

KENYA | BACKGROUND

Population¹	40 million
Of which in agriculture¹	~30 million (75%)
Of which smallholders²	~25 million (1.1% of global total)
Funding flow % total	2.5% of total funding captured
% Africa	4.5% of total Africa funding captured

Total Funding Captured 2009-onward:

\$300M

Total Number of Projects Captured:

49



Overview of Kenya's agricultural sector

Kenya's economy has managed to grow by 2.5% in 2009, despite post election violence in 2008, a spike in oil and food prices, a global downturn and the worst drought in ten years.³

The **country depends heavily on agriculture**, which makes up 27% of total GDP and employs over 70% of the working population.⁴ The Agricultural sector grew by 3% in 2009 and is well connected to both global and regional markets, accounting for **80% of the country's export earnings**.⁵ The country's farmers, most of which are small scale, **export mainly tea, coffee, horticultural products, and increasingly dairy, fish and meat products**. Its main export countries are Uganda, the UK, the US, and the Netherlands. According to the IFAD smallholders produce 80% of Kenya's horticulture products. Besides export products, they also grow crop for personal consumption and local markets, mainly mostly **cassava, maize, yams, plantain, millet, rice and various fruits and vegetables**.⁶ With the Kenya Highlands the country also has one of the most successful agricultural production regions. In addition, the Kenya's **dairy sector** is well developed.⁵

However, Kenya is **still plagued by low productivity rates**, because high-quality seeds are hard to obtain and outdated storage facilities and infrastructure lead to high rates of **post-harvest loss**.⁶ In addition, small scale and resource poor farmers have been disadvantaged by poor macroeconomic policies in the 1980s and **recurrent droughts and low prices on international commodity** markets have posed problems to the sector.⁵ Another problem is the persistent **degradation of the natural resource base** due to the increased pace of deforestation, soil erosion and pollution. Today, only 46% of rural people have **access to clean water**.⁵ In light of a growing population water availability is likely to further decrease in the future.

The Kenya Ministry of Agriculture 2008-2012 Strategic Plan contains four main programs: General management and administrative services; Agricultural Policy and Legal/Regulatory Framework; Agricultural Product Enhancement; and Increased Agricultural Productivity and Outputs. The plan especially notes the **ineffectiveness of current extension** services in Kenya, as well as **poor access to credit and lack of marketing infrastructure**. It recognizes that small-scale farming accounts for 75% of agricultural output and is under-utilizing improved inputs such as hybrid seeds, fertilizers, pesticides, and machinery.⁷

Challenges and opportunities of the agricultural sector

Kenya's agricultural sector should address the following challenges, while leveraging the listed opportunities:

- Like most other African countries Kenya **mainly exports raw goods** and has not yet developed a processing industry within its borders.⁶
- As a consequence of Kenya's **difficulties in administering its land use system** farmlands are enormously fragmented and land is not used efficiently.⁶
- **Joining the formal sector involves many hurdles** (including the inaccessibility of the Company Registry, high taxes, and corruption among local authorities). This has contributed to very high rates of informality.⁶
- **Access to finance for small farmers remains difficult**. The financial sector is underdeveloped in multiple areas from loans for agricultural finance and agricultural insurance to non-standard collateral and mobile banking capabilities for rural customers.⁶
- **Getting access to markets has proved difficult** in light of poor infrastructure and corruption. This increases the time and cost involved with transporting agriculture products to market, which results in higher rates of post-harvest loss and diminished competitiveness for Kenyan products.⁶

Kenya has been identified as one of the **USAID Feed the Future** initiative's potential 'Focus countries'.

Kenya and CAADP Progress

Kenya held its CAADP Roundtable on October 13-14, 2009, and signed its country compact on July 24, 2010.

- Kenya has experienced **unstable growth rates** in the agricultural sector since 1990. Agriculture grew at a rate higher than the CAADP 6% target in 2005, but has since declined. **In 2008, the sector grew at 3%**.⁴
- Between 1995 and 2009, the agricultural share of government spending declined from 10% to 1.9%. Despite expressing a commitment to gradually increasing its agricultural budget to 10%, Kenya currently remains **far from the CAADP 10% budget goal**.⁴

¹ World CIA Factbook

² Estimate extrapolated from "The prospect of utilizing urea treated maize stover by smallholders in Kenya", Abdullah N Said and M M Wanyoike, University of Nairobi, 1987

³ World Bank: "Kenya: Country Brief" (World Bank Website)

⁴ Regional Strategic Analysis and Knowledge Support System Kenya Page (www.resakss.org)

⁵ IFAD: "Rural Poverty in Kenya"

⁶ Kenya's Agenda for Action, BIZCLIR, 2009

⁷ Republic of Kenya Ministry of Industrialization Strategic Plan 2008-2012

KENYA | SMALLHOLDER FUNDING TRENDS

Funding trends by focus area

The majority of smallholder development funding is focused on **inputs/training**. A large portion of this comes through **World Bank Agricultural Productivity projects**, which seek to transform and improve the performance of agricultural technology systems, empower stakeholders and promote the development of agribusiness. This is in line with the challenges noted on the previous page around productivity and post-harvest loss.

