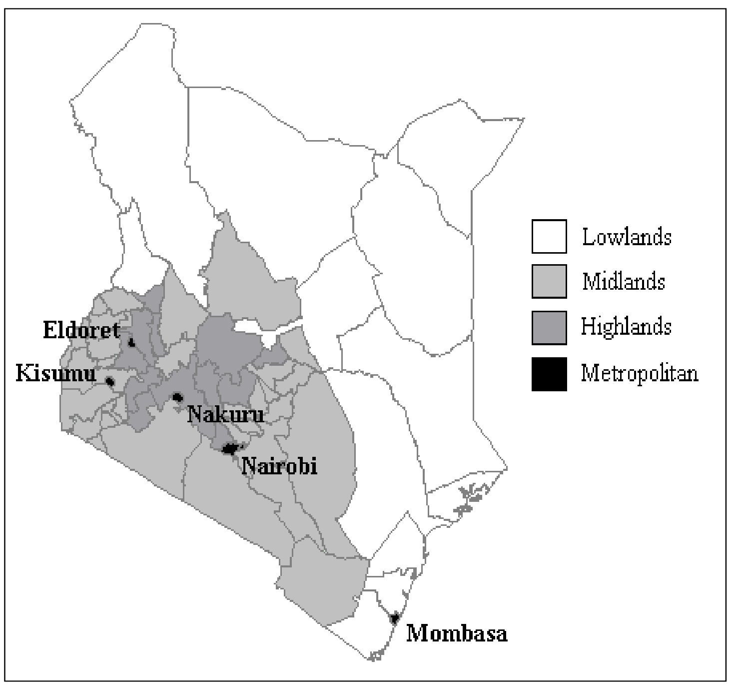
Kenya's *high rainfall areas* (HRAs) cover 11 percent of the country (6 million hectares) and receive annual rainfall averaging over 1000 mm, in one or two seasons. Farmers grow the full range of crops available in the country, including cereals, pulses, roots and tubers, fruits and vegetables, and a range of livestock. Due to high population density and associated demand for housing, commerce, and infrastructure, land units are small and declining, averaging less than 2 ha per capita. The HRAs also have large and rapidly expanding urban centres.

Kenya's *semi-arid lands* cover 21 percent of the country (slightly over 11 million hectares), receiving between 450mm and 870mm of rainfall annually. A significant proportion of the areas are used for grazing by pastoralist communities, but livelihoods in semi-arid areas are more varied than are those in the arid areas, including rain-fed and irrigated agriculture, agro-pastoralism, bio-enterprise, ranching and tourism-related activities. Access to transport, water and sanitation services is better than in the arid areas, but still poor. Pressures on land and natural resources are growing. Productivity is declining rapidly in many areas.

Annual rainfall in Kenya's *arid lands* ranges between 150mm and 450mm. These areas account for 68 percent of Kenya's land area (almost 37 million hectares). Pastoralism is the main livelihood strategy, featuring high degrees of mobility and communal management of pasture, water, and other natural resources. Under global climate change, these areas are prone to more frequent and more severe droughts and associated food insecurity, as traditional coping mechanisms break down. Access to transport, water and sanitation services is poor. For instance, nearly 43 percent of residents take more than one hour to reach water sources in dry seasons; 24 percent take more than two hours. Yet arid lands are endowed with a range of natural resources and valuable biodiversity. But these resources are coming under increasing pressure.

Data to examine the commodity-driven agricultural growth potential of these three rainfall-based agroecological zones are not available at present. However, relevant data do exist for a closely related zonation scheme, which divides the country into three zones that overlap considerably with the rainfall-based zonation captured in Figure 3.3: lowlands, midlands, and highlands (Figure 3.4).[6] This zonation scheme permits a preliminary assessment of agroecologically-specific differences in likely sources of agriculture-led growth across the country under the ASDS/CAADP growth scenario.

Figure 3.4: Agroecological map of Kenya - 2

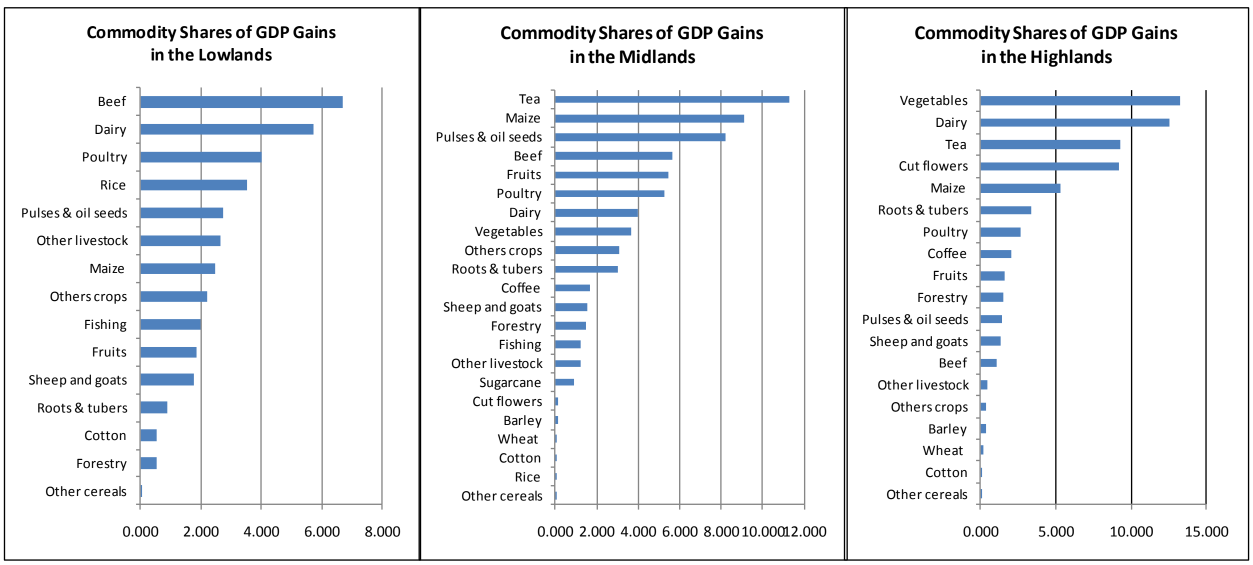


Livestock products dominate gains from agricultural growth in the lowlands (Figure 3.5). Other important drivers of growth in these areas include rice, pulses and oilseeds, and maize. Areas

[6] This zonation scheme, developed by the Kenya Institute for Public Policy Research and Analysis (KIPPRA), is based on the official agroecological map of Kenya—which divides the country into upper, central and lower highland, midland and lowland areas. In the KIPPRA scheme, districts were classified into three zones based on the most predominant zone type. For instance, Kakamega, which is 65 percent highland, 15 percent midland and 20 percent lowland, was classified as a highland district.

falling within the midlands are suited to a wide variety of commodities. Gains in this zone are thus driven by a correspondingly wide range of commodity sub-sectors, including tea, maize, pulses and oilseeds, livestock products, and fruits and vegetables. Growth in the highlands is dominated by high-value items, including vegetables, dairy, tea, cut flowers and maize. Maize and livestock products (especially dairy) thus feature prominently as drivers of growth in all three zones, with rice, pulses and oilseeds, vegetables, and cut flowers key in the lowlands, midland, and highlands, respectively. These distributions are indicative of potentials across the ASALs and HRAs depicted in Figure 3.3. A definitive analysis will be completed during the alignment phase of the MTIP (see section 9 below for further details).

Figure 3.5: Agroecologically Distinct Growth Potentials for Commodity Sub-Sectors Under the ASDS/CAADP Growth Scenario



3.3 Major Constraints

The ASDS identifies several constraints facing Kenya's agricultural sector that prevent the country from fulfilling the potential described above. These constraints, which vary with respect to commodities and regions, include the following:

- Inadequate budgetary allocations;
- Reduced effectiveness of extension services;
- Low absorption of modern technology;
- High cost and increased adulteration of key inputs;
- Limited investment capital and poor access to affordable credit;
- Heavy crop and livestock losses due to diseases and pests;
- Low and declining soil fertility;
- An inappropriate legal and regulatory framework;
- Inadequate disaster preparedness and response;

- Multiple taxes
- Inadequate infrastructure; and
- Inadequate marketing infrastructure.

The ASDS represents a proactive response to these constraints, aiming to address their immediate impacts while simultaneously seeking to tackle their root causes. The investment framework put forward in the next section is similarly motivated and designed.

4. Investment Framework

The framework for the MTIP is fully aligned with the ASDS and CAADP. It reflects the Government's comprehensive sector-wide approach to agricultural development and food security enhancement. It captures the diversity of agroecological facing sector participants. Its proposed investment areas emerge from the strategic thrusts prioritised in the ASDS and CAADP Compact. This section describes these features in detail.

4.1 Alignment with ASDS and CAADP

The MTIP springs directly from the ASDS, whose development process fulfilled specific requirements for developing the Kenya CAADP Compact. Four of the ASDS's six thematic areas mesh perfectly with the CAADP's four pillars (Table 4.1).

Table 4.1: ASDS thematic areas and CAADP pillars

ASDS Thematic Areas	CAADP Pillars
Sustainable Land and Natural Resource Management	Pillar I: Extending the area under sustainable land management
Agribusiness, Access to Markets and Value Addition	Pillar II: Improving rural infrastructure and trade-related capacities for market access
Food and Nutrition Security	Pillar III: Increasing food supply and reducing hunger
Research and Extension	Pillar IV: Agricultural research, technology dissemination and adoption
Inputs and Financial Services	
Legal, Regulatory and Institutional Reforms	

The ASDS thematic area on Sustainable Land and Natural Resource Management relates to CAADP Pillar I. The ASDS thematic area on Agribusiness, Access to Markets and Value Addition addresses the objectives of CAADP Pillar II. The ASDS thematic area on Food and Nutrition Security embodies objectives of CAADP Pillar III. Finally, the ASDS thematic area on Research and Extension relates to CAADP Pillar IV. Key elements of Kenya's sector-wide approach to agricultural sector development affirm core CAADP principles, particularly those related to broad stakeholder consultation and participation, accountability, and coordination. The ASDS has two additional thematic areas on Inputs and Financial Services, and on Legal, Regulatory and Institutional Reforms.

4.2 Sector-Wide Approach

To exploit complementarities, eliminate duplication of activities, and reduce wastage, Kenya is implementing an inclusive and consultation-driven sector-wide approach to agricultural development, coordinated by the Agricultural Sector Coordination Unit (ASCU). In the Kenya context, the agricultural sector comprises the following sub-sectors: crops, livestock, fisheries, land, water, cooperatives, environment, regional development and forestry. These sub-sectors are represented by the following Ministries: Agriculture, Livestock Development, Fisheries Development, Lands, Water and Irrigation, Cooperative Development and Marketing, Environment and Mineral Resources, Science and Technology, Regional Development Authorities, Trade, and Forestry and Wildlife. The sector also includes the development of arid and semi-arid lands (ASAL) under the leadership of the Ministry for Development of Northern Kenya and Other Arid Lands.

Six agricultural sector Thematic Working Groups (TWGs) corresponding to the six ASDS thematic areas have been established under ASCU. The TWGs analyze, prioritize, and address constraints and opportunities in the agricultural sector. Chaired by a private sector representative and convened by Directors from sector Ministries, these TWGs cover the following areas: (1) food security and nutrition policy and programmes; (2) agribusiness, marketing and value-addition; (3) research and extension; (4) agricultural inputs and financial services; (5) environment, sustainable land and natural resource management; and (6) legal, regulatory and institutional reforms. The TWGs promote broad-based understanding and ownership of sector strategies and plans. Each stakeholder recognizes that it needs the other to achieve its individual aims (see Annex II for further detail on the TWGs). MTIP coordination and implementation will be grounded in these TWGs (see section 5 below for further detail).

4.3 Agroecological Priorities[7]

As noted in the previous section, Kenya’s agricultural sector must contend with sharply divergent agroecological conditions and associated growth potential. These difference imply distinct investment strategies in pursuit of the country’s agricultural and overall growth and poverty reduction targets.

4.3.1 High Rainfall Areas

Investments in the HRAs will focus on market-driven intensification of farming systems, based largely on expanded use of existing technologies, improved crop and livestock husbandry, improved marketing, and enhanced natural resource management. Priority commodity sub-

[7] This presentation of priorities is incomplete and thus not definitive. A comprehensive priority setting process will be completed as part of an alignment process to be undertaken in the initial stages of MTIP implementation. See section 9 below for further details.

sectors will be clarified during the alignment process (see section 9 below) but likely will include fruits and vegetables, dairy, tea, coffee, cut flowers, maize, fisheries, and roots and tubers.

4.3.2 Semi Arid Lands

Investments in the semi-arid lands will focus on livestock development, natural resource management, improved water management for cropping, market development and value addition, and improved drought cycle management. Priority commodity sub-sectors should include livestock products, pulses and oilseeds, roots and tubers, sorghum and millet.

4.3.3 Arid Lands

Investments in Kenya's arid lands will focus on livestock development, land and natural resource management, and drought cycle management. Livestock products will comprise the priority sub-sectors in these areas.

4.4 Strategic Thrusts

According to the ASDS, for the agricultural sector to ensure the nation's food security and to generate incomes and employment, it will require highly productive agricultural commodities and enterprises that are competitive and commercial. Also necessary will be sustainable development and management of key factors of production. Further, the necessary enabling environment and adequate institutional arrangements will be required. Overall development and growth of the sector will therefore be anchored in the following five strategic objectives:

1. Increasing productivity and promoting commercialisation and competitiveness of all crops, livestock, marine and fisheries, and forestry;
2. Promoting private sector participation in all aspects of agricultural development;
3. Developing and managing the national water resources, land resources, forestry, and wildlife in a sustainable manner;
4. Reforming agricultural service, credit, regulatory, processing and manufacturing institutions for efficiency and effectiveness; and
5. Increasing market access and trade through development of cooperatives and agri-business.

