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SEE FEED CHANGE FUTURE

Strategic Review

FEED THE FUTURE

November 18, 2010

This presentation represents the preliminary strategic direction of a multi-year, whole-of-government, U.S. strategy to address food security in a Feed the Future country or region. It describes partner country progress and outlines how U.S. investments will align in support of partner country priorities. This document has not yet been approved or funded but will form the basis of a multi-year strategy in development.

Presentation Outline

- Country Context & Readiness
- Strategic Analysis & Prioritization
- Proposed Future USG Engagement
- Potential Impact

The Kenyan Context

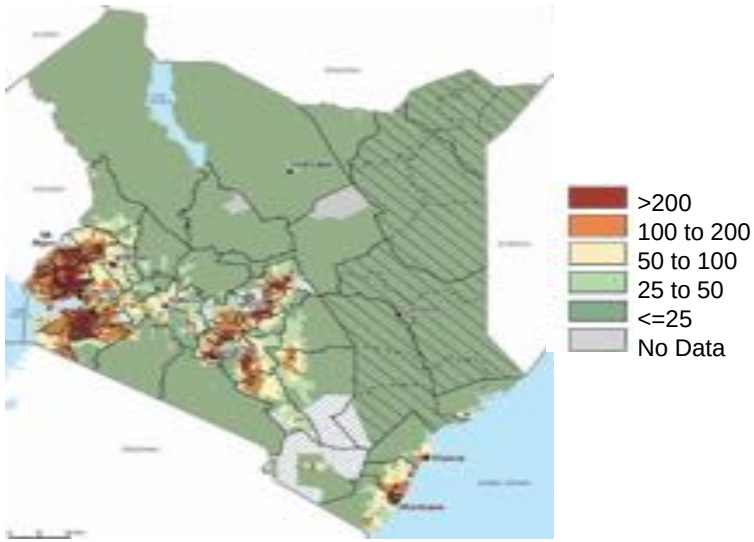
Challenges

- Nearly half of Kenya's population lives in poverty
- Increasing population pressures on arable land (~20% of Kenya is arable)
- Kenya continues to rely on external food aid to address chronic food insecurity
- Persistent acute and chronic undernutrition continues to hinder long-term development
- Climate change forecasts suggest Kenya will have less land suitable for rain-fed agriculture in the future

Opportunities

- Kenya is the regional hub for trade and finance in East Africa
- Strong government commitment and well-developed ag strategy
- Strong, engaged private sector and donor community
- Good air and sea infrastructure and improving ICT and roads
- Agriculture accounts for 26% of GDP directly, 25% indirectly
- Agriculture is a driver of economic growth and poverty alleviation employing 75% of the labor force
- Highest concentration of rural poor are in high agriculture potential zones
- Irrigation potential largely untapped

Poverty Density
# of poor per square kilometer



Challenge: Poverty

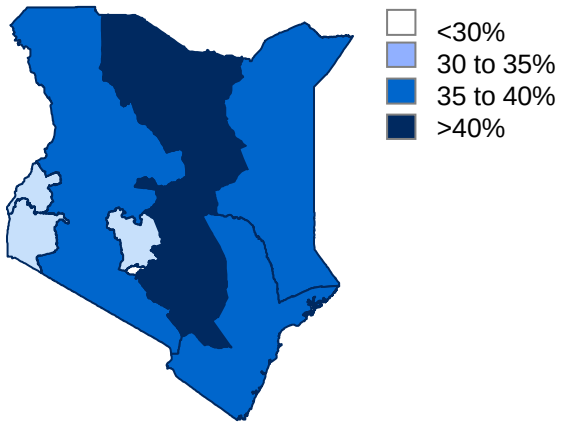
- Poverty rate has decreased from 53% in 1999 to 46% in 2009 but number of poor has risen from 15.2M to 17.8M due to population growth

Underlying causes include

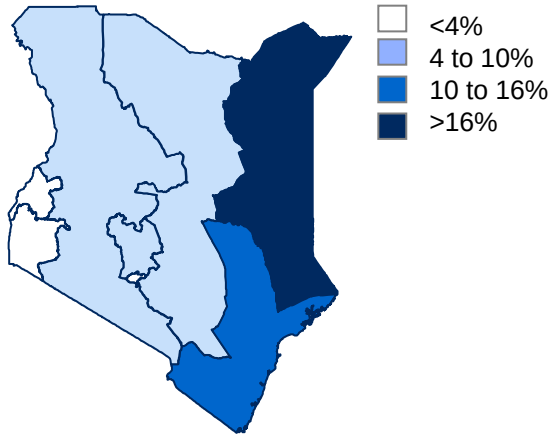
- Agricultural underperformance
- Poor governance
- Women's inequitable access to factors and benefits of agricultural production
- Degradation of natural ecosystems and habitats

Undernutrition and Food Insecurity

Stunting of children under 5 years, 2009
Percent



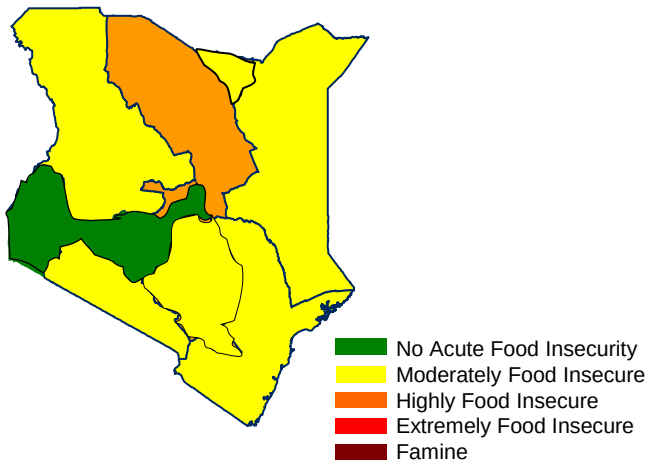
Wasting of Children under 5 years, 2009
Percent



Challenge: Undernutrition
- 35% of children under 5 are stunted
- 16% are underweight
- 7% are wasted

Underlying causes include
- Poor feeding practices
- Insufficient caloric intake
- Micronutrient deficiencies
- Lack of potable water
- Improper hygiene
- High disease burden esp. HIV/AIDS and malaria

Food Insecurity, 2010 (FEWSNET)
Severity



Challenge: Chronic food insecurity
- 1.5-2M Kenyans affected

Underlying causes include
- Poverty and economic isolation
- Increasing frequency of drought
- Lack of investment in social and physical infrastructure
- Difficulty in transitioning from relief to development

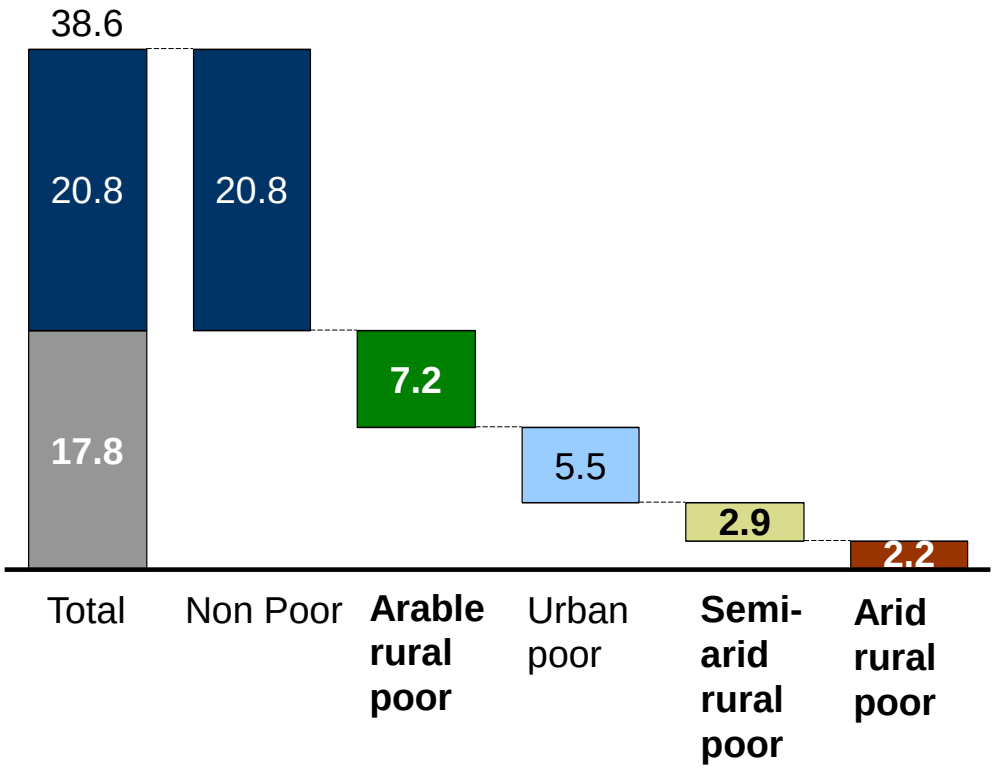
Making Agriculture Innovative, Commercially-oriented and Modern