Further, there is a substantial investment by the **Bill & Melinda Gates Foundation toward smallholder access to crop varieties**. Other inputs/training projects include foci on horticulture, diversification, livestock, maize as well as pest/disease management.

In terms of access to markets and finance, the majority of the funding captured in this analysis comes from two large projects: a **Smallholder Dairy Commercialization Programme** and an **Agricultural Sector Programme** that provides business development, market information, as well as capacity and transparency in service delivery. **DFID** is supporting several market development efforts on the **dairy side**, by helping to enable raw milk traders to effectively contribute to the creation of policy and institutional frameworks that are responsive to their needs and the needs of the poor.

In terms of finance, the most active funders are the Ford Foundation (**microfinance, microleasing**) and the Rockefeller Foundation (**weather indexed crop and livestock insurance**), filling important financing needs identified as challenges in Kenya. The widespread use of the MPESA mobile banking system could explain why there is not more focus on rural finance by donors in Kenya.

In the infrastructure category, most of the funding comes from the **AFD Rural Roads projects**, as well as a large **irrigation project** funded by the **African Development Bank**. **FAO** is supporting several fisheries and aquaculture conservation efforts.

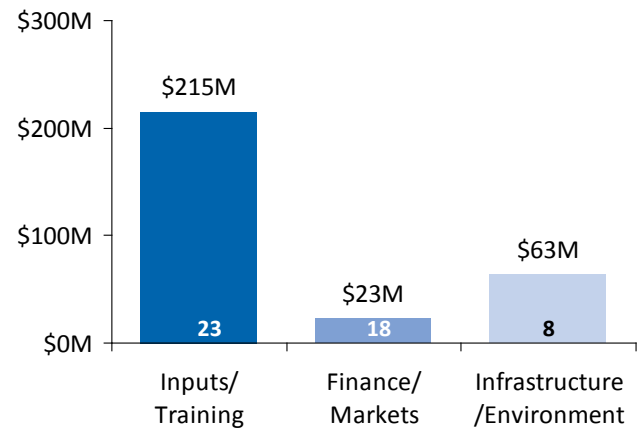
The donor landscape

Similar to Uganda, the **World Bank** is providing a lot of support to smallholder development through its Agricultural Productivity Project, as well as an Agribusiness Project. Both **IFAD** and the **African Development Bank** are supporting **dairy** and **horticulture** efforts.

In terms of bilateral activity, while seven different countries are currently funding projects in Kenya, **AFD's rural roads projects** are behind more than three quarters of the \$66 million in funding captured in this analysis. **DANIDA** is active through its Agricultural Sector Programme Support efforts and as mentioned above, **DFID** is supporting dairy farmers.

Finally, the biggest foundation funder is the **Bill & Melinda Gates Foundation**, supporting projects in sunflower oilseed, cassava, heifer, as well as soil health. As mentioned above, both the **Rockefeller Foundation** and the **Ford Foundation** are supporting innovative rural finance efforts.

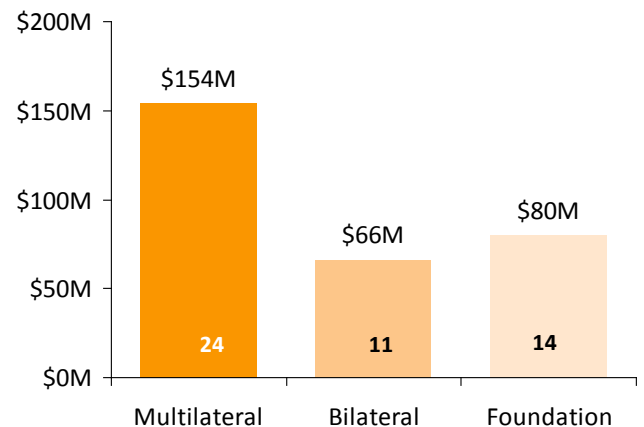
Funding & number of projects by main focus area



Representative projects

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> Kenya Agricultural Productivity and Agribusiness Project, WB Smallholder access to crop varieties, BMGF | <ul style="list-style-type: none"> Smallholder Dairy Commercialization Programme, IFAD Agricultural Sector Programme Support, DANIDA | <ul style="list-style-type: none"> Rural Roads Project Phases I and II, AFD Kimira-Oluch Smallholder Irrigation Development Project, AfDB |
|--|--|---|

Funding & number of projects by funder type



Active funders

World Bank IFAD AfDB	AFD DANIDA DFID	Bill & Melinda Gates Foundation Rockefeller Foundation Ford Foundation
----------------------------	-----------------------	--