These five ASDS strategic thrusts define five of the MTIP's six investment areas. The sixth investment area relates to ensuring effective coordination and implementation of the MTIP portfolio—a key priority given Kenya's sector-wide approach to agricultural development and food security enhancement.

The six MTIP investment pillars are therefore as follows:

1. Increasing productivity, commercialization and competitiveness;
2. Promoting private sector participation;
3. Promoting sustainable land and natural resources management;
4. Reforming delivery of agricultural services;

5. Increasing market access and trade; and
6. Ensuring effective coordination and implementation.

The investment pillars will be described in detail in below, in section 4.6.

4.5. Cross-Cutting Issues

Several challenges and opportunities cut across the six investment pillars. Key among these are: policy and institutional reform, gender, food security and nutrition, the role of the private sector, research and extension, climate change adaptation, and capacity development.

4.5.1 Priority Commodity Sub-Sectors

It is critical that priority commodity sub-sectors be identified, along with priority interventions within their value chains. The preliminary analysis in section 3 above indicates that a number of commodity sub-sectors—e.g., maize, livestock products, horticulture and traditional exports—contribute significantly to both growth and poverty reduction. These sub-sectors require support to maintain and boost such contributions.[8] Sub-sectors with largely unfulfilled growth-generation potential—e.g., rice, sorghum and millet, fisheries, and non-traditional exports—may need targeted investment to catalyze and grasp such potential. Comprehensive priority setting exercises within each investment pillar are planned for the alignment phase of MTIP implementation (see section 9 below).

4.5.2 Policy and Institutional Reform

The policy and institutional reform agenda facing the agricultural sector is vast and complex. Considerable progress has been made, but much remains to be achieved (Annex III). The strong momentum in policy formulation established by ASCU and agricultural sector stakeholders represented on the TWGs will be maintained during the MTIP period. Especially critical will be design and implementation of a process to monitor and track the evolution of new legislation linked to the new Constitution, aiming to identify opportunities and threats for the agricultural sector's policy and institutional reform agenda.

4.5.3 Gender

As indicated in the ASDS, the GoK is developing a gender policy for the agricultural sector to ensure women's empowerment, and mainstream the needs and concerns of women, men, girls and boys, so that they can participate and benefit equally from development initiatives. The MTIP will promote continued progress in gender sensitization and mainstreaming in agricultural initiatives. Gender analysis and gender-based budgeting will be integrated within each of the MTIP investment pillars. The monitoring and evaluation system under development for the

[8] See Figures 3.2 and 3.5 and the related discussions.

ASDS and MTIP will ensure articulation of powerful indicators to track progress toward gender equality in resource allocation and associated impacts.

4.5.4 Food Security and Nutrition

In keeping with CAADP principles, the ASDS takes a comprehensive approach to promoting agricultural development and food security, including both short-term responses to the most urgent needs, and long-term development of sustainable food systems that can withstand external shocks such as economic crises and climate change. The MTIP is a contribution to the long-term agricultural development and food security agenda. Together, the investment pillars seek to enhance availability, access, and utilization of nutritious food, including activities targeted to the needs of vulnerable areas and populations.

4.5.5 Private Sector Role

Vision 2030 and the ASDS clearly articulate that provision of key public goods and services (e.g., physical infrastructure, utilities, key research and extension functions) are the responsibility of the Government. In providing these goods and services, the GoK aims to support the activities of the private sector by creating an environment that allows private actors to produce the wide range of commercial goods and services on which sustainable growth, poverty reduction, and food security are based – i.e., input supply, farm production, storage and assembly, processing, distribution, and wholesaling and retailing. The MTIP is similarly framed. The private sector will play an important role in all six investment pillars, contributing greatly to the sector's capacity to implement the full MTIP portfolio. It will also benefit directly from targeted investments to strengthen its capacity in key areas.

4.5.6 Research and Extension

Agricultural research and extension are fundamental to the success of the ASDS and MTIP. The yield takeoffs required to achieve Kenya's growth, poverty reduction, and food security targets will spring from success in development and dissemination of improved technologies and practices. Required contributions from the *research system* will encompass varietal development, improved husbandry and natural resource management, and innovations in marketing (transport, storage, processing, finance) within priority sub-sectors, aiming to enhance benefits accruing to actors at different stages of value chains. Regional agricultural R&D bodies and institutions open scope for efficiencies linked to transboundary information exchange, knowledge sharing, and technology transfer and thus play key roles in Kenya's agricultural R&D framework and agenda. The *extension system* is charged with assuring broad-based diffusion of available improved technologies and practices, relying on both public and private channels. Especially critical is enhanced access to extension services for underserved areas and populations, especially those in chronically food-insecure areas.

4.5.7 Climate Change Adaptation

The agricultural sector has an important role to play in Kenya's climate change adaptation agenda, as articulated in the National Climate Change Response Strategy. The MTIP investment pillars thus integrate the four foundations of successful climate change adaptation frameworks: information for effective planning and forecasting; infrastructure and management practices for climate proofing and resilience (e.g., such as flood defence and drainage systems; reservoirs, wells and irrigation channels, and soil restoration and conservation); resilience-enhancing measures for vulnerable groups; and institutions for disaster risk management, including early warning and response systems.[9]

4.5.8 Capacity Development

Successful implementation of Kenya's sector-wide approach to agricultural development entails development of a new set of capacities at policy, organizational and individual levels. Identifying and responding to key gaps will be a priority for the TWGs, including the special needs of the private sector, which the ASDS identifies as having a critical role to play in sustainable growth and food security enhancement. Functional reviews and institutional capacity assessments are underway, aiming to prioritize needs and establish a sector-wide capacity development plan, which will be implemented during the MTIP period. The TWGs will play an integral role in prioritizing required capacity development measures in each of the MTIP investment pillars.

4.6 Investment Pillars

Again, the six MTIP investment pillars are as follows:

1. Increasing productivity, commercialization and competitiveness;
2. Promoting private sector participation;
3. Promoting sustainable land and natural resources management;
4. Reforming delivery of agricultural services;
5. Increasing market access and trade; and
6. Ensuring effective coordination and implementation.

Stakeholder consultations yielded objectives, targets and activities for each of the six investment pillars. Targets capture indicators through which progress toward the objectives of given investment pillars as a whole will be measured. Activities represent broad programme categories (not projects). The range of activities is necessarily wide, reflecting the breadth of coverage required by the sector-wide approach. For two investment pillars (;increasing productivity, commercialization and competitiveness; and ;promoting sustainable land and natural resources management;), activities are distinct across high rainfall areas and arid and

[9] *Human Development Report 2007-08*. New York: United National Development Programme.

semi-arid lands. In some cases, activities cover existing programmes; in other cases they are prospective.

Linkages between the six investment pillars and the six Thematic Working Groups (TWGs) established under ASCU are shown in Table 4.2. TWGs will therefore have varying roles in oversight and implementation of activities across the IAs.

Table 4.2: MTIP investment pillars and ASDS thematic working groups

	ASDS Thematic Working Groups					
MTIP Investment Pillars	Food Security and Nutrition	Agribusiness, Markets, Value Addition	Research and Extension	Inputs and Financial Services	Legal, Regulatory and Institutional Reforms	Environment, Sustainable Land and Natural Resources Management
Productivity, Commercialization, Competitiveness						
Private Sector Participation						
Sustainable Land and Natural Resource Management						
Agricultural Service Delivery						
Market Access and Trade						
Coordination and Implementation						

Key: **Black** = major role for TWG in implementation of IA; **Dark grey**: limited role for TWG in implementation of IA; **Light grey**: no role for TWG in implementation of IA

Annex IV comprises a preliminary analysis of how existing projects line up with the six investment pillars.[10] As would be expected, given projects contribute to more than one investment pillar. Existing projects cluster most strongly under two investment pillars: ;increasing productivity, commercialization and competitiveness; and ;promoting sustainable land and natural resources management.; The investment pillars addressing private sector participation, market access and trade, and coordination and implementation have less project activity at present. As one of the first steps of MTIP implementation, each of these existing projects will undertake a careful assessment of its portfolio, with a view to articulating how

[10] A more detailed analysis will be undertaken during the planned alignment exercise (see section 9 below).

precisely it contributes to relevant investment pillars. During this alignment process, further consensus will be built on priorities within investment pillars, and project-specific targets will be further developed, linked to those that have been specified for investment pillars as a whole (further details are provided in section 9 below).

4.6.1 Investment Pillar 1: Increasing Productivity, Commercialization and Competitiveness

Objective
This investment pillar aims to promote market-led sustainable productivity growth in priority crop, livestock, marine, fishery and forestry sub-sectors. This furthers the ASDS objective to develop a modern market-oriented agricultural sector.

Rationale and Prioritization Criteria
Average yields of major commodities in Kenya stand well below potential, with yield gaps ranging between 150 percent and over 260 percent.[11] Proven yield-increasing technologies and practices exist but are often not being adopted, or, when they are, not at rates required for rapid productivity growth. Activities that reduce costs and enhance benefits of uptake and utilization of improved inputs and practices will therefore be prioritized, aiming for self-sustaining processes of technological advance. Activities that feature strategic combination of technical improvements with institutional innovations will be emphasized, aiming to build robustness into technologies through integrated systems—e.g., in pest control, soil and water management, agroforestry, and crop–livestock interactions. Where necessary and feasible, physical infrastructure will be developed or rehabilitated, including irrigation and water conservation structures in the ASALs. Promising management platforms that bundle together soil improvement, new crop and livestock varieties, intensified input use, and farmer collective action in value chains will be supported. Such platforms—which are fundamentally cross-sectoral in design and implementation and thus fully congruent with the sector-wide approach—are revealing potential for increased incomes, improved sustainability of farming systems, and adaptation to a range of market conditions and agroecologies. Institutional innovations in input supply and post-harvest handling and processing can have powerful impacts on farm productivity and competitiveness and thus will receive support.

Challenges
Asia's Green Revolution took place within the context of irrigated specialized agriculture, stabilized prices, public provision of subsidized inputs, assured markets for farm outputs, and cheap credit. In contrast, Kenya must achieve a largely market-led agricultural transformation within a context of mostly rainfed and highly diversified smallholder agriculture, high-cost agricultural input and output marketing, volatile prices, inefficient land, labor and credit markets, and a vibrant but relatively low-capacity private sector.

[11] Kenya Agricultural Research Institute: www.kari.org

Relevant CAADP Pillars
This investment pillar cuts across all four CAADP Pillars but is most strongly linked to CAADP Pillars II and III.

Policy Agenda
The policy framework required for successful design and implementation of programs and activities under this Pillar is largely in place. Two important policy processes underway relate to gender and agribusiness development and competitiveness. These will require strong engagement and support by relevant TWGs.

Targets
- Increases in annual growth rates of at least 2.5 percent in priority sub-sectors by 2015 (base = 2010)

Activity Areas
Activities in this investment area will be agroecologically-specific.

<u>In High Rainfall Areas</u>
- Promoting technical and institutional innovations in farm input supply
- Promoting more intensified use of farm inputs
- Promoting improved post-harvest management
- Intensifying crop and livestock extension services
- Promoting conservation agriculture
- Intensifying crop and livestock disease and pest control
- Promoting greenhouse technologies
- Accelerating development and improved management of inland fisheries resources

<u>In Semi-Arid Lands</u>
- Strengthening drought early warning systems
- Promoting conservation agriculture
- Promoting agro-forestry
- Promoting improved post-harvest management
- Developing and multiplying seeds for drought tolerant crops
- Promoting improved water harvesting
- Rehabilitating existing irrigation infrastructure
- Expanding irrigation infrastructure
- Intensifying crop and livestock extension services
- Developing livestock feed reserves
- Expanding vaccination and animal disease prevention and control
- Restocking
- Developing disease-free zones

In Arid Lands

- Strengthening drought early warning systems
- Intensifying livestock extension services
- Improving livestock marketing infrastructure
- Promoting livestock marketing groups
- Expanding vaccination and animal disease prevention and control
- Restocking
- Developing livestock feed reserves
- Developing disease-free zones

Key Actors

- ASCU
- All TWG
- All 10 sector ministries
- Relevant private sector associations
- Research and extension systems

4.6.2 Investment Pillar 2: Promoting Private Sector Participation

Objective

This investment pillar aims to improve incentives for private investment in the agricultural sector, spanning the whole agricultural value chain. This furthers the ASDS objective to encourage growth of agribusiness, improve access to financial services and credit, and empower farmers.

Rationale and Prioritization Criteria

The ASDS calls for privatization of state corporations dealing with agricultural production, processing, and marketing. Recent experience suggests that such divestment is necessary for improved private incentives in affected agricultural sub-sectors, but it is generally not sufficient to draw significant private investment into areas in which such investment has been lacking. Activities that equip agribusiness firms to overcome the wide range of physical, financial, institutional, and human resource constraints on investment in agriculture that are both privately profitable and socially efficient will therefore be prioritized. Especially critical will be activities that raise returns to value addition in commodity supply chains, since scope for profitable value addition is the key determinant and reflection of agribusiness development. Improved access to finance and technology for input supply, farm production, storage and assembly, processing, distribution, and wholesaling and retailing will be supported. Capacity development for farmer organizations and private sector associations will be a priority, including support for feasibility studies, development of business plans, produce-price negotiations, marketing and market linkages, and policy engagement. Enterprises offering quality agribusiness development services will be supported. Where appropriate and feasible, public-private partnerships in improvement and financing of these critical value-chain activities will be supported.