Country Readiness, Kenya-led Priorities, & Partner Alignment

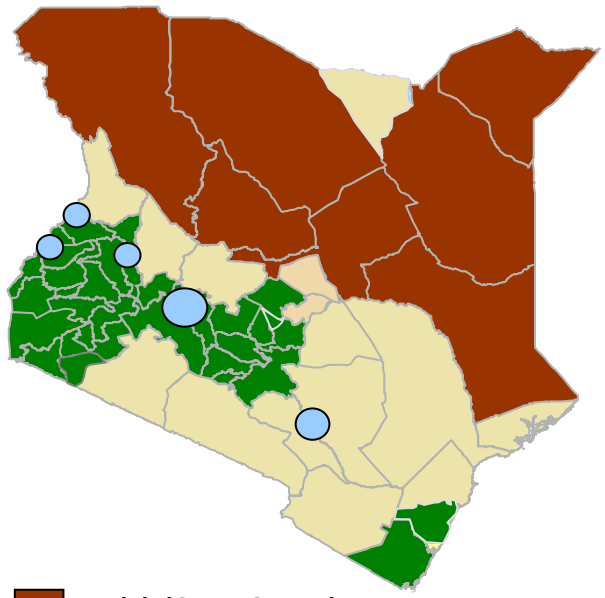
- **New Constitution:** Establishes a new political and governance landscape with more accountability and less corruption which will promote catalytic activities for growth and welfare enhancement
- **MTIP Framework:** Aligns with the Ag. Sector Development Strategy and the CAADP Compact; Reflects GOK's sector-wide approach to ag. development and food security. Represents major shift in GOK priority towards ASAL (58% of budget which includes funds for irrigation development)
- **Transformative Actions**: GOK is prioritizing commodity value chains in 3 agro-ecological zones and setting targets for activity results; expediting work on an agriculture sector-wide M&E framework and its integration into a new National Integrated Monitoring and Evaluation System; addressing actions identified in the CAADP/MTIP Roadmap
- **Customized Regional Focus:** Each MTIP investment area addresses agro-ecological distinctions with strategies that promote inclusive growth e.g., increased attention to the semi-arid and arid areas
- **Policy Reforms:** Wheat tariff reduced (from 75% to 10%), ag. sector bills consolidated (132 to 5), and ASAL, livestock, and land policies developed. Aggressive agenda includes: restructuring of NCPB and development of Agribusiness, Food and Nutrition, Extension, Irrigation and Drainage policies
- **Stakeholder Outreach**: Agriculture Sector Coordinating Unit represents 10 ministries and provides platform for coordination of government, donors and stakeholders; Code of Conduct establishes principles guiding cooperation between GOK and development partners; DPs are aligning investments with MTIP; private sector investment strategy underway

Population in Agro-ecological Zones

Population distribution Millions, 2009



Three Agro-ecological Zones



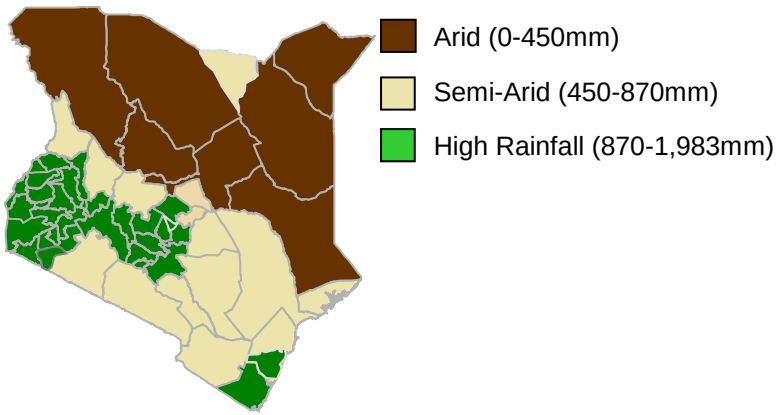
Arid (0-450mm)

Semi-Arid (450-870mm)

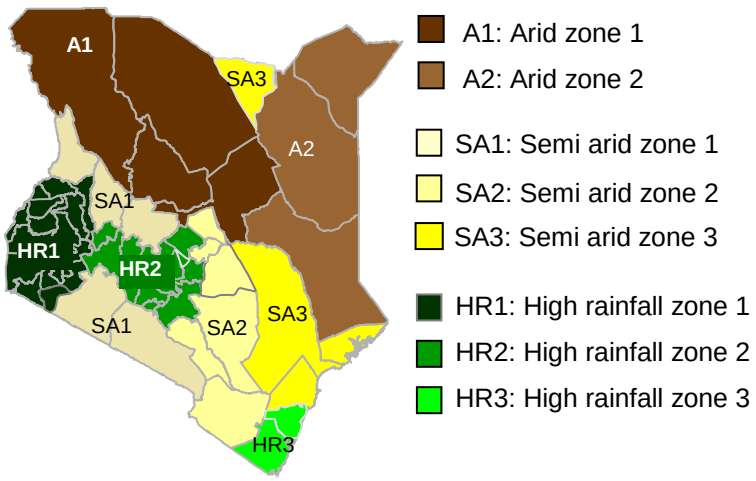
High Rainfall (870-1,983mm)

Geographic Focus to Reduce Large Scale Poverty and Malnutrition

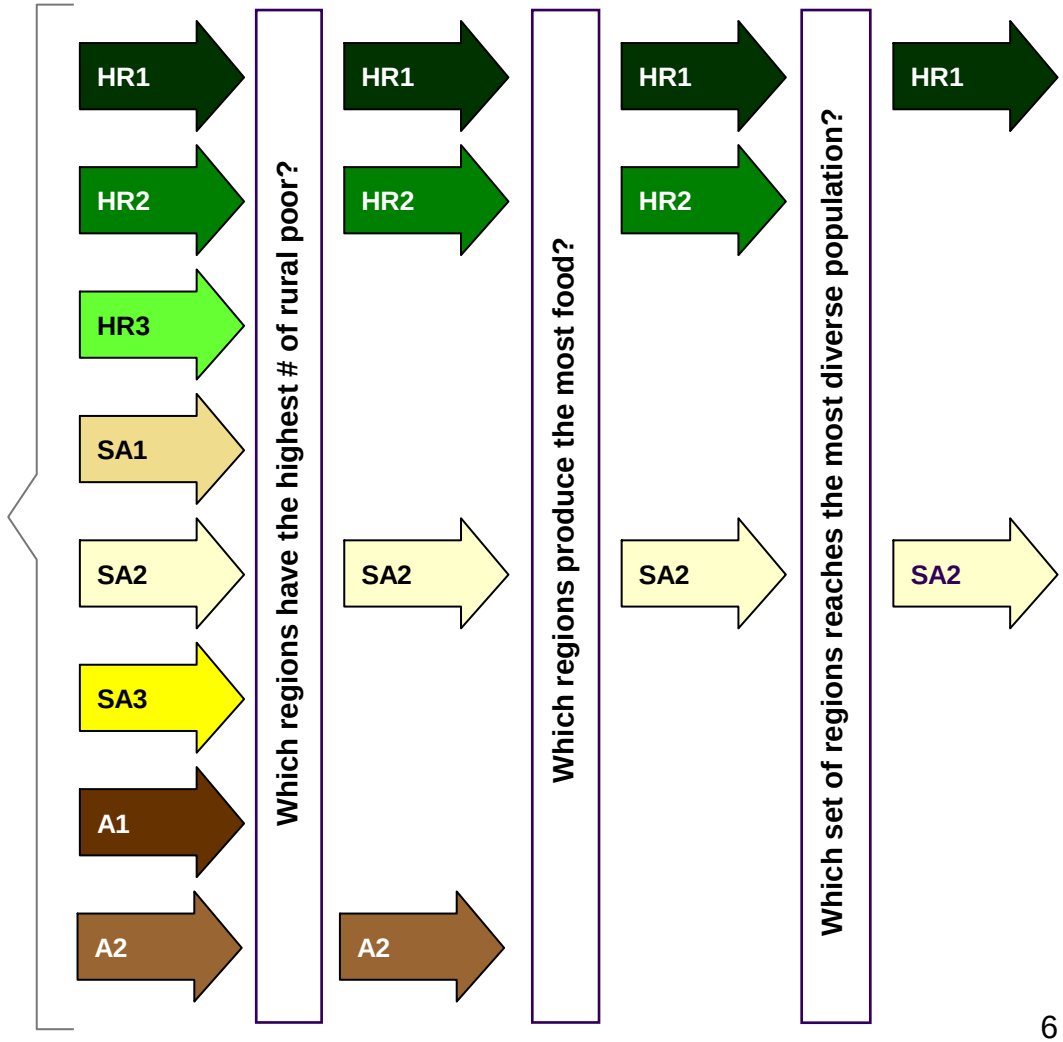
Average annual rainfall by district



Eight rainfall-based geographic regions



HR1 and SA2 Focus Provide Best Opportunities to Reduce Large Scale Poverty and Malnutrition