Challenges

Scope for profitable value addition in Kenyan agriculture is severely limited by the large share of final prices consumed by processing and marketing costs, due to the rudimentary product transformation technologies employed by farmers and other value chain participants. Traditional methods of adding value are often time consuming and labor-intensive, and mostly carried out manually, because small-scale actors do not have adequate capital to mechanize. Further, the bulk of Kenya's agricultural private sector is systematically excluded from formal financial systems. Farmers, traders, and processors seldom possess the assets or records to qualify for bank loans. They must therefore generate working capital from internal sources, greatly increasing their risk exposure. Lack of micro-level finance in Kenyan agriculture reflects a larger phenomenon of limited macro-level finance for the sector. Most Kenyan banks structure their lending to agriculture in favor of high-value enterprises, typically targeting production for export markets—e.g., coffee, tea, and horticulture—leaving the rest of the sector under-served.

Relevant CAADP Pillars

This investment pillar is most strongly linked to CAADP Pillars II and III.

Policy Agenda

Completion of a policy framework for agribusiness development and competitiveness is critical. Also important is design and implementation of a strategy for private sector development in the agricultural sector.

Targets

- Divestiture in all state corporations dealing with agricultural production, processing and marketing complete by 2015
- 50 percent reduction in the cost of doing business in the agricultural sector by 2015 (base = 2010)
- 50 percent increase in the value of commercial lending to the agricultural sector by 2015 (base = 2010)

Activity Areas

- Developing and implementing a private sector development strategy for the agricultural sector
- Designing and implementing the Innovation Fund for Agriculture and Agribusiness
- Strengthening capacity of agricultural private sector associations in program design and implementation, and policy engagement
- Strengthening farmer organizations
- Divesting in state corporations dealing with agricultural production, processing and marketing

- Improving enforcement and tracking of official targets for commercial lending to the agricultural sector
- Rehabilitating rural access roads
- Rehabilitating rural marketplaces
- Developing public-private partnerships for expanded value addition—storage/warehousing and handling, refrigeration, processing
- Expanding access to financial services—savings, credit, insurance
- Enhancing business skills of small-scale farmers and traders

Key Actors

- ASCU
- TWGs: Food Security and Nutrition; Agribusiness, Marketing and Value Addition; Inputs and Financial Services; Legal, Regulatory and Institutional Reforms
- All 10 sector ministries
- Private sector associations
- Commercial banks and other financial institutions
- Research and extension systems

4.6.3 Investment Pillar 3: Promoting Sustainable Land and Natural Resources Management

Objective

This investment pillar aims to ensure preservation, rehabilitation, and protection of key land and agriculture-related natural resources. This furthers the ASDS objective of improved management of key factors of production.

Rationale and Prioritization Criteria

Kenya's *high-rainfall areas* cover only 11 percent of the country's land area but are home to 80 percent of the population. Such high population density typically implies continuous cultivation, which, alongside inadequate crop and livestock husbandry, leads to loss of biodiversity and widespread land degradation, most notably soil nutrient depletion and soil erosion. Under lax enforcement of land-use regulations, water catchment areas and wetlands are being encroached upon and converted into agricultural land, leading to massive destruction of vegetative cover. In many areas, river levels have fallen precipitously, seasonal streams have dried up, and fragile ecosystems have been destroyed. In other areas, higher runoff rates have led to increased flooding and loss of valuable topsoil, cutting sharply into productivity. Activities that promote sustainable management of land and other agriculture-related natural resources under growing population pressure will therefore be prioritized, including strengthened enforcement of land use regulations in threatened areas.

Population densities are lower in Kenya's expansive *arid and semi-arid lands*, but these areas are ecologically fragile. The agropastoral and pastoral livelihoods that dominate these areas are threatened by a potent combination of more frequent and intense droughts, on one hand, and severely degraded soil, water, and forage resource bases, and declining overall productivity, on the other. Activities that promote diversification of livelihood options, leading to enhanced resilience will be supported, as will be improved public management of drought risks.

Throughout the country, where necessary and feasible, physical infrastructure to enhance resilience and promote rehabilitation of degraded natural assets will be developed and rehabilitated. Knowledge about the impacts of climate change will be enhanced, leading to development and dissemination of context-specific options for climate change adaptation.

Challenges

Climate change is acting as a multiplier of existing threats to productivity growth and food security. Natural disasters brought on by droughts, floods, and storms more frequent and intense, land and water more scarce and difficult to access, and increases in productivity harder to achieve. These new drivers of vulnerability are combining with older ones (such as food market instability) to threaten growth and render increasing numbers of Kenyans vulnerable to food insecurity.

Relevant CAADP Pillars

This investment pillar is most strongly linked to CAADP Pillars I and III.

Policy Agenda

Strong implementation of the National Climate Change Response Strategy and the National Land Policy are critical to success of activities in this investment pillar. The National Environment Policy must be enacted and implemented.

Targets

- Legal and regulatory structures for protecting land and agriculture-related natural resources rationalized, harmonized and enforced by 2015
- All degraded land and agriculture-related natural resources identified and mapped by 2015
- At least 5 major new programmes for rehabilitating/reclaiming degraded land and agriculture-related natural resources commenced by 2015

Activity Areas

Activities in this investment area will be agroecologically-specific.

<u>In High-Rainfall Areas</u>

- Strengthening conservation-oriented landuse and zonation laws
- Enforcing existing conservation-oriented landuse and zonation laws
- Rehabilitating degraded and depleted land and water resources
- Protecting threatened water catchment areas
- Promoting agro-forestry
- Promoting bio-energy technologies
- Increasing awareness of climate change impacts and promoting viable adaptation strategies

In Semi-Arid Lands

- Strengthening drought risk management and early warning systems
- Rehabilitating existing irrigation infrastructure
- Expanding irrigation infrastructure
- Constructing multi-purpose dams
- Promoting low cost water harvesting technologies and water application systems
- Promoting conservation agriculture
- Promoting agro-forestry
- Increasing awareness of climate change impacts and promoting viable climate change adaptation strategies
- Diversifying livelihoods and expanding income generating opportunities for vulnerable and food insecure populations

In Arid Lands

- Strengthening drought risk management and early warning systems
- Constructing multi-purpose dams
- Desilting pans and dams
- Promoting community-based rehabilitation/development of strategic water reserves
- Promoting rain water harvesting technologies
- Developing livestock feed reserves
- Increasing awareness of climate change impacts and promoting viable climate change adaptation strategies
- Diversifying livelihoods and expanding income generating opportunities for vulnerable and food insecure populations

Key Actors

- ASCU
- TWGs: Environment, Sustainable Land and Natural Resources Management; Inputs and Financial Services
- All 10 ministries
- National Environmental Management Authority
- Research and extension system

4.6.4 Investment Pillar 4: Reforming Delivery of Agricultural Services

Objective

This investment pillar aims to promote efficient and effective agricultural service delivery in Kenya. This furthers the ASDS objective to establish an efficient agricultural research system and improve the agricultural extension system.

Rationale and Prioritization Criteria
Sustained growth in agricultural productivity in Kenya depends on development of appropriate technologies by the research system, cost effective systems for farmer access to these technologies and associated crop and natural resource management systems, correct incentives for private actors to invest in development and delivery of these new technologies and practices, and appropriate priorities for public sector provision. Investments that make Kenya's agricultural research system more relevant and responsive to farmer and trader demands will therefore be prioritized. Technical and institutional innovations that promote technology acquisition and exchange within the eastern and central Africa region will be strengthened. Also prioritized will be activities that render the extension system more pluralistic, and a range of related services (especially finance) more affordable and accessible. Efforts to strengthen private delivery of agricultural services will be supported, alongside more effective and efficient public delivery, including continued reform of legal and regulatory regimes governing public systems.

Challenges
Markets and investments by the private sector have been major drivers of technical change in Kenya's high-value agricultural sub-sectors—e.g., dairy, horticulture, and cut flowers. There has been less success for food crops. Private delivery of technologies based on increased use of improved inputs has also met with mixed success, largely due to underinvestment in distribution systems for key farm inputs (e.g., seeds and fertilizer) in smallholder areas. Liberalization of input markets has seen incomplete penetration by traders into smallholder areas. Experiments with private and NGO input delivery in smallholder areas reveal that such initiatives typically require a subsidy to cover a range of transaction costs. Especially critical are gaps in financial services for agricultural production and trade.

Relevant CAADP Pillars
This investment pillar is most strongly linked to CAADP Pillar IV.

Policy Agenda
The recently completed National Agricultural Sector Extension Policy and the National Agricultural Research System Policy must be fully implemented.

Target
- 100 percent increase in farmers and traders with ready access to affordable agricultural services by 2015 (base = 2010)

Activity Areas
- Harmonizing and reducing the number of laws and regulations governing agricultural service delivery
- Promoting cost-effective private sector delivery of agricultural services
- Rationalizing and prioritizing public sector agricultural service delivery
- Reforming agricultural finance institutions

Key Actors

- ASCU
- TWGs: Research and Extension; Legal, Regulatory and Institutional Reforms
- All 10 sector ministries
- Ministry of Higher Education
- Research and extension systems
- Relevant private sector associations

4.6.5 Investment Pillar 5: Increasing Market Access and Trade

Objective

This investment pillar aims to expand access to key agricultural markets for farmers and food insecure vulnerable groups, leading to expanded domestic, regional and international agricultural trade and income generation, and increased food security. This furthers the ASDS objectives to promote market orientation, encourage growth of agribusiness, and enhance food security and nutrition.

Rationale and Prioritization Criteria

Experience in Kenya has shown that large increases in agricultural productivity without marketing improvements can lead to localized gluts, which drive down prices and cause farmers to abandon new technologies. With more efficient markets, any increase in production is distributed more widely, resulting in smaller reductions in farm-gate prices and more stable consumer prices. More efficient markets benefit both net sellers and net buyers of food in Kenya. Net sellers face lower barriers to market entry and have greater incentives to produce and sell surpluses. Net buyers (especially those in Kenya's burgeoning urban areas) face lower food prices and thus greater access to food supplies. With sufficient support and correct incentives, net food buyers can become net sellers. Interventions that lower marketing costs, improve market functioning, and provide reliable outlets for farm produce will therefore be prioritized. Activities that reduce price volatility and increase the dependability of markets as reliable sources of affordable food will also be supported, including interventions to improve food safety and quality (especially related to aflatoxin contamination) and nutrition awareness. Measures that support more effective farmer organization in markets will be supported.

Kenya is a major trader of agricultural goods. While agriculture dominates Kenya's exports, there is unmet potential to increase exports, both within the region and internationally. As a net importer of many foods (including the main staple, maize), Kenya's access to external sources of food is critical, especially given increasingly unstable domestic output. Kenya's role as a major agricultural exporter and importer within the region is critical, not only to its own prospects for growth, but also for those of its neighbors with whom it trades. Activities that increase harmonization of trade policy, standards, and regulations within the region will therefore be prioritized. Especially critical will be continued investment in market information systems and market intelligence structures, emphasizing private sector participation and ownership. Engagement with agriculture-related units within regional trading blocs (EAC and COMESA) will be strengthened. Measures that increase Kenya's capacity to keep pace with growing demands for certification linked to adherence to trade-related sanitary and phytosanitary conditions will be supported.

Challenges

Kenya's agricultural markets are fraught with difficulties: major capital and infrastructural constraints on their development; very high transaction costs, especially in smallholder regions; limited and asymmetric market information; weak coordination between buyers and sellers; inadequate trade financing; weak smallholder market power; high risk; and (as a result) several non-competitive elements. A number of illegal barriers to movement of agricultural commodities within the country raise costs further. Agricultural markets in Kenya thus do not always function in the best interests of a broad cross section of society, especially in areas where communication and transportation facilities are poor and access restricted. Highly unequal financial bargaining power is often brought to exchange relationships between seller and buyer.

Relevant CAADP Pillars

This investment pillar is most strongly linked to CAADP Pillar III.

Policy Agenda

The National Food Security and Nutrition Policy must be enacted and fully implemented. Efforts to promote regional economic cooperation and market integration must continue.

Targets

- All illegal barriers to domestic and cross-border movement of food dismantled by 2012
- 50 percent increase in the volume of agricultural exports by 2015 (base = 2010)
- 50 percent reduction of the average within-year fluctuation in the price of maize by 2015 (base = 2007-2010)
- 50 percent reduction in average farm-to-market transaction costs by 2015 (base = 2010)

Activity Areas

- Strengthening marketing grades and standards
- Strengthening enforcement of food safety regulations
- Reducing barriers to domestic, regional and international trade in food commodities
- Harmonizing regulations governing regional trade in food commodities
- Developing and promoting low-cost post-harvest technologies
- Strengthening farmer cooperative capacity in post-harvest grain management
- Increasing business skills of farmer cooperatives
- Leveraging public food procurement for pro-smallholder market development
- Constructing/rehabilitating rural and urban marketplaces
- Increasing transparency and predictability in the management of the Strategic Grain Reserve

Key Actors

- ASCU
- TWGs: Food Security and Nutrition; Agribusiness, Markets, and Value Addition; Legal, Regulatory and Institutional Reforms
- All 10 sector ministries
- Ministry of Trade and Industry
- Ministry of the East African Community
- Relevant private sector associations
- Food-based development partners
- Regional Economic Communities
- Research and extension systems

4.6.6 Investment Pillar 6: Ensuring Effective Coordination and Implementation

Objective

This investment pillar aims to enhance complementarities, eliminate duplication, and reduce wastage of public, private and civil society investments in agricultural development. This furthers the ASDS objective to strengthen institutional frameworks, coordination structures, and regulatory functions in the agricultural sector.

Rationale and Prioritization Criteria

Kenya's sector-wide approach to agricultural development and food security enhancement implies high demands for coordination, cooperation, and communication within the sector, and for advocacy and linkage with other sectors. Activities will therefore focus on strengthening and streamlining the policy, institutional, and management requirements of successful implementation of that approach. Sub-sectoral programs will be aligned with policies developed for the sector. Cross-cutting sector-wide programmes will be developed and jointly implemented by sub-sectoral actors. Priority setting, planning, budgeting, resource mobilization, implementation and administration will be harmonized and sector-wide in scope. Monitoring and evaluation will be broad, deep, and unified. Promising innovations will be identified, strengthened, and scaled up. Learning and knowledge-sharing on best practices will be encouraged.

Challenges

With the responsibilities of the agricultural sector currently spread over 10 ministries and the need for partnerships with several other ministries and stakeholders, implementation of the MTIP will require strong partnerships between the Government, the private sector, development partners and other non-state actors. Strong coordination mechanisms will be fundamental.

Relevant CAADP Pillars
This investment area has no direct linkage to specific CAADP Pillars, but by ensuring strong implementation of the other five MTIP pillars, it strengthens adherence to CAADP principles and practices.

Policy Agenda
In addition to supporting implementation of the full agricultural sector policy agenda (Annex III), laws and policies that govern the rollout of agricultural services under the devolved administrative structures envisioned in the new Constitution will be critical to the sector and thus will require careful monitoring and engagement, aiming to promote harmonization of new legislation with the ASDS.

Targets
- At least 10 ASCU-facilitated joint cross-sectoral (multi-ministry) programmes commenced by 2015 (base = 2010)
- 100 percent increase each year in the share of agricultural sector funding coordinated by ASCU to 2015 (base = 2015)
- Fully-funded MTIP Investment Areas by 2011
- Effective M&E system in place by 2012
- Quarterly sector-wide Ministerial planning and coordination meetings institutionalized by 2011

Activity Areas
- Supporting TWGs and district coordination units
- Developing and monitoring policies and legislation
- Preparing for rollout of effective agricultural service delivery under devolved structures
- Ministerial and parliamentary briefings
- Developing partner consultation and coordination
- Annual Agricultural Sector Conference
- Operationalizing the Agricultural Innovation Fund
- Operationalizing the Agricultural Development Fund
- Designing and implementing sector-wide results framework and M&E system
- Convening applied research, outreach, dissemination and knowledge sharing (public education)
- Mobilizing resources

Key Actors
- National Stakeholders Forum
- National Steering Committee
- Interministerial Coordination Committee
- Technical Committee
- All 10 Sector Ministries
- ASCU

- TWGs
- Kenya Country Donor Group

5. Costs and Financing

A careful bottom-up analysis of costs of the MTIP portfolio was undertaken, building on known costs of existing programmes and projects, and estimated needs of new initiatives. A plan for financing those costs was developed. This section outlines both.

5.1 Costs

The process that led to the generation of the MTIP budget was based on an analytical process that identified the main agriculture-related constraints on growth and food security. These constraints were further analyzed to produce possible intervention strategies. Assumptions and obstacles to achieving these strategies were identified. Tactics necessary and sufficient to bring about the identified strategies were then developed. These tactics were costed and examined against ASDS, CAADP budgets and Ministerial Strategic plans through a wide consultative stakeholder consultation process. Finally, the tactics were aligned with ASDS/CAADP strategic thrusts and clustered according to the six investment pillars.

The proposed portfolio of MTIP investments (i.e., the development budget) will require Kshs 247 billion (USD 3.09 billion) over the five-year planning horizon to 2015 (Table 5.1). Associated recurrent costs will total Kshs 145.59 billion (section 5.3 below provides further detail on recurrent costs).

Table 5.1: The 5-year MTIP budget

Investment Pillar	Kshs billion	USD million	Budget Share (%)
1. Increasing productivity, commercialization and competitiveness	88.92	1,112	36.0
2. Promoting private sector participation	30.88	386	12.5
3. Promoting sustainable land and natural resource management	103.74	1,297	42.0
4. Reforming delivery of agricultural services	2.47	31	1.0
5. Increasing market access and trade	19.75	247	8.0
6. Ensuring effective coordination and implementation	1.24	15	0.5
TOTAL	**247.00**	**3,088**	

Given the large role played by physical infrastructure improvement and development in the investment pillars aimed at ;increasing productivity, commercialization and competitiveness; and ;promoting sustainable land and natural resources management,; these two pillars will together account for more than three-quarters of the budget. Investment pillars aimed at ;promoting private sector participation; and ;increasing market access and trade; will make up one-fifth of the budget. Investments in ;reforming delivery of agricultural services; and ;enhancing effective coordination and implementation; will account for the balance. The key recognition is that while the distribution across MTIP investment pillars is uneven, it represents major increases in resource allocations to historically under-funded areas, most notably private sector participation and market access. More significant increases would stretch absorption capacity in these areas—capacity that will need to be built up gradually. For greatest impact, spending will grow progressively over the five years (Table 5.2).

Table 5.2: Breakdown of MTIP costs by investment pillar and year

Investment Pillar	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Share
Productivity, commercialization and competitiveness	13.20	16.72	17.75	19.58	21.67	**88.92**	36.0%
Private sector participation	4.78	6.13	6.40	6.65	6.92	**30.88**	12.5%
Sustainable land and Natural resource management	18.55	19.73	20.78	21.81	22.87	**103.74**	42.0%
Delivery of agricultural services	0.46	0.50	0.50	0.50	0.51	**2.47**	1.0%
Market access and trade	0.44	2.86	2.16	5.94	8.34	**19.75**	8.0%
Coordination and implementation	0.19	0.23	0.24	0.27	0.30	**1.24**	0.5%
TOTAL	**37.05**	**46.93**	**46.93**	**54.34**	**61.76**	**247.00**	
Share	15%	19%	19%	22%	25%		

The distribution of expenditures across Kenya’s agroecological zones is shown in Table 5.3. The semi-arid lands will receive the largest share of resources (43 percent), followed by the high rainfall areas (42 percent) and the arid areas (15 percent).

Table 5.3: Breakdown of MTIP budget across agroecological zones

Agroecological Zone	Allocation (Kshs billion)	Share (%)
High Rainfall Areas	104	42
Semi-Arid Lands	106	43
Arid Lands	37	15
Total for ASALs	143	58

5.2 Costs vs. Potential Benefits

Potential benefits accruing to Kenya from successful implementation of the MTIP are estimated to average Kshs 118 billion/year (ranging from Kshs 103 billion in year 1 to Kshs 133 billion in year 5), totaling Kshs 590 billion over 5 years (Table 5.4).[12]

Table 5.3: Benefits, costs, and net returns to the MTIP portfolio

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Benefits (Kshs billion)	103	111	118	125	133	590
Costs (Kshs billion)	37.05	46.93	46.93	54.34	61.75	247
Net Benefits (Kshs billion)	65.95	64.07	71.07	70.66	71.25	343
Benefit:Cost Ratio	2.78	2.37	2.51	2.30	2.15	2.39
Total Net Benefits (Kshs billion)	343					
Number of farming households (million)	3.5					
Net benefits/farming household (sksh)	19,600					
NPV (Kshs billion)	13.16					

Aggregate net benefits sum to Kshs 343 billion over the MTIP period; net benefits per farming household average Kshs 19,600 per year, 50-60 percent above average annual agricultural

[12] Thurlow and Benin, 2008. Op cit. As explained in Annex I, the modeling framework used to quantify the agricultural sector's potential contribution to GDP is used here to quantify returns to the MTIP portfolio. The result is an internally consistent assessment of the net benefits to the portfolio, and thus also of the financial viability and attractiveness of the portfolio, both on aggregate and at the level of farming households.

incomes in 2009.[13] The raw 5-year benefit:cost ratio stands at 2.39 (ranging between 2.15 and 2.78 over the period), and a net present value of Kshs 13.16 billion (Table 5.4).[14]

5.3 Financing

A number of on-going and planned projects will contribute to financing the MTIP costs. The main ongoing projects are shown in Annex III. Given the proposed most effective evolution to spending under the MTIP, there will be need to mobilize funds aggressively across the 5 years so as to avoid bottlenecks as costs increase, particularly in years 4 and 5.

On average, the GoK has allocated Kshs 25.32 billion to cover recurrent costs in the 10 sector ministries over the last 3 years. The corresponding figure for the 10 ministries' development portfolios is Kshs 28.45 billion, for a total of Kshs 53.77 billion, 5.9 percent of the national budget. These two amounts are taken as the initial levels of public sector investment in the agricultural sector—i.e., in Year 1 of the MTIP period (Table 5.5). Based on the evidence of the sector's stellar 7 percent growth performance prior to the disruptions caused by the civil strife in 2008, these levels of initial public sector funding for the sector are deemed appropriate, and adequate to permit achievement of a similar level of performance during the MTIP period. Increased efficiency in the use of public funds and continued improvements in public sector governance will further spur sector performance at this level of public sector support. In keeping with the Maputo Declaration, the GoK has committed itself to increasing this level of support to the sector by 30 percent by 2015, to Kshs 32.92 Kshs 36.04 billion, by 2015, for a total contribution of Kshs 145.59 billion in recurrent expenditures and Kshs 161.22 billion in development expenditures, Kshs 306.81 billion over the five years.[15]

Table 5.5: Projected public sector expenditures on the agricultural sector over the MTIP period

Budget Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Share
Development	28.45	30.35	32.32	34.14	36.04	161.22	54%
Recurrent	25.32	27.22	28.12	31.02	32.92	145.59	46%
TOTAL	53.77	57.57	60.44	65.16	68.96	306.81	

[13] Clearly, these net benefits would not accrue only to farming households. The object is to give a sense of the micro-level equivalent of the estimate aggregate gains.
[14] Present value of discounted annual net benefits, assuming a 5 percent discount rate. 3.5 million farming households.
[15] Specifically, the government has committed to increase spending on the agricultural sector from 5 percent to 8 percent of the budget by 2020. This implies a 60 percent increase in the allocation to the sector by 2020. The projection in Table 8.4 thus assumes a linear increase to 30 percent by 2015.

Focusing on the MTIP (development) budget, the Kshs 161.22 billion contribution from the GoK will cover 65.3 percent of the budget, leaving a gap of Kshs 85.78 billion, 34.7 percent of the budget (Table 5.6).

Based on their Kshs 15.4 billion commitment for the 2010-2011 budget (see Annex IV), Kenya's development partners are expected to commit at least Kshs 77 billion to the MTIP, about 31 percent of the budget (Table 5.5).

Table 5.6: MTIP financing (Kshs billion)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Share
Total MTIP Cost	37.05	46.93	46.93	54.34	61.75	247.00	100%
GoK Contribution	28.45	30.35	32.24	34.14	36.04	161.22	65.3%
Funding Gap	8.60	16.58	14.69	20.20	25.71	85.78	34.7%
Development Partners	15.4	15.4	15.4	15.4	15.4	77.00	31.2%
Private Sector	0.46	0.48	0.51	0.54	0.57	2.56	1.0%
Remaining Gap						6.23	2.5%

Reliable data regarding private sector investment flows in Kenya do not exist.[16] The private sector's contribution to the plan will be confirmed during the alignment phase (see section 9 below). But the possible level of such financing can be tentatively estimated as follows. Private investment accounts for 10 percent of Kenya's GDP.[17] Agriculture accounts for 24 percent of GDP, totaling Kshs 342 in 2009. This suggests that the value of total agricultural private investment in 2009 could have reached Kshs 8.21 billion. At issue is how much of this would be committed to the MTIP. A conservative approach based on historical data is appropriate. Between 1963 and 2005, private investment in the economy grew by 2.34 percent (from 7.28 percent to 9.66 percent), 0.55 percent per year on average. Applying this rate of growth to the estimated Kshs 8.21 billion level of private investment in agriculture in 2009 yields new private investment flows averaging Kshs 510 million per year, and totaling Kshs 2.56 billion over a five-year period. This is taken as an initial estimate of the private sector's potential contribution to

[16] Not least because a universally accepted definition of the ;private sector; also does not exist.

[17] King'ori, Z. 2007. ;Factors Influencing Private Investment in Kenya.; Unpublished manuscript. Nairobi: University of Nairobi.

the MTIP, amounting to slightly above 1 percent of the budget (Table 5.6). It is likely an upper bound.

Current Government and development partner commitments and expected private sector investments will leave an overall funding gap of Kshs 6.23 billion, 2.5 percent of the budget.

On its own, GoK funding of the agricultural sector MTIP portfolio would add Kshs 470 billion directly to GDP over the MTIP period, and a further Kshs 529 billion indirectly (Table 5.7). Benefits would be equivalent to Kshs 12,740 per farming household. The poverty rate would fall by 9 percentage points (to 27 percent, 2 percent above the ASDS target) and food consumption in vulnerable areas would rise by over 8 percent. These would be significant impacts but insufficient to reach the *Vision 2030* ad ASDS targets. A fully funded MTIP would add Kshs 120 billions more to GDP directly and Kshs 135 billion indirectly, generate benefits equal to Kshs 19,600 per farming household, reduce poverty by 14 percentage point (to 22 percent, surpassing the ASDS target), and increase food consumption in vulnerable areas by 13 percent. Kenya's prospects for achieving the *Vision 2030* and ASDS growth, poverty reduction, and food security targets would therefore be greatly enhanced by support from development partners and the private sector.