Geographic Focus to Reduce Large Scale Poverty and Malnutrition

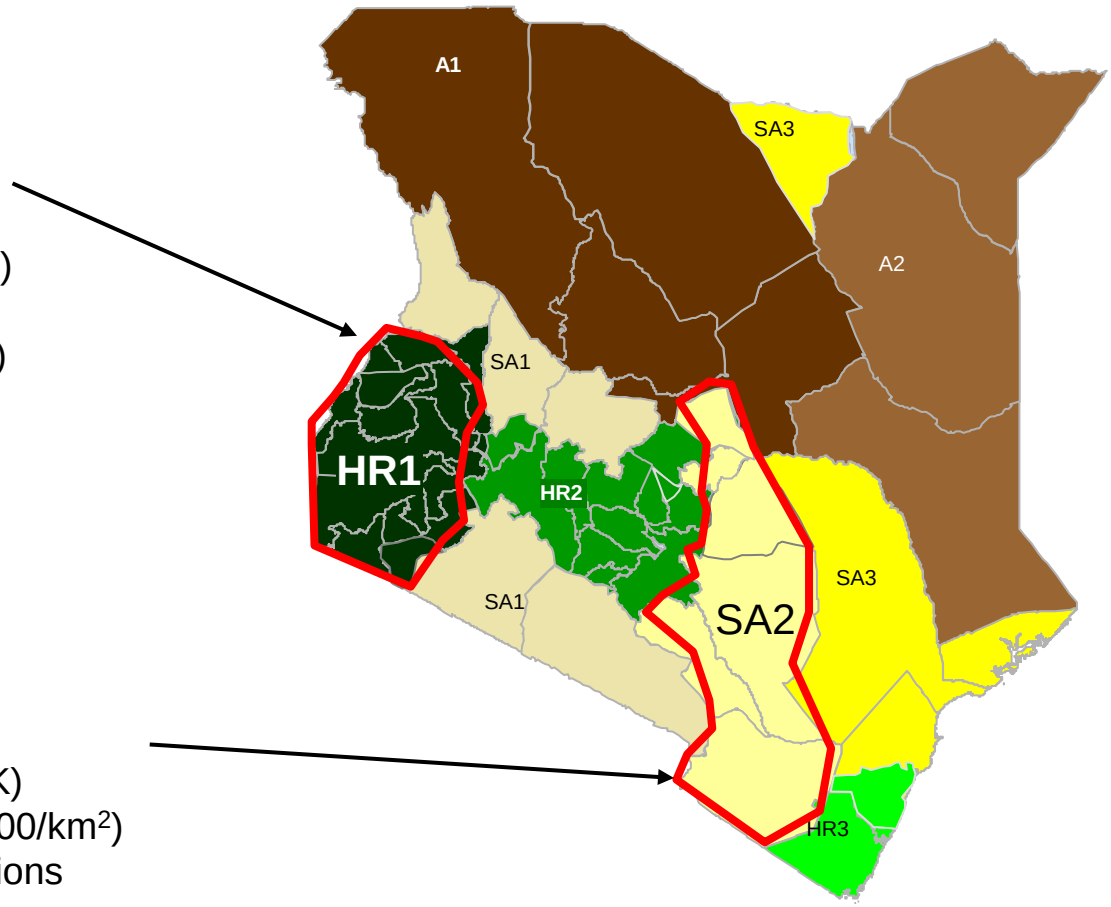
HR1 and SA2 Focus Reaches the Greatest # of Poor Households and Severely Undernourished Children

USAID will focus on HR1 because:

- It has the largest # of
  - rural poor (5.3M)
  - underweight children (420K)
  - stunted children (733K)
  - wasting children (131K)
  - female headed households (2.5M)
- Highest poverty density (>200/km^2)
- Highest ag. output/hh (9,500 kg/year)

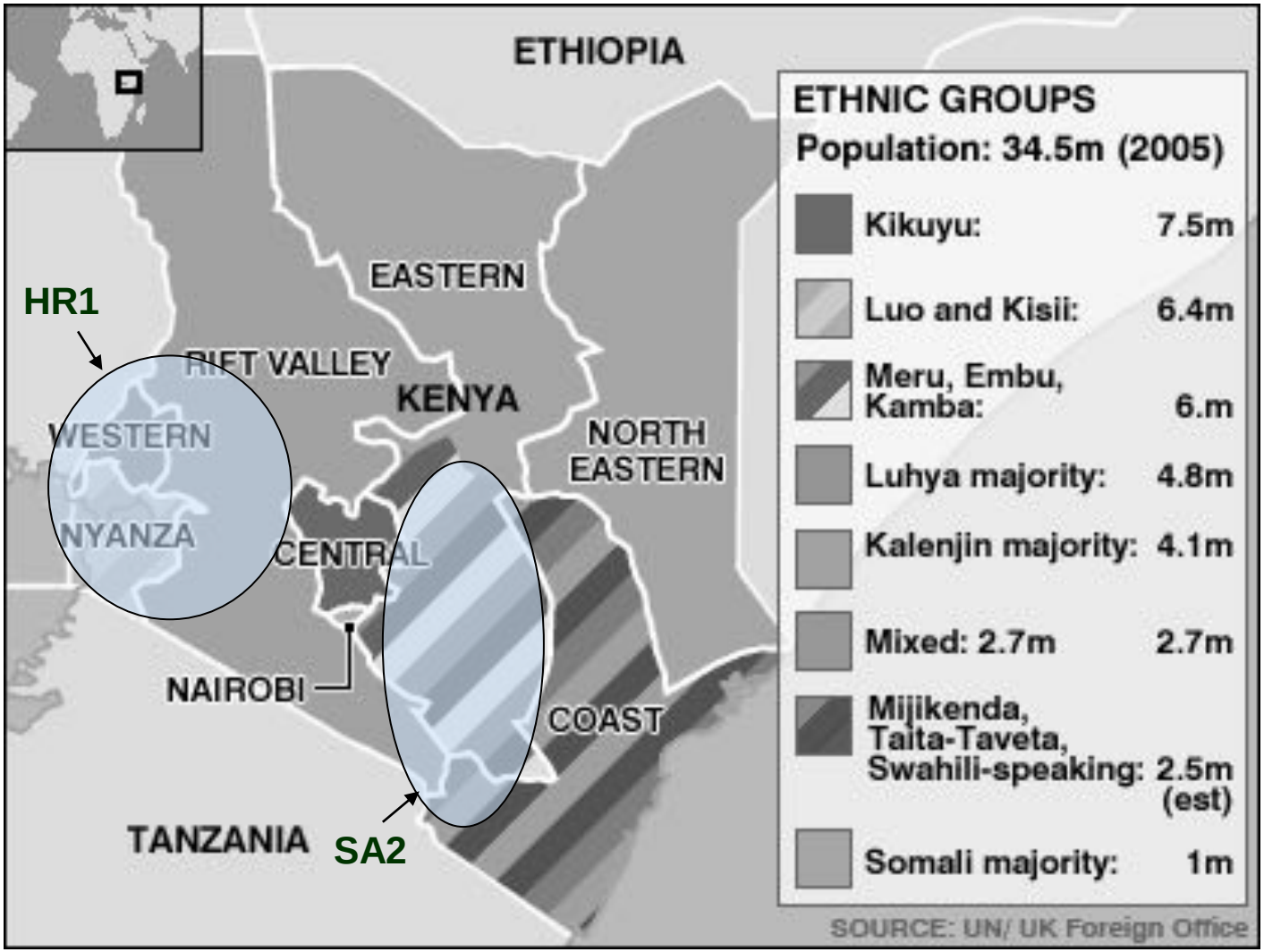
USAID will focus on SA2 because:

- It has the 2nd largest # of
  - rural poor (1.8M)
- It has the 3rd largest # of
  - underweight children (198K)
  - stunted children (280K)
  - wasting children (53K)
  - female headed households (823K)
- 2nd highest poverty density (150 to 200/km^2)
- Lowest income/hh in agricultural regions ($1,895/year)
- Most ethnic diversity in chosen target areas



Addressing Political and Ethnic Diversity

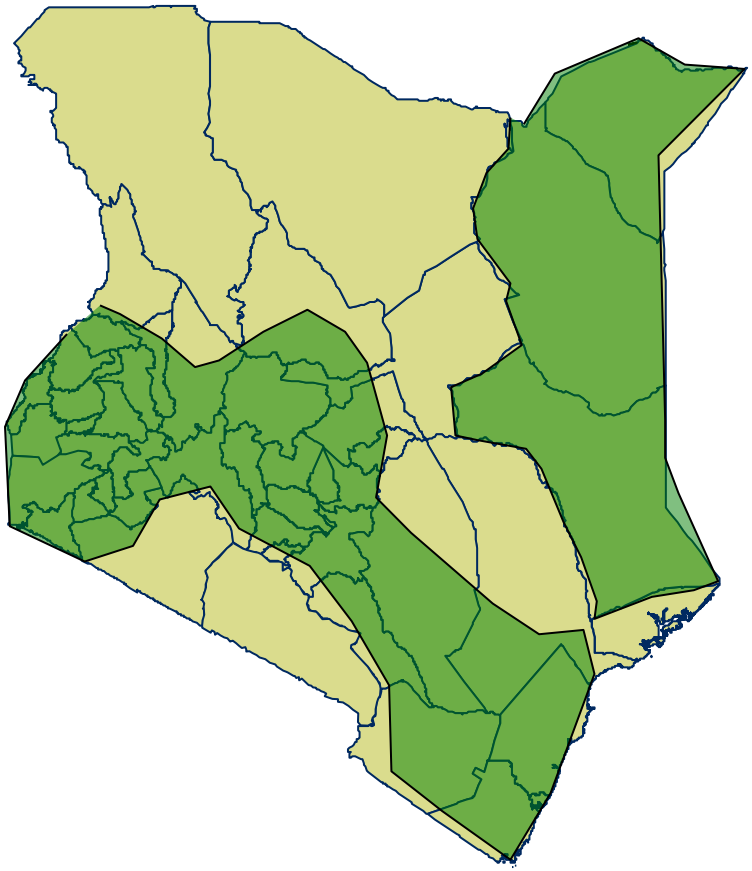
HR1 and SA2 Focus Reflects Political and Ethnic Diversity - Critical for Program Success



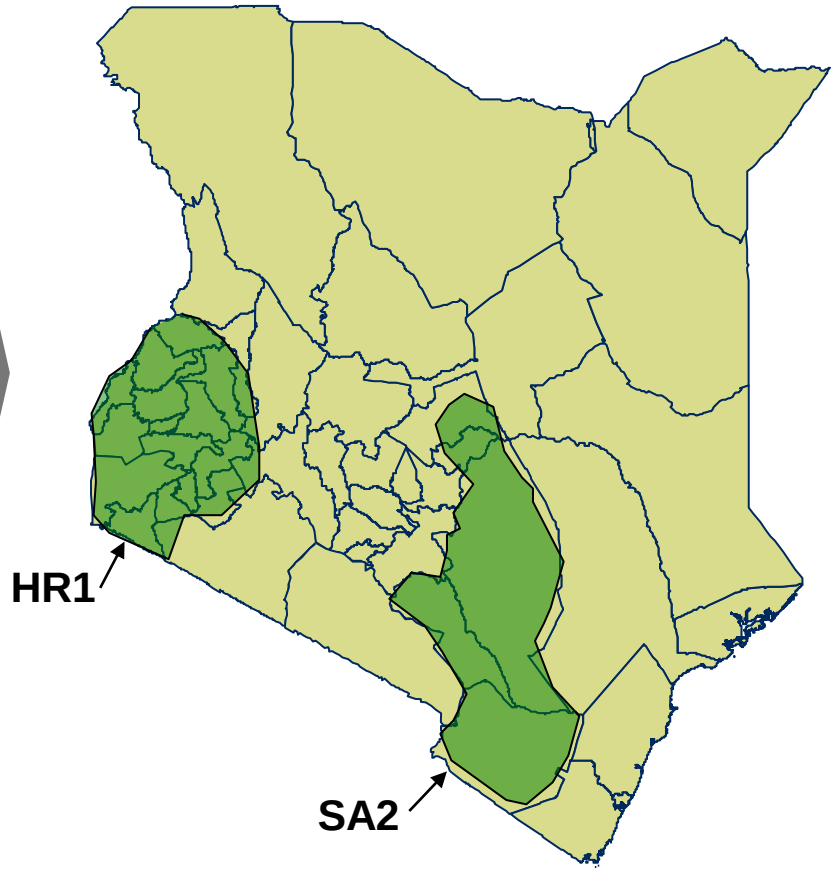
SOURCE: UN/UK Foreign Office

Analysis Leads USAID to Focus FtF Strategy in HR1 and SA2 Regions

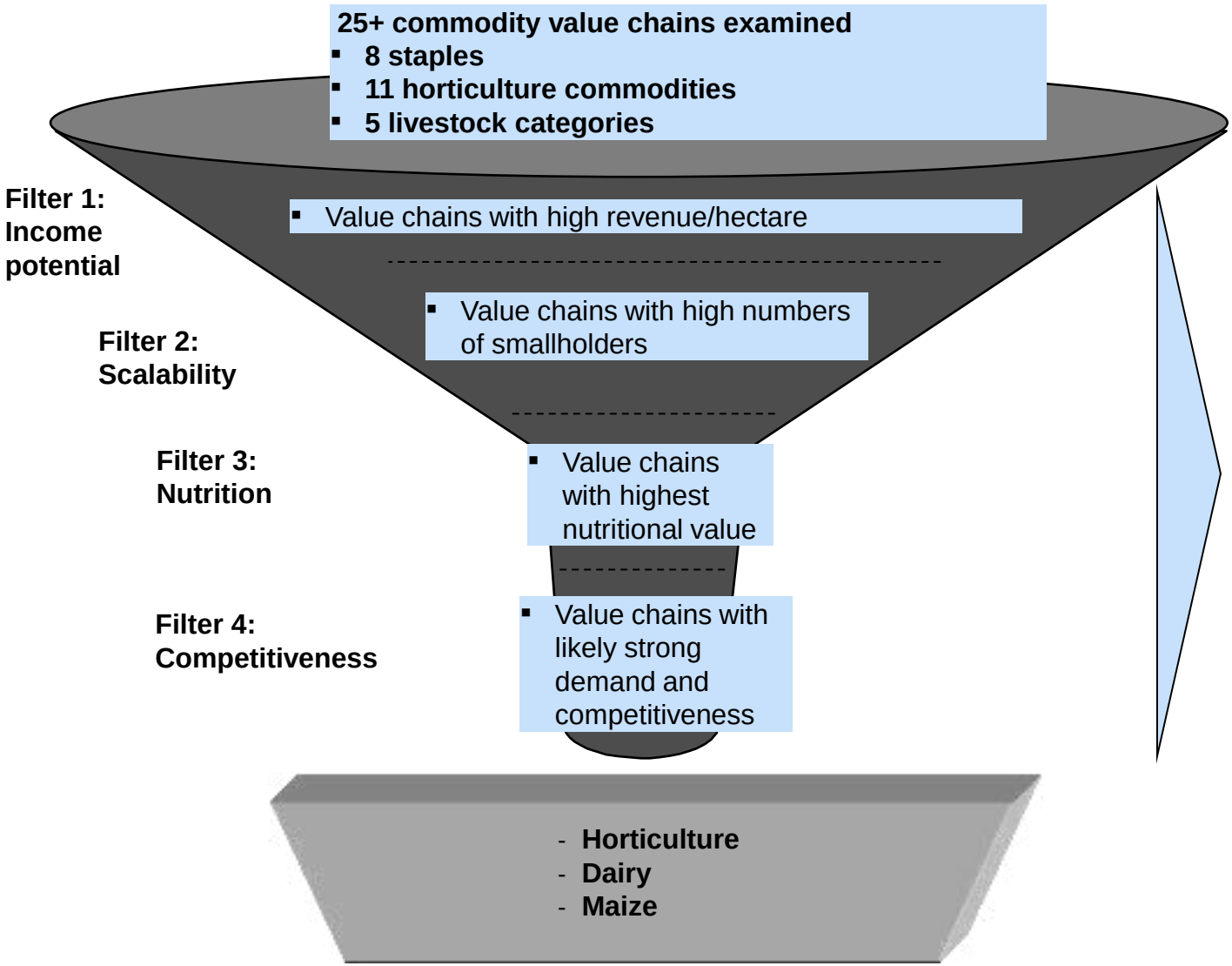
Location of agricultural programs in 2010
Implementation sites