Table 5.7: Growth, poverty reduction, and food security impacts of alternative levels of MTIP funding

	Impacts of GoK Development Budget Contribution of Kshs 161 billion	Incremental Impacts of additional Kshs 77 billion investment from Devt Partners	Incremental Impacts of additional Kshs 85.38 billion investment – Fully Funded MTIP	Incremental Impacts of additional investment of Kshs 8.38 billion by Devt Partners
Direct addition to GDP over 5 years (Kshs billion)	470	106	120	14
Indirect addition to GDP over 5 years (Kshs billion)	529	120	135	15
Average household level benefits per year (Kshs)	12,740	17,360	19,600	2,240
Reduction in poverty by 2015 (%)	9	11	14	3
Increase in food consumption in vulnerable areas (%)	8.5	5	13	8

6. Coordination and Implementation Arrangements

The fundamental aim of the MTIP—and thus the central challenge it faces—is moving the agricultural sector beyond current practice arrangements and outcomes. The stakes could not be higher, nor the prize larger. Fundamental changes in Kenya's political and institutional fabric are in prospect. Rapid and broad-based growth in the agricultural sector will greatly ease the transition, enhancing food security, and promoting stability. The MTIP must be viewed in that light – i.e., as a mechanism for helping the agricultural sector make its contribution to the broader transition. All stakeholders must play their parts, pull their weight, invest, and reinvest. The performance of the public sector—dissatisfaction with which was a fundamental driver of pressures for Constitutional reform—will be pivotal to any movement beyond current practice. Proper implementation of the new institutional arrangements and organizational forms for enhanced sector-wide coordination will be crucial to success.

The MTIP will be implemented through the ASDS implementation framework (Annex IV). That implies engagement with a wide range of stakeholders. A harmonized, coordinated and jointly owned and accepted framework is required to manage activities and resources effectively and efficiently. The existing framework provides for this and also allows for regular feedback between agencies charged and entrusted with implementing the strategy. It uses existing ministries and institutions to implement activities specified in the strategy. The framework has also been designed to facilitate the active participation of the private sector, development partners, the civil society and local communities. It is structured at three levels: national, middle and local.

At the national level is the biennial national forum of stakeholders in the sector, organized by the sector ministries and the Agricultural Sector Coordination Unit (ASCU). The forum ensures political will, gives the strategy a niche and prominence, and provides a platform for reviewing progress in the implementation of the strategy and the extent to which its objectives are being achieved.

The middle level institutions provide a link between national and local level implementation of the strategy, and technical support and coordination between ministries and stakeholders. They consist of the Inter-ministerial Coordination Committee comprising permanent secretaries of the sector ministries; the Technical Committee, which consists of directors of sector ministries, private sector representatives and development partners; and thematic working groups that address key fast-track areas of the strategy. ASCU is the secretariat to the committees.

At the local level, the MTIP will be implemented through decentralized district coordination units. These coordination units, which elect their chairmen and secretaries on two-year rotational basis, link TWGs and stakeholder agencies with the ASCU Secretariat.

This framework is operationalized through ASCU, which is accepted as the secretariat of the agricultural sector ministries by both public and private sector stakeholders as well as development partners. Working through the TWGs, ASCU will coordinate implementation of the MTIP by facilitating prioritisation and fast-tracking of high-impact intervention areas, spearheading policy reforms and providing linkages and collaboration among sector stakeholders as necessary. It will create an enabling forum for sector-wide consultation from grassroots to the national level, and promote increased participation of the private sector. ASCU will also spearhead resource mobilization to support investment in the priority areas identified in the MTIP.

7. Monitoring and Evaluation

The scope and complexity of the sector-wide MTIP demand a rigorous, comprehensive, and carefully implemented monitoring and evaluation (M&E) system.

The Government of Kenya has established a National Integrated Monitoring and Evaluation System (NIMES) whose objective is to measure the efficiency of Government programmes and the effectiveness of its policies. Activities implemented under the MTIP will be linked to the NIMES through a sector-wide M&E framework currently being developed by ASCU.

A recent study commissioned by ASCU found that while Kenya has a long and rich history of monitoring and evaluation (M&E), a fundamental characteristic of M&E in Kenya is lack of an overarching institutional or legal framework for a national M&E system. M&E is conducted by different stakeholders (public, private, civil society) at different levels (national, ministerial, district, programme, and project) for different purposes (e.g. accountability to donors or beneficiaries, tracking inputs and outputs, informing evidence-based policy making), often using different methods and tools (quantitative and qualitative approaches; household surveys and national census). The result is a relative lack of consensus or shared understanding of the functions, objectives, purposes, roles, responsibilities and structures for M&E. This leads to duplication and wastage both within governmental monitoring and evaluation systems but also between governmental and nongovernmental systems.

ASCU will require strong support in this area, aiming for graduated establishment of a sector-wide M&E framework and system, based on piloting, testing and demonstrating success. Capacity development of the organisations and people on whom long term success of the system will depend will be integrated.

8. Risks and Sustainability

The ASDS and MTIP come at a critical moment in Kenya's history. A new Constitution has been voted into existence, bringing with it both opportunities and risks. Opportunities stem from the emphasis on improved governance and accountability that the new Constitution will usher in. Risks arise from the possibility of a more tightly constrained budget as the new national governance system is implemented with attendant adjustment costs, potentially reducing resources available for development programmes, including those in the MTIP. Legislative bottlenecks may also appear as Parliament strives to enact a large number of new laws, possibly negatively impacting the agricultural sector reform agenda. These risks will be carefully monitored and contingency plans developed as more details emerge about the transition process.

The major external risks facing the MTIP thus pertain to the existence of the necessary enabling environment. There is need for macro-economic stability to ensure prudent fiscal and monetary policies, availability of resources for planned increased investment, and acceleration of structural reforms. Good governance is necessary to combat corruption, instill prudent management of the economy, enhance sectoral and donor coordination, and operationalize sector-wide monitoring and evaluation framework.

As indicated in section 3 above, other non-agricultural sectors must also make investments that allow those in the agricultural sector to generate their economy-wide effects. Investments in education, training, and broad-based science and technology development are also needed to create a knowledge-led economy, create and deepen innovation awareness and application, and to protect intellectual property rights. In addition, all aspects of human and social development such as human health, gender equity and youth empowerment are key enablers of agricultural development.

The principal internal risks facing the MTIP relate to the inherent complexity of Kenya's sector-wide approach to agricultural sector development. A strong and well-resourced ASCU is critical, with all 10 ministries contributing competent personnel to the Secretariat. Strong communication and teamwork among all stakeholders is essential.

9. Conclusion: Next Steps

Despite a range of enduring external and internal challenges, Kenya has created an innovative and promising platform for broad-based agricultural growth and food security enhancement. This MTIP provides the framework to guide detailed planning and priority setting to achieve sectoral and national objectives. The following immediate steps are planned for the MTIP startup period (Table 9.1 presents the anticipated timeline for these activities):

1. Further awareness-raising and sensitization of stakeholders about linkages among the CAADP process, the ASDS, and the MTIP, aiming for full clarity on respective roles and responsibilities for MTIP implementation;
2. Capacity building in sector-wide approaches to planning and implementing of public initiatives;
3. Harmonization and alignment of existing programmes and projects with the MTIP, where appropriate leading to fresh workplans that specify linkages to MTIP objectives, targets, and activities. The aim of the exercise will be promote coherence between priorities and programmes in the existing agricultural sector portfolio and those set out in the MTIP. A rigorous but pragmatic approach will be taken, aiming for outputs that raise awareness and build consensus on needed adjustments. As far as possible, existing information sources will be utilized. A lengthy research-driven effort is therefore not envisioned. Specific activities will include:
    a. Development of an MTIP results framework;
    b. Development of review criteria and processes;
    c. Development of guidance for programme and project modification;
    d. Completion of an agroecologically-specific commodity sub-sector-based priority setting exercise for Kenyan agriculture, covering all six investment pillars;
    e. Further development of the MTIP financing plan, including consultations with the private sector, leading to confirmation of its contribution to the MTIP budget.
4. Operationalization of plans to develop a rigorous but practical M&E system for the MTIP and agricultural sector more broadly;
5. Adjustments to existing programmes and projects; and
6. Development and launching of new programmes and projects.

Table 9.1: Roadmap for launching the MTIP

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 5	Qtr 6
Awareness-raising and sensitization on ASDS, CAADP, MTIP						
Capacity building in sector-wide approaches						
Harmonization of existing programmes and projects with the MTIP						
Operationalization of M&E system						
Adjustments to existing programmes and projects						
Development and launching of new programmes and projects						

10.Annexes

Annex I: The IFPRI Computable General Equilibrium and Microsimulation Model: Key Features and Relevance for the MTIP

The IFPRI CGE and microsimulation model is calibrated to a 2007 social accounting matrix (SAM) that provides information on demand and production for 53 detailed sectors. The model further disaggregates agricultural activities across Kenya's 8 provinces using agricultural survey data. Nonagricultural production is also disaggregated across provinces. Solved over the period 2007-2015, the model (i) disaggregates growth across sub-national regions and sectors; (ii) captures income-effects through factor markets and price-effects through commodity markets; and (iii) translates these two effects onto each household in the survey according to its unique factor endowment and income and expenditure patterns. The structure of the growth-poverty relationship is therefore defined explicitly based on observed country-specific structures and behavior. This allows the model to capture the poverty and distributional changes associated with agricultural growth.

This framework is ideally suited not only to the task of examining opportunities for growth and poverty reduction arising from growth in the agricultural sector, but also for assessing the returns to investments in the MTIP portfolio that generate such growth. As shown in section 4, that portfolio is explicitly sector-wide in perspective, opening scope for fruitful examination using the CGE model . The results enter directly into analysis of aggregate and household-level benefits generated by alternative levels of investment in the MTIP portfolio. The results thus also allow examination of financial returns to such investments. The unified analysis of potential benefits, expected costs, and anticipated net returns to investments in Kenya's agricultural sector has been extraordinarily valuable for MTIP planning, priority setting, and budgeting. It will also inform MTIP implementation and monitoring.

Annex II: ASDS Thematic Working Groups

The Agricultural Sector Coordination Unit (ASCU) provides a framework for coordination across priority thematic areas and the 10 ministries of the agricultural sector. Six priority themes were identified under the *Strategy for Revitalizing Agriculture*, the precursor to the *Agricultural Sector Development Strategy*. These are

- Food and Nutrition Security
- Extension and Research
- Agribusiness, Market Access and Value Addition
- Agricultural Inputs and Financial Services
- Review and Harmonization of the Legal, Regulatory and Institutional Framework
- Environment, Sustainable Land and Natural Resource Management

ASCU has established six thematic working groups (TWGs). These are multidisciplinary and multisectoral think tanks bringing of competent professionals drawn mainly from the private sector and with representation of key public sector stakeholders. The chairman of a TWG is a private sector player while the convenor is a technical director (or commissioner) from a relevant government ministry. These TWGs have proven to be a very useful resource that is generating a wealth of ideas and energy into the process. The main objective of TWGs is to carry out an in-depth analysis of the particular thematic area. This analysis is then followed by the preparation of various interventions such as proposed policy and legal reforms and subsequent programmes for investment by the government, private sector stakeholders and development partners.

CAADP has four pillars:
1 Extending the area under sustainable land management and water control systems
2 Improving access to markets and infrastructure
3 Reducing risk and improving food security
4 Agricultural research, technology dissemination and adoption

These pillars are the equivalent of the ASDS thematic working groups. There is a direct link between CAADP pillar I and the ASDS thematic area on Environment, Sustainable Land and Natural Resource Management. The terms of reference/action plan for both are based on *TerrAfrica Sustainable Land Management Vision Paper for Africa* and corresponding Country Support Tool.

The thematic area on Agribusiness, Access to Markets and Value Addition addresses the objectives of CAADP pillar I—to accelerate growth in the agricultural sector by raising capacities of private entrepreneurs, including commercial and smallholder farmers. The pillar also focuses on policy and regulatory action, infrastructure development, capacity building, partnerships and alliances. Under this TWG, work is in progress to develop interventions for strengthening the private sector in agriculture and to develop modalities for more effective public–private partnerships.

Pillar III activities are anchored in the Food and Nutrition Security thematic area. The TWG has already developed a national food and nutrition security policy and its implementation strategy. Pillar IV seeks to improve agricultural research, technology dissemination and adoption. The activities under this pillar are currently being addressed in the Research and Extension thematic area. The TWG has developed a number of polices and programmes to address agricultural research, extension, educational and training.

The ASDS has two additional thematic areas. The thematic area on Inputs and Financial Services is integrated within CAADP pillar III. The Legal, Regulatory and Institutional Reforms theme endeavours to create an enabling environment for a competitive agricultural sector. The TWG is currently developing an agricultural sector reform bill which will consolidate and harmonize existing legislation in the sector.

Functions of the TWG:

1. Carry out in-depth analysis of strategic areas for policy analysis
2. Define priority areas within their thematic areas
3. Give policy direction on investment areas
4. Advise the Technical Committee on issues related to their thematic areas

TWG business procedure:

1. Each year, TWGs develop their own workplans and present the same to the Technical Committee for approval.
2. TWGs must meet once in every quarter, but may also have regular meetings as need arises.
3. Ad hoc meetings may be held on short notice upon the request of the chairman or any other member, to discuss urgent issue(s).
4. In consultation with the Secretariat, the Chairman shall invite members of the TWG by official communication at least 7 days before the date of the meeting.
5. The agenda of the meeting shall be decided by the TWG.
6. The Secretariat shall ensure that all minutes of previous meetings are circulated immediately or at least before the next meeting.
7. All documents to be discussed shall be sent to the members upfront with a summary of the issues that will be discussed for recommendation.
8. The TWG can form ad hoc committees to discuss pertinent issues within the thematic area and then report to the full TWG in subsequent meeting. The TWG shall report progress to the Technical Committee during every quarterly meeting.