Proposed future locations (2011-2015)
Implementation sites

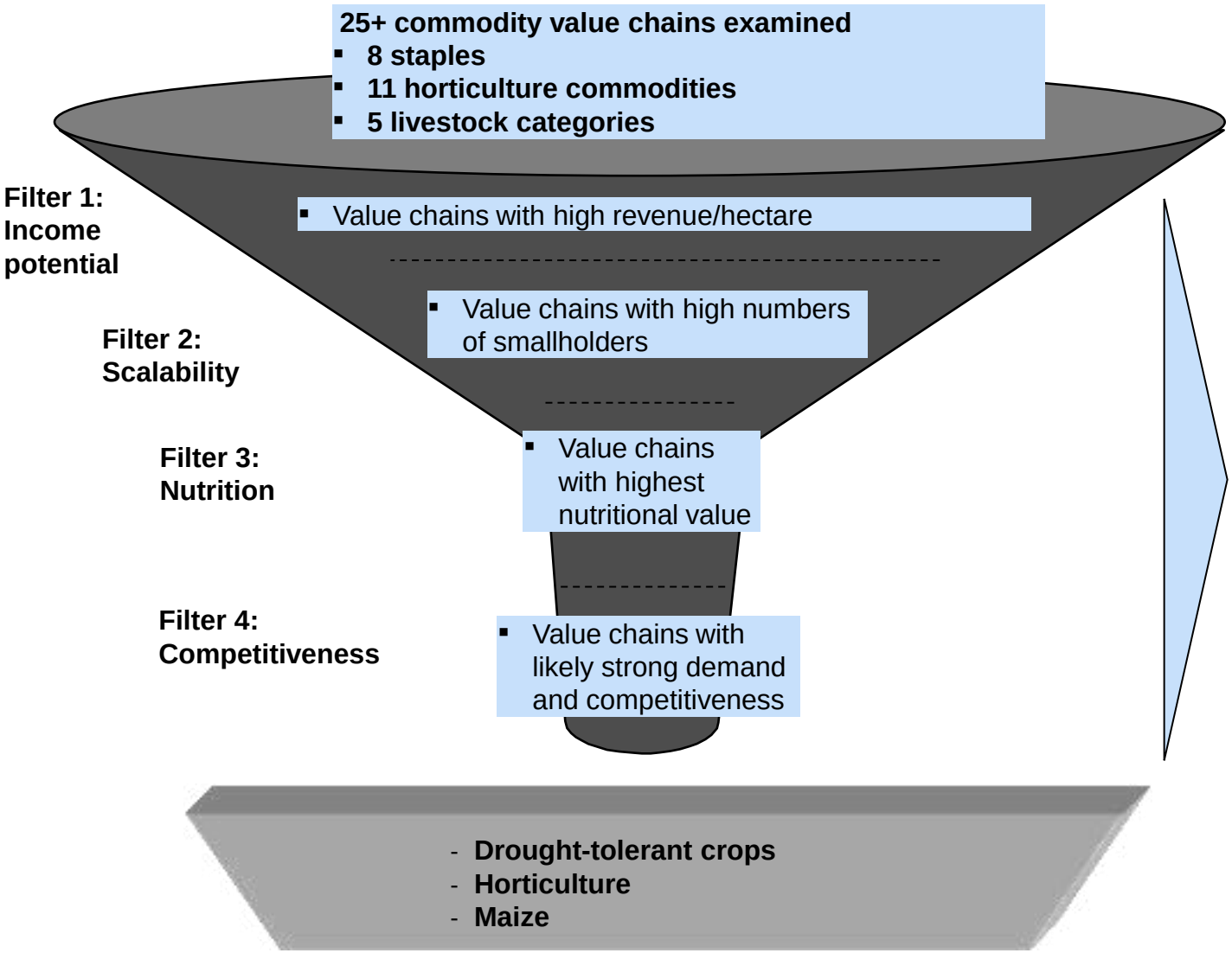


Focusing Value Chain Efforts in HR1



- **Horticulture:** income potential from 2 to 7 times more than staples; additional benefits for women, very poor, and youth; nutritional diversification
- **Dairy:** strong growth linkages; significant nutritional value
- **Maize:** contributes 12% to Kenya's Ag GDP; 98% of farmers grow maize; most important food security crop

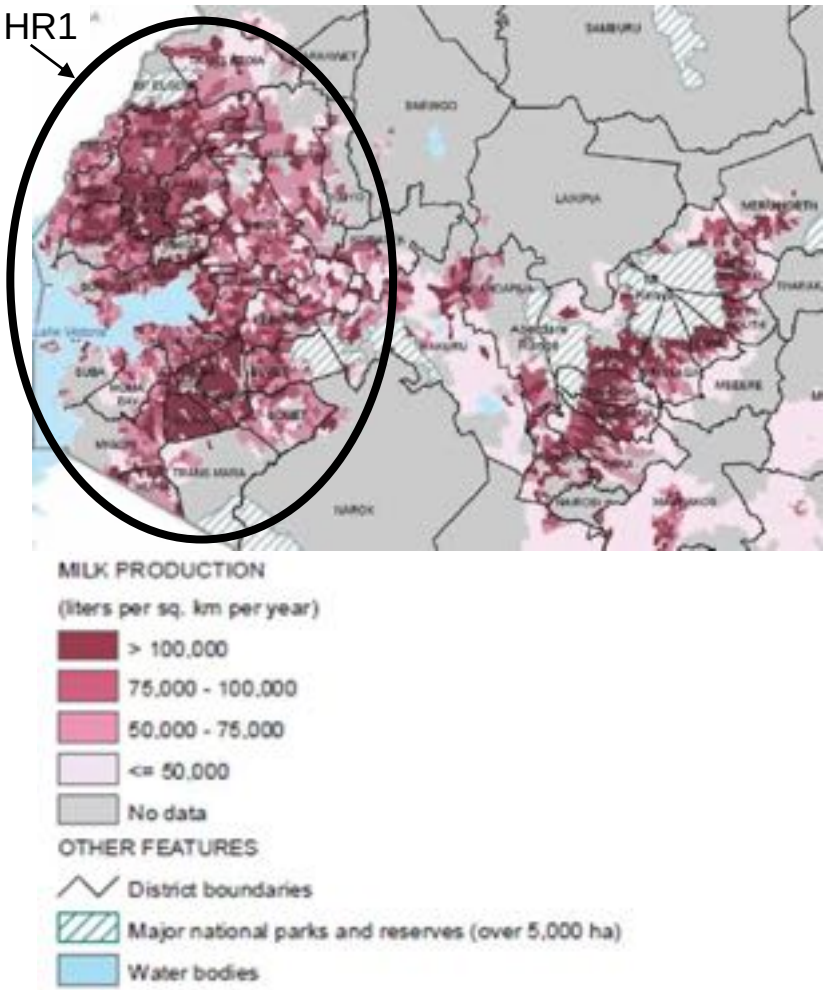
Focusing Value Chain Efforts in SA2



- **Drought-tolerant crops:** for diversification, increased resiliency and spreading risk; important for the very poor
- **Horticulture:** significant pockets of SA2 have high potential for horticulture with high impact on incomes, resiliency and nutritional status
- **Maize:** focus on ensuring appropriate varieties, post-harvest handling, and food safety; maize is the most important food security crop

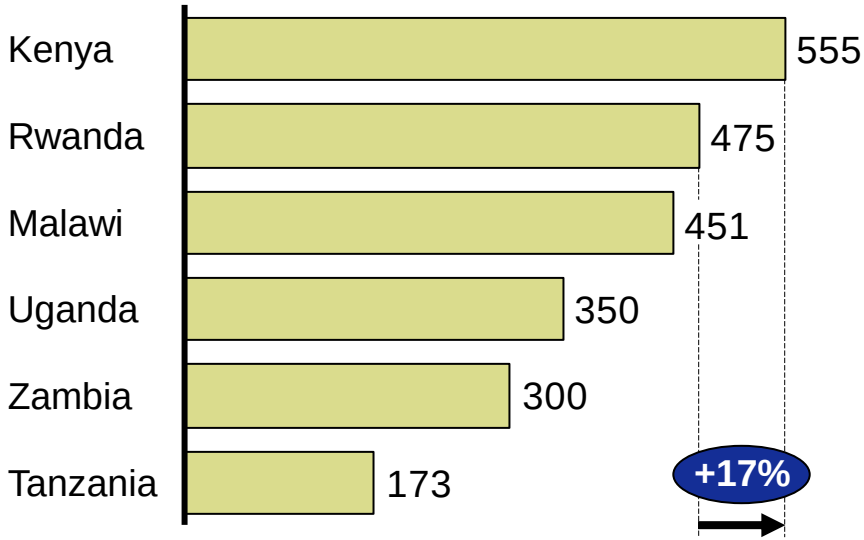
Milk Production in HR1 Provides USAID Opportunities to Add Value

Map of milk production in Western Kenya



Regional yield comparison

Kg/Animal, 2009

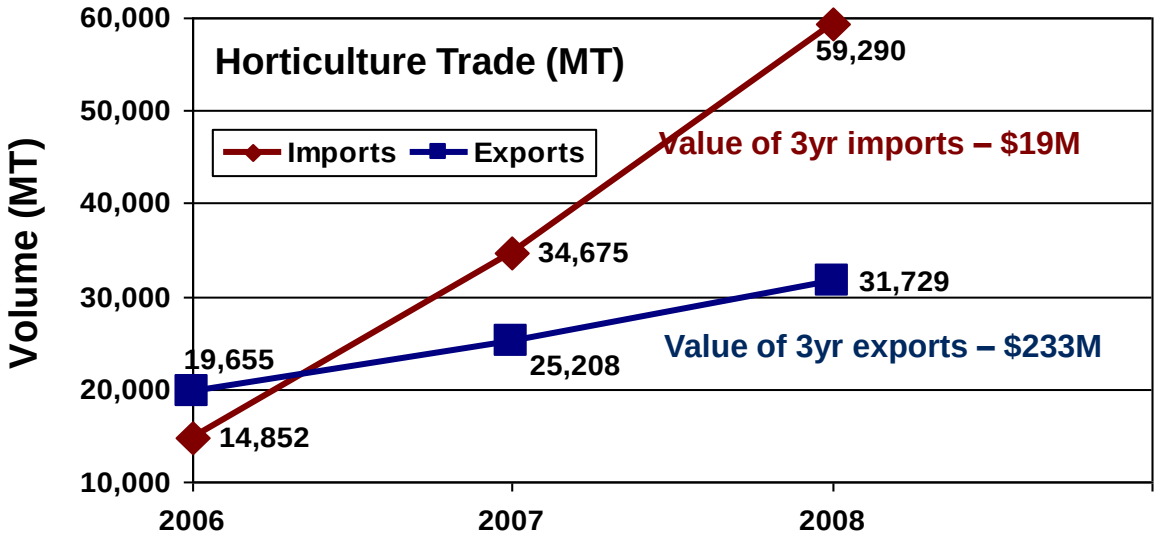


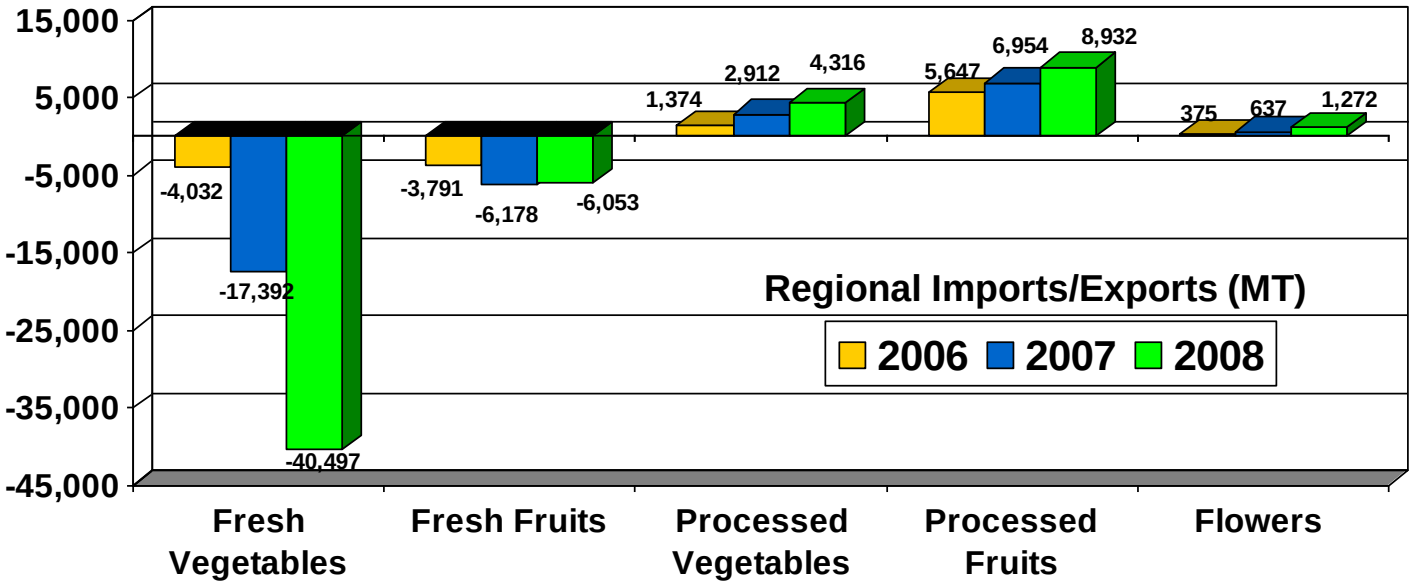
Dairy Environment: Competitive yields, increasing value addition options, strengthening cooperatives/associations and favorable government policy

Opportunities: Co-op capacity building and advocating for improved dairy quality legislation

SOURCE: World Resources Institute, FAOSTAT

Kenya's Domestic and Regional Trade in Horticultural Produce





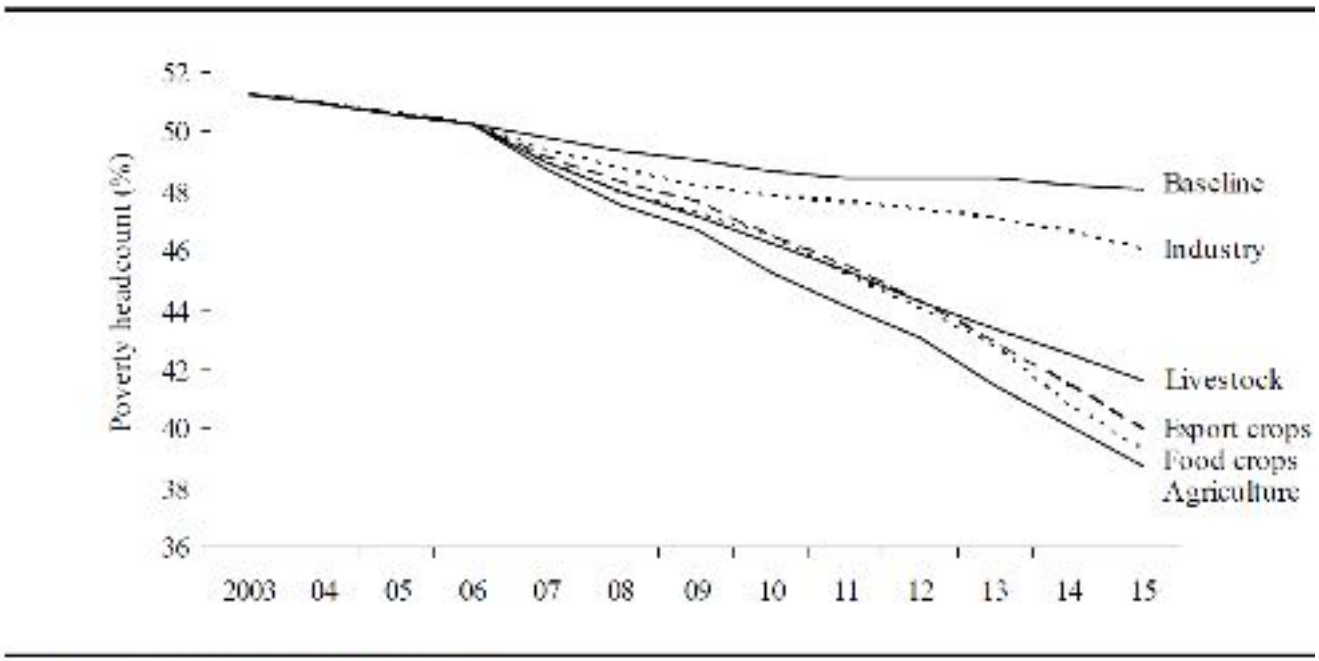
- Kenya is a large net importer of fresh vegetables from the region
- Kenya is a significant net exporter of processed fruits
- Kenya has a large farm gate production (valued at $1 billion and growing at 3-4%) much of which is consumed domestically
- The well-developed manufacturing sector gives Kenya a competitive edge in processed products
- A large domestic market whose average purchasing power is much higher than in the neighboring countries gives the country an alternative captive market