INSTITUTIONS REPRESENTED IN THE THEMATIC WOKING GROUPS

TWG on Inputs and Financial Services	TWG Legal, Regulatory and Institutional Reforms	TWG Food Security And Nutrition Policy and Programmes
PRIVATE SECTOR • CFNA- Africa. • Association of Kenya Feed Manufacturers • AGRA • MEA Ltd • Agrochemical Association of Kenya • Cooperative Bank of Kenya • Equity Bank • Family Bank Ltd • CIC Ltd • Lomastar Agrovet & Supplies Ltd • Cereals Growers Association • CNFA/AGMARK **PUBLIC SECTOR** • NAAIP-MOA • MOLD • MOCD&M **QUASI- GOVERNMENT** • Agricultural Finance Corporation	**PRIVATE SECTOR** • IPAR **PUBLIC SECTOR** • Kenya Veterinary Board. • Veterinary Services • Ministry of Agriculture • NEMA • Land reforms Transformational Unit • MOCD&M Legal Officer • Institute of Economic Affairs • Ministry of Water and Irrigation • Attorney General's Chambers • Director Policy **QUASI- GOVERNMENT** • Tegemeo Institute. • Central Agricultural Board • University of Nairobi. • National Council of Law Reporting • KIPPRA	**PRIVATE SECTOR** • Rural Outreach Programme • UNICEF, Kenya • Food for the Hungry • FAO - Kenya • WFP • Kenya Livestock Marketing Council • Oxfam, Kenya • Red Cross Society • World Vision Kenya **PUBLIC SECTOR** • Ministry of Development of Northern Kenya and other Arid Lands • KFSM • Ministry of Agriculture • Njaa Marufuku Kenya Programme • Ministry of Public Health • Ministry of Basic Education • Ministry of Planning & Vision 2030 **QUASI- GOVERNMENT** • Tegemeo Institute
TWG Research and Extension	**TWG Environment, Sustainable Land and Natural Resources Management**	**TWG Agribusiness, Markets and Value-Addition**
PRIVATE SECTOR • AGRA- Office • ISAAA Africentre • AFPEK • World Vision-Kenya • Farm Concern International • KENFAP • Kenya Gatsby Trust **PUBLIC SECTOR** • Ministry of Agriculture • Ministry of Livestock Development • Ministry of Fisheries Development • Ministry of Cooperative Development & Mkt. • MOLD Veterinary Department **QUASI- GOVERNMENT** • Egerton University • JKUAT • KARI • University of Nairobi • Cooperative Alliance of Kenya • HCDA •	**PRIVATE SECTOR** • Kenya cleaner Production Centre • FAO • Stockholm environment Institute (SEI) • KEPSA • World Agro-forestry Centre • UNEP Kenya Country Programme • World Wildlife Fund (WWF) • Ivory Consult Ltd. • The World Agroforestry Centre – ICRAF **PUBLIC SECTOR** • Ministry of Forestry and Wildlife • Ministry of Environment and Natural Resources • University of Nairobi • Ministry of Regional Development Authority • Ministry of Northern Kenya and other Arid Lands • Ministry of Lands **QUASI- GOVERNMENT** • NEMA • University of Nairobi • Maseno University • Pwani University College • Kenya Forestry Service • Lake Victoria South Catchments Area (LVSCA)	**PRIVATE SECTOR** • Fechim Investments • CEO - AFFIPEK • Kenya Gatsby Trust • Technoserve/Kenya • Private Sector Development in Agriculture (GTZ/PSDA) • WFP • KENFAP • Farm Concern • PANAAC **PUBLIC SECTOR** • Ministry of Agriculture • Ministry of Livestock Development • Ministry of Cooperative Development and Marketing • Ministry of Fisheries Development • Ministry of Livestock Development-Vet **QUASI- GOVERNMENT** • TEGEMEO Institue • Tea Board of Kenya • Kenya Industrial Research & Development Institute (KIRDI) • University of Nairobi • ESALIA • Strathmore Business School

Annex III: The ASDS Policy and Institutional Reform Agenda

Policy/Strategy/Plan	Responsible Ministries, stakeholders	How it was or will be done	ASCUs involvement	Current status
Strategy for Revitali-sing Agriculture (SRA)	MoA, MoL&FD, MoCD&M	By senior Government Officers of Sector Ministries	ASCU was not in yet in place. This is the strategy that led to the birth of ASCU to implement it.	Revised to give rise to ASDS
National Agricultural Sector Extension Policy (NASEP)	MoA, MoLD, MoFD, MoCD&M	Ministries, NALEP and KAPP support, Private Sector involved through TWGs	Fully involved in coordination and funding (basket fund) of policy development	Already approved by Cabinet and session paper prepared for parliament debate and enactment
Agricultural Sector Development Strategy (ASDS)	MoA, MoLD, MoFD, MoWI MoCD&M, MoRDA, MoEMR, MoSDNKAL, MoL, MoFW, MoSPND&V2030, Private Sector	Consultative, iterative process with assistance of consultants	ASCU supported all the consultative fora and strategy development	Completed and launched in July 2010.
Food and Nutrition Security Policy (FNSP)	MoA, MoH, MoLD, MoFD, DPs (FAO, Action Aid, WFP), Private sector	Through Thematic groups in a consultative process	Support, coordination and organisation of the process	At Cabinet level
National Agricultural Research Systems (NARS) Policy	MoA, MoLD, MoFD, Research institutions, e.g. KARI and IARCs	Consultative through TWGs	Coordination and logistical as well as material support	Complete. Under discussion by Inter Ministerial Coordination Committee.
Medium Term Plan (MTP) 2008-2012	All 10 sector Ministries, Private sector, DPs	Through a consultative process involving a consultant	Full support to the process	Approved by the Ministry of Planning, National Development and Vision 2030 and being implemented
Medium Term Investment Plan (MTIP)	All Sector Ministries, DPs and private sector	Consultative process	Full support to the process	Being finalised. Already reviewed by the NEPAD-CAADP review team and revised.
Kenya Oceans and Fisheries Policy	MoFD	Consultative process within the ministry and stakeholders	ASCU supported the ministry to develop the policy (financial support)	Policy approved by Cabinet and launched in 2009
Agri-business Strategy	Sector Ministries (10 No.) and private stakeholders	Consultative process through thematic working group	Full support financially and in logistics	At initial stages of consultations. Concept note developed, consultations carried out.
Agricultural Sector Gender Policy	Sector Ministries and stakeholders	Consultative process involving key players in the sector	Financial and logistical support	Concept document developed and consultations carried out.

Bio-Awareness Strategy	MoA, MoLD, stakeholders	Consultative process	In development and launch	Launched in December 2008 and is being implemented.
Agricultural Development Fund (ADF)	Sector Ministries	Consultative process guided by a consultant	Logistical and financial support	Concept paper developed and undergoing approval by sector ministers
Seed Policy and Seed and Plant varieties bill	Sector Ministries and stakeholders	Consultative process through Thematic Group	Logistical and financial support	Bill developed, National Performance trials regulations gazetted
Cooperative Development Policy	MoCD&M, stakeholders	Consultative process	Financial support	Policy complete
Cooperative Investment Policy	MoCD&M, stakeholders	Consultative process	Financial and logistical support	Policy complete and under implementation
Kenya National Pharmaceutical Policy (Position paper)	MoLD (KVA), stakeholders	Consultative process	Financial and logistical support	Position paper developed and policy separating roles of Vet. Dept. and MoH spelt out
Apiculture Policy	MoLD, stakeholders	Consultative process	Financial support	Approved by Cabinet
Kenya National Poultry Policy	MoLD, stakeholders	Consultative process with the ministry and stakeholders	Financial support to regional stakeholder fora	Policy finalised and approved by Cabinet
National Horticulture Policy	MoA, Private Sector, National Horticultural Taskforce, stakeholders	Consultative process	Financial and logistical support	Policy heading to completion. Final National Stakeholder forum planned for Nov. 2010.
Policy on bio-prospecting	MoA, MoEST, stakehol-ders, biotech institutions	Consultative process	To finance and offer logistical support	Consultations on whtehr to formulate policy or strategy going on.
Agricultural Sector Communication Strategy	MoA, private sector, Researchers, communication experts, Stakeholders	Highly Consultative process	Logistical and financial support	Draft being reviewed and edited
Animal Breeding Policy	MoLD, Stakeholders	Consultative process aimed at amending Cap 345 laws of Kenya.	Financial support	Draft ready, bill to be developed.
Fertilizer Strategy	MoA, Stakeholders	Consultative process	No ASCU involvement	The strategy is being implemented
Biotechnology	MoA, MoLD, Private sector, stakeholders	Consultative process- a biosafety bill enacted into law as an ACT of parliament	Financial and logistical support	The Biosafety Act is being operationalized through appropriate regulations
Livestock Development Policy	MoLD, Private sector, Stakeholders	Highly consultative process	Financial and some logistical support	Policy complete and being implemented

Annex IV: MTIP Investment Areas and Existing Agricultural Sector Projects

Investment Areas	Total Project Count
1. Increasing Productivity, Commercialization and Competitiveness	40
2. Promoting Private Sector Participation	20
3. Promoting Sustainable Land and Natural Resources Management	30
4. Reforming Delivery of Agricultural Services	19
5. Increasing Market Access and Trade	20
6. Ensuring Effective Coordination and Implementation	11

	Investment Areas					
PROJECTS	**1**	**2**	**3**	**4**	**5**	**6**
IDA (WB) projects						
Kenya Agricultural Productivity & Agribusiness Project	X	X		X	X	X
Agricultural Inputs Supply Project	X	X			X	
East Africa Agricultural Productivity Project	X	X			X	
Arid Lands Resource Management Project	X		X		X	
Kenya Agricultural Productivity &Sustainalbe Land Management Project (pipel	X		X			
EDF (EU Delegation) Projects -						
KASAL via KARI	X	X	X	X		
Agriculture Recovery via FAO	X	X		X		
Food Facility Livestock Sector via FAO&TERRA NUOVA	X	X	X		X	
Animal Health Regional Programmes - Kenya Component via ICIPE, and AU-IBAR (SERECU & VACNADA)	X		X			X
Markets Stimulation via Save the chidren	X	X			X	
Urban Farming via SOLIDARITE	X		X		X	
Dryland Farming via FARM AFRICA	X		X		X	
Food Facility Agricultural Productivity via World Bank	X					
Food Safety Net Project via WFP	X				X	
Drought Response via DMI	X		X			X
Sugar Support via KSB	X			X	X	
Coffee Support via CRF	X			X	X	
Sector Coordination (ASCU)						X
Horticap via KEPHIS	X				X	
CDTF	X	X	X		X	
AfDB Projects						
Multinational: Creation of Tsetse &Tryps Free Areas	X		X		X	
Ewaso Ngiro North Natural Resources Conservation	X		X		X	
Kimira-Oluch Smallholder Farm Improvement	X		X			
Integrated Land and Water Management	X		X			
ASAL-Based Livestock &Rural Livelihoods Support	X		X		X	
Green Zones Development Support	X		X		X	
Smallscale Horticulture Development	X		X		X	
DANIDA Projects						
ASPS Programme (ended in june 2010)						
NRMP-Agribusiness Project	X	X	X		X	
SIDA Projects						
National Agriculture and Livestock Extension Programme (NALEP)	X	X	X	X	X	X
Financial Sector Deepening (FSD)		X			X	
Land sector Support programme		X	X			
German Projects						
PSDA/GTZ	X	X			X	
Small Holder Irrigation Mt. Kenya/KfW	X					
Improvement of rural roads and market places/KfW					X	

Annex IV: MTIP Investment Areas and Existing Agricultural Sector Projects (cont.)

	Investment Areas					
PROJECTS	**1**	**2**	**3**	**4**	**5**	**6**
JICA Projects						
Community Agricultural Development Project in Semi Arid Lands (CADSAL)	X		X			
Project for Sustainable Smallholder Irrigation Development and Management in Central and Southern Kenya			X			
Smallholder Horticulture Empowerment and Promotion Unit Project	X	X			X	
Mwea Irrigation	X					
Community Development and Coordination Expert (not a project)						X
Rice Promotion Advisor (not a project)						X
Irrigation Advisor (not a project)						X
One Village One Product	X				X	X
Strengthening the Capacity of Grassroots Women for Socio-Economic Development	X					
USAID Projects						
Kenya Dairy Sector Competitiveness Program	X	X			X	
New Staple Food Crops Program	X	X			X	
New Drylands Livestock Development Program	X	X	X		X	
New Kenya Horticulture Competitiveness Program	X	X			X	
New Financial Inclusion for Rural Microenterprises	X	X			X	
Program for Biosafety Systems Program	X				X	
New Program to Coordinate Capacity-Building Training				X		X
FEWS/Net					X	
Agricultural Policy Research & Analysis	X			X		
Knowledge Management, Analysis and Learning				X		X
New Agricultural Research and Technology Transfer Program	X		X	X		
Tegemeo Agricultural Policy Research and Analysis Project	X			X		
KARI agricultural research & technology transfer	X			X		
Pest Risk Analysis Program (KEPHIS)	X				X	
University of Nairobi (UoN) Biotechnology Outreach	X				X	
FAO Projects						
Strengthening Fish Production through Adoption of Improved Aquaculture Technology	X				X	
Agribusiness Support for Smallholders (AbSS) Project	X	X			X	
Sustainable Livelihood Development in the Mau Forest Complex			X			
Conservation and Management of Pollinators for Sus. Agric. Through an Ecosystem Approach			X			
Supporting CA for SARD - (Climate Change Adaptation)		X	X			
Supporting Food Security and Reducing Poverty in Kenya and Tanzania (GIAHS)	X		X			
Reducing the negative impact of drought and soaring food prices	X					
Emergency support to pastoral and agro-pastoral households affected by extreme climatic conditions (CERF Mar-Nov 2010)	X		X			
Livelihood support to Eastern African populations affected by the dual shocks of drought and the global economic crisis	X		X			
CountrySTAT for Sub-Saharan Africa: Improved Access to Nationally owned, Quality Statistics on Food and Agric.				X		X
Emergency support to global surveillance of influenza A H1N1 virus and other potential subtypes in animal populations”	X			X		X
Consolidation of the Integrated Food Security Phase Classification (IPC) in the Volatile Humanitarian Context of the Central and Eastern African Region.				X		X
Surveillance for Accreditation for Freedom from Rinderpest						X
Strengthening Capacity of the E.A. Sub-region to Prevent and Control HPAI				X		X
Ex-anteSocial-Economic Policy Impact Analysis	X	X	X	X	X	X
Formulation of Aquaculture Strategy and Development Plan	X	X				
Promoting Investment in Water for Agriculture and Energy	X					
National Forest Facility Programme			X			

Annex IV: MTIP Investment Areas and Existing Agricultural Sector Projects (cont.)

	Investment Areas					
PROJECTS	**1**	**2**	**3**	**4**	**5**	**6**
IFAD Projects						
Central Kenya Dry Areas Commuinty Develepment Project	X		X	X		
Mount Kenya East Natural Resources Management Pilot Project plus GEF	X		X		X	X
South Nyanza Community Development Project	X					X
Small Holder Dairy Development Programme	X			X	X	
Small Holder Horticulture Marketing Programme	X			X	X	
Prog for Rural Outreach of Financial Innovations and Tech (PROFIT)	X	X				
Finland projects						
PALWECO (under discussions)	X	X	X	X	X	X
Support to Forest Sector Reform	X	X	X			
Support to Water Services Trust Fund		X	X			
Research Cooperation with UON		X	X			
Community-led Agroforestry (Centre for Family Inititives)		X	X			
Bio diesel (Self Help Centre)			X			
Community Based Conservation, Consumer Markets (Wild Living Resources)			X			
Conservation for Sustainable living (Nature Kenya)			X			
Promoting Sustainable Forest Governance (ILEG)		X	X			
On-farm Tree Planting and Environmental Education (FOMAWA)		X	X			
Community Based Forest Conservation (Green Resources Initiative)			X			
Short Rotation Commercial Charcoal and Fuelwood Production (CARPA)	X	X	X			
Ecovillage Development Concept for Koibatek District (FSK)			X			
Netherlands projects						
Thika Horticultural Training (FPEAK)	X			X		
Client E-Certification (KEPHIS)				X		
Soil Fertility (KARI)	X		X	X		
Tea Sustainable Chains (ETC)	X				X	
Seed Supply (SME) WUR/ ICRISAT	X	X				
Small scaled Bird's Eye chilli (Equator Kenya)	X				X	
WFP projects						
Food for Assets			X			
Purchase for Progress					X	
GoK Projects						
Njaa marufuku Kenya (NMK)	X		X		X	
National accelerated Agriculture Inputs Access Program (NAAIAP)	X	X				
Lake Victoria Environment Management Project (LVEMP)	X		X			
Kenya Agricultural Productivity and Sustainable Land Management Project (KAPSLM)	X		X	X		

Annex IV: MTIP Investment Areas and Existing Agricultural Sector Projects (cont.)

	Investment Areas					
PROJECTS	**1**	**2**	**3**	**4**	**5**	**6**
Netherlands projects						
Thika Horticultural Training (FPEAK)				X		
Client E-Certification (KEPHIS)		X				
Soil Fertility (KARI)	X		X	X		
Tea Sustainable Chains (ETC)	X				X	
Seed Supply (SME) WUR/ ICRISAT	X	X				
Small scaled Bird's Eye chilli (Equator Kenya)	X				X	
WFP projects						
Food for Assets					X	
Purchase for Progress					X	
GoK Projects						
Njaa marufuku Kenya (NMK)	X		X		X	
National accelerated Agriculture Inputs Access Program (NAAIAP)	X	X				
Lake Victoria Environment Management Project (LVEMP)	X		X			
Kenya Agricultural Productivity and Sustainable Land Management Project (KAPSLM)	X		X	X		

Note: This analysis does not take the size of programmes and projects into account. The aim is to build a sense of the degree to which the six investment areas are covered by existing activities. Annex III, showing development partner commitments to the programmes and projects, builds a picture of project size, but obviously without a breakdown by the six investment areas.

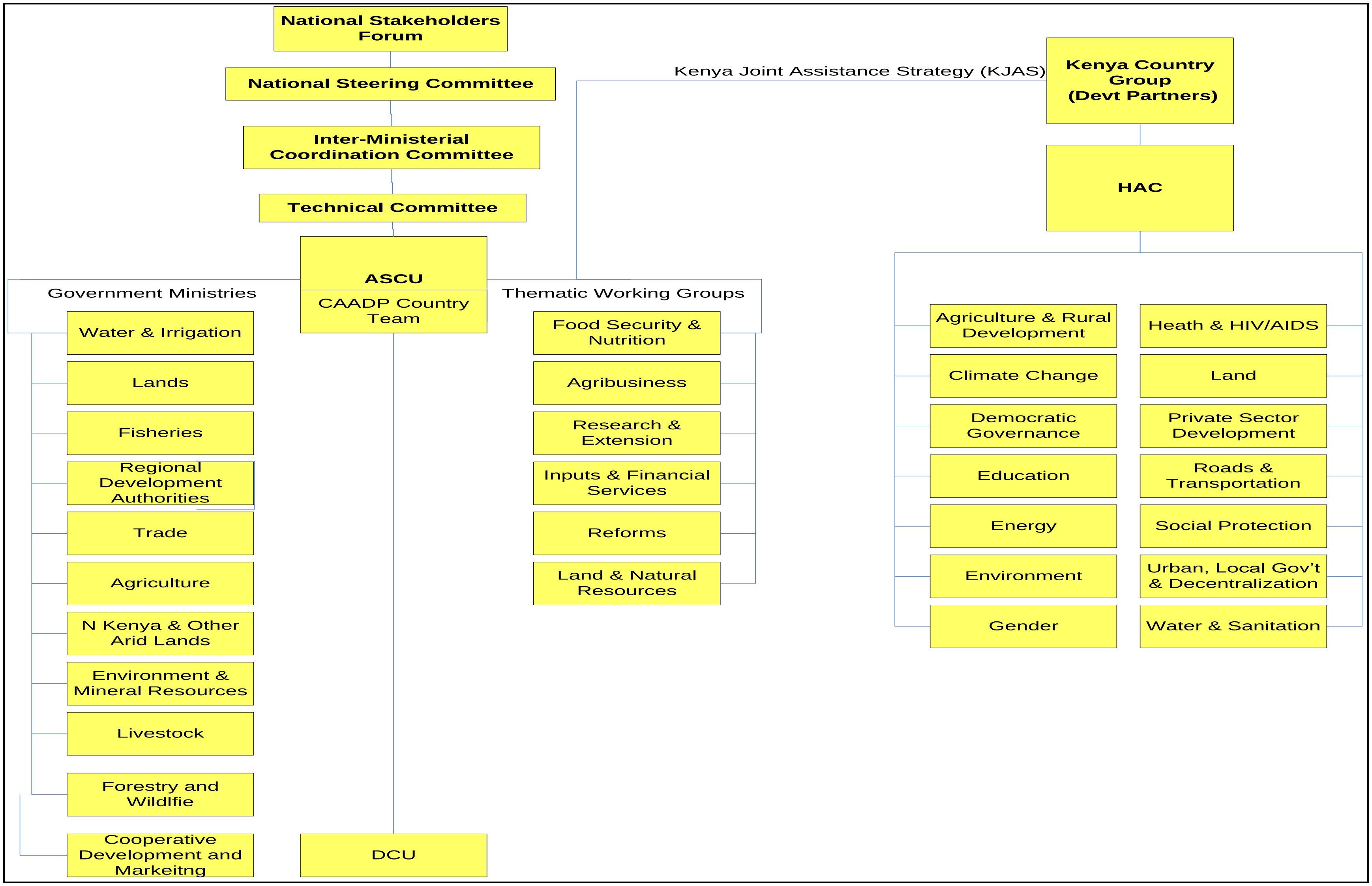
Annex V: Development Partner Contributions to Existing Agricultural Sector Projects

ODA Supported Projects 2010/2011- Budget on Development estimates (committments) in Kshs.Million.			
IDA (WB) projects	**Thro' GOK**	**Thro' PS/NGO**	**Total**
Kenya Agricultural Productivity & Agribusiness Project	1,020		1,020
Agricultural Inputs Supply Project	375		375
East Africa Agricultural Productivity Project	200		200
Arid Lands Resource Management Project	1200		1200
Sub Total	**2,795**		**2,795**
EDF (EU Delegation) Projects -			
KASAL via KARI	150.1		150
Agriculture Recovery via FAO	28.5		29
Food Facility Livestock Sector via FAO&TERRA NUOVA	74.1	25.65	100
Animal Health Regional Programmes - Kenya Component via ICIPE, and AU-IBAR (SERECU & VACNADA)	24.7	57	82
Markets Stimulation via SCF		85.5	86
Urban Farming via SOLIDARITE		19	19
Dryland Farming via FARM AFRICA		19	19
Food Facility Agricultural Productivity via World Bank	600		600
Food Safety Net Project via WFP	195.7		196
Drought Response via DMI	336.3		336
Sugar Support via KSB	117.8		118
Coffee Support via CRF	95		95
Sector Coordination (ASCU)	36.1		36
Horticap via KEPHIS	45.6		46
CDTF	608		608
Subtotal	***2,312***	***206***	***2,518***
AfDB Projects			-
Multinational: Creation of Tsetse &Tryps Free Areas	100.8		101
Ewaso Ngiro North Natural Resources Conservation	891.3		891.3
Kimira-Oluch Smallholder Farm Improvement	822.9		823
Integrated Land and Water Management	61.23		61.23
ASAL-Based Livestock &Rural Livelihoods Support	846.7		847
Green Zones Development Support	597.4		597.4
Smallscale Horticulture Development	359.0		359
Restoration of Farm Infrastructure	1,117.6		1,118
Subtotal	***4,796.9***		***4,796.9***
DANIDA Projects			
ASPS Programme	142		142
NRMP-Agribusiness Project		28.4	28.4
Subtotal	***142***	***28***	***170***
SIDA Projects			-
National Agriculture and Livestock Extension Programme (NALEP)	650		650
Financial Sector Deepening (FSD)	-	100	100
Subtotal	***650***	***100***	***750***
German Projects			-
PSDA/GTZ	300		300
Subtotal	***300***		***300***
JICA Projects			-
Community Agricultural Development Project in Semi Arid Lands	17		17
Project for Sustainable Smallholder Irrigation Development and Management in Central a	28		28
Smallholder Horticulrue Empowerment and Promotion Unit Project	86		86
Mwea Irrigation	249		249
Community Development and Coordination Expert	13		13
Rice Promotion Advisor	11		11
Irrigation Advisor	9		9
Subtotal	***413***		***413***

Annex V: Development Partner Contributions to Existing Agricultural Sector Projects (cont.)

USAID Projects			-
Kenya Dairy Sector Competitiveness Program		231	231
New Staple Food Crops Program		539	539
New Drylands Livestock Development Program		233	233
New Kenya Horticulture Competitiveness Program		273	273
New Financial Inclusion for Rural Microenterprises		115.5	115.5
Program for Biosafety Systems Program		23.1	23.1
New Program to Coordinate Capacity-Building Training		38.5	38.5
FEWS/Net		15	15
Agricultural Policy Research & Analysis		39	39
Knowledge Management, Analysis and Learning		31	31
New Agricultural Research and Technology Transfer Program		145	145
Tegemeo Agricultural Policy Research and Analysis Project	108		108
KARI agricultural research & technology transfer	60		60
Pest Risk Analysis Program (KEPHIS)	23		23
University of Nairobi (UoN) Biotechnology Outreach	19		19
Subtotal	***209***	***1683***	***1,892***
UNDP Projects			
FAO Projects			
Strengthening Fish Production through Adoption of Improved Aquaculture Technology	15		15
Agribusiness Support for Smallholders (AbSS) Project	65		65
Sustainable Livelihood Development in the Mau Forest Complex	17.1		17.1
Conservation and Management of Pollinators for Sus. Agric. Through an Ecosystem Ap	9		9
Supporting CA for SARD - (Climate Change Adaptation)	13		13
Supporting Food Security and Reducing Poverty in Kenya and Tanzania (GIAHS)	14		14
Reducing the negative impact of drought and soaring food prices		27	27
Emergency support to pastoral and agro-pastoral households affected by extreme climatic conditions (CERF Mar-Nov 2010)		64	64
Livelihood support to Eastern African populations affected by the dual shocks of drought and the global economic crisis		12	12
CountrySTAT for Sub-Saharan Africa: Improved Access to Nationally owned, Quality Statistics on Food and Agric.	1		1
Strengthening Capacity of the E.A. Sub-region to Prevent and Control HPAI	-	13	13
National Forest Facility Programme	3		3
Subtotal	***138***	***116***	***254***
IFAD Projects			-
Central Kenya Dry Areas Commuinty Develepment Project	120		120
Mount Kenya East Natural Resources Management Pilot Project plus GEF	220		220
South Nyanza Community Development Project	180		180
Small Holder Dairy Development Programme	200		200
Small Holder Hortculture Development	400		400
Subtotal	***1120***		***1,120***
Finland projects			
PALWECO (under discussions)			
Research Cooperation (UON)	34.8		35
Subtotal	***35***		***35***
Netherlands projects			
Thika Horticultural Training (FPEAK)		104	104
Client E-Certification (KEPHIS)	41		41
Soil Fertility (KARI)	9.4		9
Tea Sustainable Chains (ETC)		41.7	42
Seed Supply (SME) WUR/ ICRISAT		7.81	8
Small scaled Bird's Eye chilli (Equator Kenya)		7.81	8
Subtotal	***50.4***	***161.32***	***211.72***
WFP projects			-
Food for Assets	80		80
Purchase for Progress		77	77
Subtotal	***80***	***77***	***157***
Grand Total	**13,041.4**	**2,371.4**	**15,412.8**

Annex VI: ASDS Implementation Structure



Annex VII: ASDS Coordination Structures and Institutions

1. Background

For the past few years the agricultural sector ministries in Kenya dynamically worked on the implementation of the Strategy for Revitalisation of Agriculture (SRA). Although much has been achieved in the last 5 years, challenges still remain in achieving food security, poverty reduction, transformation of agriculture from subsistence to commercial farming and agribusiness, in securing markets, and in efficient use of inputs and agricultural credit.