SOURCE: Fintrac 2010

Maize for Poverty Reduction

Maize is Key to Food Security for the Very Poor and for Poverty Reduction

Changes in Poverty under different growth Scenarios (2003-2015)



Source: Kenyan CGE microsimulation model

- Maize is the most important staple food crop in Kenya and most widely traded staple commodity in ESA
- 98% of farmers grow maize: single most important share of crop income for smallholders
- Increased productivity decreases food prices for the very poor
- Research demonstrates that increases in maize productivity generate the largest agricultural commodity multiplier effects throughout the Kenyan economy: every one dollar increase in maize-driven agricultural GDP generates an additional 48 cents in non-agricultural GDP due to backward and forward production and consumption linkages

SOURCE: Rural Investments to Accelerate Growth and Poverty Reduction in Kenya (IFPRI Discussion Paper 00723 Oct. 2007; Kenya Medium Term Investment Plan September 2010

Exploring Domestic and Regional Demand Sinks

First-cut demand sink sizing

Value chain	Minimum increase from current production levels needed to satisfy 2015 domestic market	Regional potential: Amount imported by East Africa region in aggregate Mt '000s, 2007	Amount imported/ exported by Kenya Mt '000s, 2007
Horticulture	Between 28-34%	TBD	35 (imported)
Dairy	28%	412	13 (exported)
Drought-tolerant crops	Between 28-116%	260	101 (imported)
Maize	33%	881	100 (imported)

How to build market linkages

- **Improve food flow from surplus to deficit regions** (domestic and regional) by building and facilitating market linkages, decreasing costs, and increasing competitiveness
- **Evaluate domestic value addition options** (e.g. livestock feed industry)
- **Link farmers and business service providers to WFP P4P Program** to build market linkages
- **Work with USAID/EA** on harmonization of standards, trade facilitation, warehouse receipt system, and regional post-harvest interventions to open up regional sinks
- **Evaluate needs and incentives** for market infrastructure investments and improved market mgt. & devt.

SOURCE: FAOSTAT, Fintrac 2010

HR1 and SA2 Value Chain Summary

Value chain	Focus		Revenue potential	Current # of small-holders: HR1	Current # of small-holders: SA2	Nutritional value	Clarity of demand sink	Link to vulnerable populations
	HR1	SA2						
Horticulture	✓	✓						
Dairy	✓							
Drought-tolerant crops		✓						
Maize	✓	✓						

USAID's Focus for Change

Rural arable poor (HR1)

- **Horticulture**
- **Dairy**
- **Maize**

Increase incomes through intensification & market linkages

Rural semi-arid poor (SA2)

- **Horticulture**
- **Drought-tolerant crops**
- **Maize**

Increase incomes through higher value crops, market linkages & resiliency

LEVERS

Improve yields
Promote crop diversification
Improve market linkages & post harvest handling
Pilot coordinated nutrition effort
Coordinate with GOK irrigation & water mgmt. strategy
Change agents
Innovation

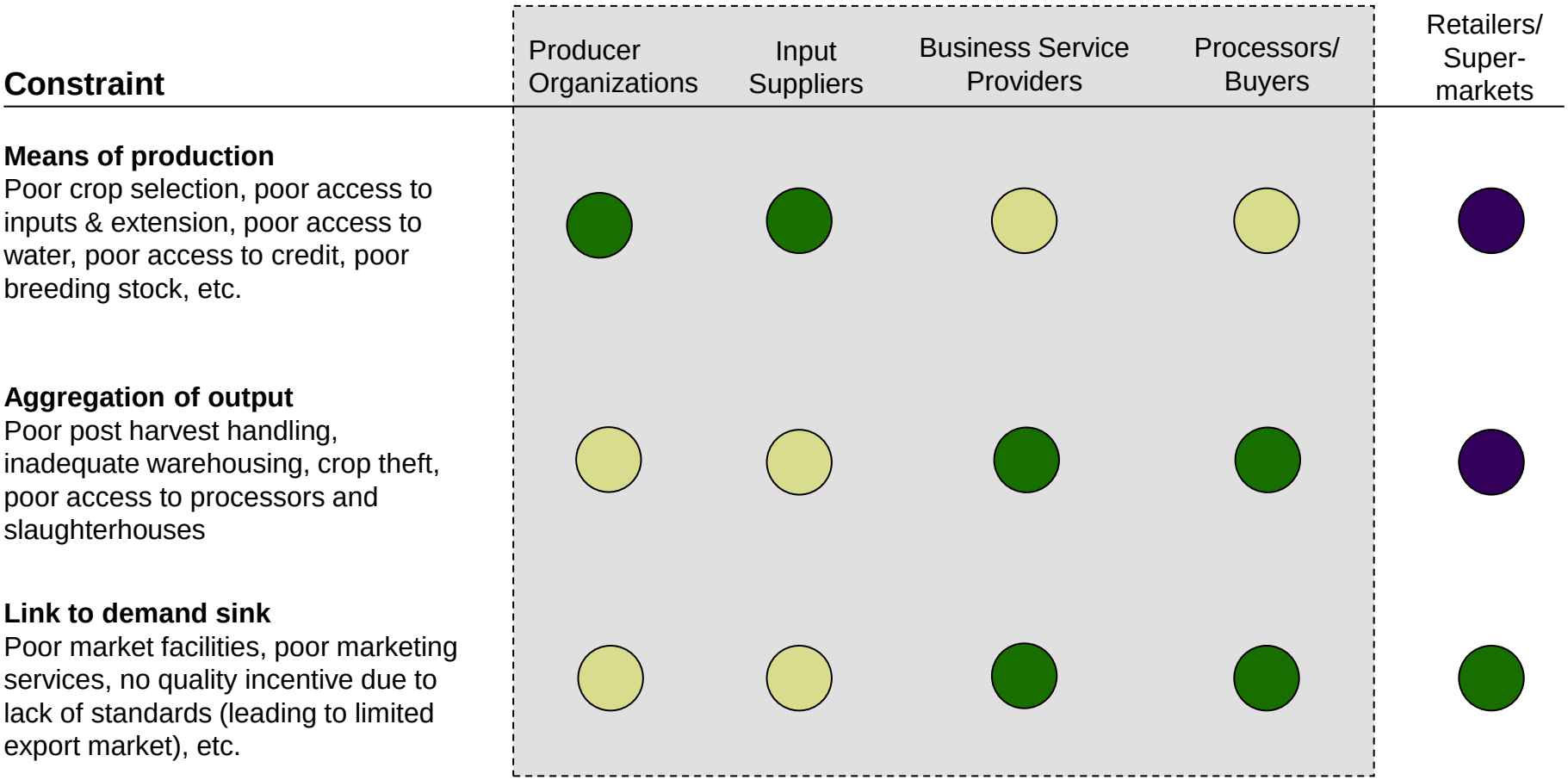
Investments to Support Value Chain Development

Agricultural Policy Support: market-oriented national ag policy reform in maize pricing, grades and standards, food and nutrition security, input supply, divestiture of state-owned corporations, land rights
Science and Technology: drought-tolerant crops, biotechnology, maize, soil fertility
Capacity Building: for change agents, local and national government
Knowledge Management: capture and promulgate lessons learned; link to USAID/EA and ACTESA

Change Agents to Address Value Chain Constraints

USAID Focus

- Current capability
- Potential or limited capability
- Minimal to no capability



SOURCE: ASCU "Systemization & analysis of bottlenecks affecting…agricultural commodities in Kenya" (2007), Team analysis, USAID team interviews