It became imperative to capture these new developments and revise the SRA with the expiry of ERS, the launching of *Vision 2030*, and the achievement of most SRA targets. The *Agricultural Sector Development Strategy 2010–2020* (ASDS) was therefore developed to position the agricultural sector as the key driver for delivering the 10 per cent annual economic growth rate envisaged under the economic pillar of *Vision 2030.* The ASDS was officially launched by H.E. the President of the Republic of Kenya on 24 July 2010. The basis for the ASDS is the sector-wide approach which secures a holistic framework for dealing with Kenya’s complex agricultural situation.

As a vehicle for implementing the SRA (sector-wide strategy) an inter-ministerial coordination unit was established. The mandate of the Agricultural Sector Co-ordination Unit (ASCU) is to facilitate and add value to the reform process, and to coordinate the sector ministries and other stakeholder efforts towards the implementation of the ASDS vision. In executing this role, ASCU’s mandate includes managing the ASDS implementation informing about it, and integrating the ASDS ‘way of thinking’ in the normal business of the agricultural sector ministries. ASCU is to ensure that the activities of the sector ministries are ASDS-compliant.

2. Institutional Arrangement in the ASDS

To coordinate the implementation of the ASDS, a functional coordination mechanism across sector ministries, the public and private sectors has been set up that comprises the following.

National Stakeholder Forum

The National Stakeholder Forum (NSF) is the highest decision-making organ that provides a platform for stakeholders in the sector to review progress in the implementation of the ASDS investment areas.

Membership

The president shall be the patron of the NSF. Every key stakeholder at national level in the agricultural sector will be represented in the NSF. The biennial conference will be held in third quarter of each second year.

National Steering Committee

The National Steering Committee (is a decision-making committee at policy level that brings together government, development partners and the private sector in the agricultural sector. The National Steering Committee is composed of:

- Permanent secretaries in the ministries in the agricultural sector
- Representatives of Development Partners
- Kenya Private Sector Alliance–KEPSA, the representative of the private sector Representative of umbrella producer organizations (Kenya Federation of Agricultural Producers [KENFAP], Kenya Livestock Marketing Council [KLMC], Cooperative Alliance of Kenya)
- Representatives of the agribusiness community
- Representatives of civil society
- Chairman Parliamentary Committee on Agriculture

The committee may co-opt other members as the need arises. It will meet biannually under the chairmanship of the permanent secretary who at the time is the chair of the Inter-ministerial Coordinating Committee. The ASCU coordinator shall be the secretary to this Committee.

Functions of the NSC

- To discuss progress in implementing reforms in the sector
- Serves as the focal point for policy direction
- To provide a vehicle for identifying and resolving sector challenges and work towards mutually effective solutions.
- To create the linkage between the National Stakeholders Forum and the implementing agencies.
- To advise on strategic interventions required in the sector.

Inter-Ministerial Coordinating Committee

The Inter-ministerial Coordinating Committee (ICC) is the highest technical **decision-making** organ in the sector. This committee was established by the Head of Public Service.

Members of the ICC are the permanent secretaries of the following ministries

- Ministry of Agriculture
- Ministry of Livestock Development
- Ministry of Cooperative Development and Marketing
- Ministry of Fisheries Development
- Ministry of Water and Irrigation
- Ministry of Lands
- Ministry of Regional Development Authorities

Ministry of Forestry and Wildlife
Ministry of Environment and Mineral Resources
Ministry of Northern Kenya and Other Arid Lands

The ICC may co-opt other permanent secretaries as need arises and also depending on the subject under consideration. The Committee is chaired by a permanent secretary appointed from among the members and shall be on rotational basis. The committee shall meet once every quarter.

Functions of the ICC

- Give policy direction in the reform process
- Coordinate budgetary allocation in the sector
- Provide briefings to ministers in the sector and relevant parliamentary groups
- Receive progress reports from the ASDS Technical Committee
- Approve recommendations ASDS Technical Committee from the sector for action
- Provide the agenda for the National Steering Committee and National Stakeholders Forum,
- Acts as the conduit for information among National Steering Committee, National Stakeholders Forum and ASDS Technical Committee

ICC business procedure

- The Chairman shall invite members of the committee by official communication at least 7 days before the date of the meeting.
- All documents to be discussed shall be sent to the members upfront with a summary of the issues that need approval or consideration
- The Secretary (ASCU Coordinator) shall ensure that all members are appropriately briefed on the issues at hand.
- Ad hoc meetings may be held on short notice on the request of the chairman or any other member in which the urgent issue(s) will be discussed.
- Resolutions from the meetings of ICC shall be by consensus and shall be implementation by the sector ministries.

The ASDS Technical Committee

The ASDS Technical Committee (TC) is made up of the heads of departments (directors, secretaries, commissioners) in the various ministries, development partners, apex farmer organization, private sector and other co-opted members.

The members of the TC shall be:

- Agriculture Secretary
- Environment Secretary Commissioner of Cooperatives
- Directors in the Ministry of Agriculture
- Director of Livestock Production
- Director of Veterinary Services
- Director of Fisheries Development
- Director of Lands

- Director of Irrigation
- Director of Northern Kenya Development
- Director of Forestry
- Director, Programs, Projects and Strategic Initiatives, Ministry of Environment and Mineral Resources
- Heads of central planning units in the sector ministries
- Chief Executive, Kenya Federation of Agricultural Producers (KENFAP)
- Chief Executive, Kenya Livestock Marketing Council (KLMC)
- Chief Executive, Cooperative Alliance of Kenya
- Private sector representative – Kenya Private Sector Alliance
- Convener of Sector Working Group –Agriculture and Rural Development
- Development Partners representatives

The Technical Committee shall co-opt members as need arises and depending on the subject at hand. The chairman of the Technical Committee shall be drawn from among the directors of the sector ministries. This shall be on rotational basis.

TC meetings are held monthly and the ASCU Coordinator is the secretary of the TC.

Functions of the TC

- Coordinate the implementation of the Agricultural Sector Development Strategy 2010–2020 (ASDS)
- Prioritize activities in the ASDS for investment
- Receive implementation reports and provide way forward
- Review and adopt progress outputs from the thematic working groups
- Approve workplans for ASCU coordination activities
- Approve Terms of Reference for studies and technical assistance
- Mobilize funding for various activities
- Monitor and evaluate implementation progress.

TC business procedure

- The Chairman shall invite the members of the committee by official communication at least 7 days before the date of the meeting.
- The agenda of the meeting shall be decided by the secretariat and communicated in advance to members.
- The secretariat shall ensure that all minutes of previous meetings are circulated immediately or at least before the next meeting.
- All documents to be discussed shall be sent to the members upfront with a summary of the issues that will be discussed for recommendation.
- ASCU desk officers in the ministries shall ensure that the directors are properly briefed before the meeting.

Ad hoc meetings may be held on short notice upon the request of the chairman or any other member, to discuss urgent issue(s).

Resolutions from the meetings that require approval from the Inter-ministerial Coordinating Committee shall be forwarded with minutes to the chair of the ICC within 7 days for an ICC meeting to be scheduled.

Agricultural Sector Coordination Unit (ASCU)

ASCU is an inter-ministerial unit whose responsibility is to manage the affairs of the agricultural sector on day to day basis. The functions of ASCU are:

Develop over time the function of a reference center for sector reforms; a respected resource that can inform, guide and influence the targeting, scope, scale and funding (by government and its development partners) of sectoral and subsectoral programmes and interventions through line ministries, the private sector, development partners and civil society.

Analyze (through commissioned studies) sectoral and subsector constraints and opportunities and assess transactions costs throughout the value chain for the purpose of targeting policy reforms and investments.

Support sector ministries in negotiating reforms and funding, and planning ASDS programmes within their agencies.

Synthesize and disseminate knowledge and information relevant to the implementation of the ASDS, making it readily accessible in appropriate formats to the full array of stakeholders, including politicians and policy makers.

Assess and challenge sectoral and subsectoral plans, policies and programmes for ASDS compliance and identify priorities, gaps, weaknesses and overlaps. In this connection, ASCU shall develop criteria that will be applied by sector ministries to test ASDS compliance with their new programmes and projects.

Champion and popularize the reforms and cross-sectoral initiatives necessary to implement the ASDS.

Coordinate the identification, prioritization, programming and implementation of ASDS activities in the sector ministries that must be addressed at the sectoral rather at ministerial level.

Based on identified priorities, organize and manage thematic working groups to address topical issues in an in-depth manner and to a high degree of professionalism.

Identify potential sources of funding for ASDS activities.

Identify problem areas where knowledge gaps can be addressed through studies; prepare the necessary terms of reference for such studies and oversee their execution.

Monitor and evaluate ASDS implementation and re-planning based on the results of the M&E activity. In this connection, ASCU shall develop monitoring instruments for ASDS implementation.

Provide sector ministries limited backstopping support in identifying and prioritizing programmes and projects.

Organize a biennial ASDS conference.

Ensure that policies of the sector ministries are implemented in harmony rather than divergence.

Support to ASDS implementation through ASCU, is in line with, for example, African Union / European Union proposals that assistance to agriculture focus on (among other things) sector governance in agricultural development, reviewing, clarifying and defining the role of the state/ private sector/ civil society relationships; establishment of consultation mechanisms; building capacity for stakeholders to engage in policy and strategy development; strengthening producer organisations' capability in policy, productive and marketing functions; capacity building for policy development; and better harmonisation, monitoring and implementation across state institutions.

Thematic working groups

Each theme of the ASDS is presided over by a thematic working group (TWG). TWGs are multidisciplinary and multisectoral think tanks established under ASCU to address priority areas in the ASDS. Members of TWGs are drawn from both the private and public sectors and are authorities in their fields. They are chaired by a private sector representative and convened by directors from the sector ministries. The Chair and Convenor are experts in the thematic areas they head. The TWGs carry out in-depth analysis of strategic areas for policy direction and investment.

The six thematic working groups are:

- Legal and Regulatory
- Research and Extension
- Agricultural Inputs and Financial Services
- Food Security and Nutrition Policy
- Agribusiness, Value Addition and Marketing
- Environment, Sustainable Land and Natural Resource Management

Functions of the TWG

- Carry out in-depth analysis of strategic areas for policy analysis
- Define priority areas within their thematic areas
- Give policy direction on investment areas
- Advise the Technical Committee on issues related to their thematic areas

TWG business procedure

- Each year, TWGs develop their own workplans and present the same to the Technical Committee for approval.
- TWGs must meet once in every quarter, but may also have regular meetings as need arises.
- Ad hoc meetings may be held on short notice upon the request of the chairman or any other member, to discuss urgent issue(s).
- In consultation with the Secretariat, the Chairman shall invite members of the TWG by official communication at least 7 days before the date of the meeting.
- The agenda of the meeting shall be decided by the TWG.

The Secretariat shall ensure that all minutes of previous meetings are circulated immediately or at least before the next meeting.

All documents to be discussed shall be sent to the members upfront with a summary of the issues that will be discussed for recommendation.

The TWG can form ad hoc committees to discuss pertinent issues within the thematic area and then report to the full TWG in subsequent meeting. The TWG shall report progress to the Technical Committee during every quarterly meeting.

Decentralised Coordination Units

District coordination units will be established to provide a forum for coordinating sector programmes aligned to the ASDS. This is necessitated by the need to harmonize the activities of the various implementation units based at the districts and visiting the same clients (farmers, pastoralists, cooperators, fisher folk, etc). The DCU will not take over the implementation aspect of the programme but shall provide the coordination between the different organizations and institutions in the sector for the benefit of more efficient resource use and synergy.

Members of the DCU shall be drawn from the departmental heads in the sector ministries. Other members to be co-opted (when the need arises)

- Research institutions
- Civil society
- NGO representative
- Other sectors

The team shall on a rotational basis elect a chairperson and secretary among the departmental heads. The Chairperson shall be the official contact person on ASDS programmes and will have the responsibility to bring all the other sector players together to work as a team to achieve the objectives of the ASDS. The members of the DCU shall meet on a monthly basis and will be supported by ASCU to run the coordination activities.

Functions of the DCU

Oversee the implementation of ASDS in the districts

Prepare status reports for submission to ASCU

Prepare project proposals, workplans and budgets

Mobilize resources from local communities, NGOs, community-based organizations, etc.

Identify problems, prioritize them and develop action plans to be implemented.

Undertake training needs assessment for capacity-building programmes to be carried out.

Support the activities of the District Stakeholder Forum as the secretariat

Carry out monitoring and evaluation of ASDS activities

DCUs will create and equip centrally located information resource centers.

Operational procedures for DCUs

The devolved teams will meet and elect the chairperson and the secretary.

The DCU will prepare detailed analysis of the programmes and projects it is implementing to ASCU.

The DCU will hold a meeting every month to discuss progress of ASDS implementation.

DCUs will coordinate implementation of the ASDS.

DCUs will also operationalize the NASEP policy.

DCU will profile NGOs and other service providers. DCUs shall guide all interested services providers to ensure equitable investment.

DUSs shall prepare proposals, workplans and budgets and submit them to ASCU for inclusion in the national agricultural sector budget as part of the medium-term expenditure framework. ASCU will ensure this capacity to develop workplans and budgets for sector-wide implementation is built.

DCU will operationalize the sector-wide M&E framework.