Illustrative Interventions to Address Value Chain Constraints

Value chain constraints in HR1 and SA2

Horticulture, Maize, Drought-tolerant crops

- Poor access to inputs
- Poor quality of produce
- High post harvest losses
- Disease and pest infestation
- Weak market linkages
- Limited access to finance
- Lack of grades and standards
- GOK maize marketing policies
- Limited drought tolerant technologies
- Limited water and water management

Dairy

- Low yields due to poor breeding stock, inadequate extension & poor quality/high cost feeds
- Lack of access to finance
- Inadequate disease control
- Poor post-milking handling
- Poor milk marketing & services
- Inadequate animal husbandry
- No premiums for quality

Input supplier interventions

- Expand inventory, crop and dairy services, & reach
- Link to business service providers
- Pilot aggregation (e.g., for WFP P4P program)
- Capacity building for business and financial mgmt.
- New business models

Business service provider interventions

- Grow market linkages (domestic and regional)
- Facilitate market development including structured trade and transparent transactions
- Link to input suppliers to expand services
- Provide value chain financing

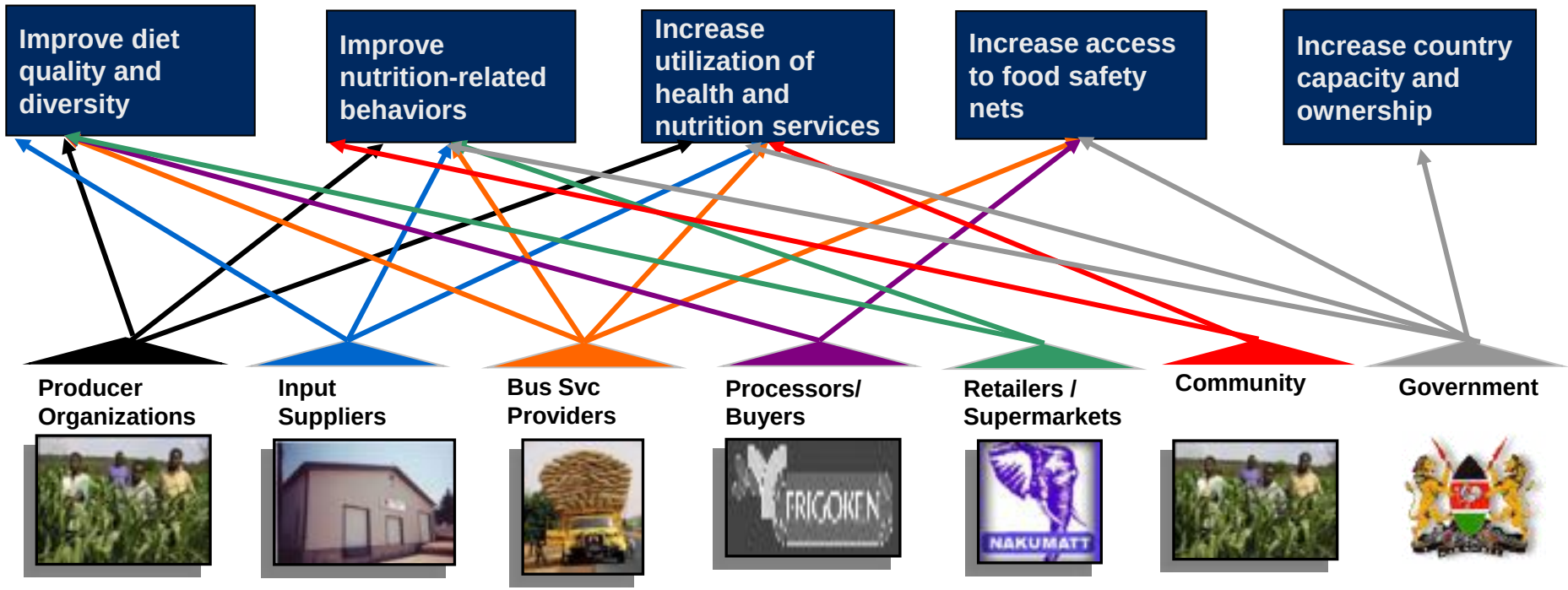
Producer organization interventions

- Continue capacity building in business, finance, contracts, grades/standards, productivity
- Link to input suppliers, business service providers, processors

Processor/buyer interventions

- Capacity building in business and finance
- Development of innovative business models
- Development of premium product schemes
- Link to input suppliers, business service providers, and producer organizations

Linkages Between Nutrition and the Agricultural Value Chain



USAID will Build Synergies with Other Development Partners

Focus	Other relevant development players/programs
High Rainfall 1 (HR1)	
▪ Horticulture	▪ GTZ, BMZ IFAD, AGRA, SNV, JICA, EU, DFID, DANIDA, CIP, ADB
▪ Dairy	▪ SNV, IFAD, DFID, AGRA
▪ Maize	▪ KARI, USAID/EA, CIMMYT
Semi-arid 2 (SA2)	
▪ Horticulture	▪ SNV, AGRA, IFAD, EU, DFID, CIP
▪ Drought-tolerant crops	▪ EU, WB, FAO, ICRISAT, KARI, USDA
▪ Maize	▪ KARI, USAID/EA, CIMMYT

Donor Coordination

- Development partner mapping by geographic location and programmatic interventions
- Government alignment process will help to refine donor coordination

Whole of Government Approach

Agency	Potential and planned areas for collaboration
USAID	▪ Food for Peace: food assistance in emergency situations ▪ OFDA: provide non-food assistance in emergency situations ▪ Washington: forge better synergy with grant programs (i.e. CRSPs, LWAs, & STOP-AI) ▪ East Africa: collaboration with COMPETE, ASERECA, and ACTESA ▪ Kenya: collaborate with other internal programs (i.e. NRM, CC, Education, Health, D&G, Youth)
Department of State	▪ Public advocacy for improved agricultural policies (maize policy, grades and standards, land rights) ▪ Tariff abatement on imported foods and grains ▪ Food safety policies (aflatoxin)
Peace Corps	▪ Volunteers for capacity building of input suppliers, business service providers, and producer orgs. ▪ Downstream interventions with producers in focus areas
USDA	▪ Food For Progress: Coordinate efforts to develop market linkages ▪ McGovern Dole: Connect school lunch programs to change agents in focus areas ▪ Research Expertise: Aflatoxin pilot project, biotech, IPM, food security assessments ▪ Training Activities: Disease surveillance & treatment, food safety regs., food labeling, trade
Combined Joint Task Force – Horn of Africa	▪ Increase stability through infrastructure improvements (water and road projects) ▪ Enhance livestock productivity through Veterinarian Civic Action Program (VETCAP) ▪ Medical Civic Action Program (MEDCAP) improves health and builds capacity

Analyses for Successful Implementation of the FTF Strategy

To Capture Lessons Learned

Combined Evaluation

- Assessment of dairy, horticulture, maize, rural finance, biotechnology, policy and agriculture research programs
- Review EG program to inform future strategy, analytical agenda and program transition

Impact study

- 10-year panel data with Tegemeo Institute
- Analyze and provide evidence of USAID/Kenya program impact and causal pathways
- *Note: 2004-2008 data show increases in income and decreases in poverty among program participants and indirect beneficiaries in targeted villages*

To Refine Strategy

Potential targeted analyses/studies

- Value Chain Analyses
- Rural Consumption Survey
- Nutrition Baseline Survey
- Vulnerability Assessment for Climate Change
- Reaching the Very Poor, Youth and Women through Markets Survey
- Agricultural Sector Policy Analysis to inform future policy agenda (tailored AgCLIR)

For Continued Learning

Knowledge Management

- Engage Regional Strategic Analysis & Knowledge Support System (ReSAKSS)
- Synthesize Kenya-specific and regional studies of relevance to the GOK, development partners and other stakeholders for widespread dissemination

Monitoring and Evaluation

- Continuous monitoring of projects supplemented by external monitors
- Planned external mid-term and final evaluations to ensure learning is dynamic and available for sharing with a wide array of stakeholders

USAID Aspires to Achieve Major Impacts Over the Next 5 Years

Illustrative Feed the Future Indicator	Aspiration
Number of new technologies or management practices made available for transfer as a result of USG assistance	*Accelerate the rate at which improved technologies and practices become available by at least 60% each year*
Number of rural households benefiting directly from USG interventions	*Directly influence the lives of at least 3 million rural people*
Number of producers organizations, water users associations, trade and business associations, and community-based organizations (CBOs) receiving USG assistance	*Significantly expand the range of actors involved in USG-supported value chains*
% children < 5 years who are underweight	*Reduce prevalence of underweight children from 19% to 16% in targeted areas*