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This action is funded by the European Union

ANNEX 2

of the Commission Decision on the Annual Action Plan 2016 in favour of the Republic of Kenya to be financed from the 11th European Development Fund

Action Document for Kenya – (AgriFI)
Support to productive, adapted and market integrated smallholder agriculture, including a contribution to the Africa Investment Facility

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the EDF in accordance with Article 37 of the Regulation (EU) No 323/2015 in the following sections concerning calls for proposals 5.4.1. Grants: call for proposals "Support to integrate smallholder farmers/pastoralists in their value chains on functional and equitable terms in Kenya" (direct management

1. Title/basic act/ CRIS number	Kenya – (AgriFI): Support to productive, adapted and market integrated smallholder agriculture, including a contribution to the Africa Investment Facility. CRIS number: KE/FED/037-928, financed under 11 th European Development Fund (EDF)	
2. Zone benefiting from the action/location	Kenya: The action shall be carried out at the following location: National	
3. Programming document	EU-Kenya Cooperation 11 th European Development Fund National Indicative Programme (NIP) 2014 - 2020	
4. Sector of concentration/ thematic area	Focal Sector 1: Food Security and Resilience to climate shocks in Arid and Semi-Arid Lands	DEV. Aid: YES ¹

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

5. Amounts concerned	<p>Total estimated cost: EUR 53 000 000 (plus EIB, Agence Française de Développement (AFD) and private investors contribution to be quantified)</p> <p>Total amount of EDF contribution EUR 50 000 000</p> <p>This action is co-financed in parallel co-financing by:</p> <ul style="list-style-type: none"> - German Development Cooperation for an amount of EUR 1 500 000; - This action is co-financed by potential grant beneficiaries for an amount to be determined. It is expected a co-financing from KALRO for an indicative amount of KES 170 000 000 (EUR 1 500 000) 			
6. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <ul style="list-style-type: none"> • Indirect management with the Republic of Kenya • Direct management –grants – call for proposal • Indirect management with German Development Cooperation • Part of result 1 of this action regarding the Africa Investment facility will be implemented in indirect management by entities to be indicated in complementary financing decisions to be adopted at the end of the Africa Investment Facility's project selection procedure 			
7 a) DAC code(s)	<p>311 Agriculture, 31193 Agricultural financial services 78%, 31181 Agricultural education/training 11%, 31182 Agricultural research 11%,</p>			
b) Main Delivery Channel	<p>10000 Public Sector Institutions</p>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	<ul style="list-style-type: none"> • AAP Environment and climate change • AAP Food security and sustainable agriculture 			

10. SDGs	<p>Main SDG Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <p>Secondary SDG Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>
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SUMMARY

The Programme responds to the 11th EDF NIP Focal Sector for Food Security and Resilience to climate shock in Arid and Semi-Arid Land areas, budgeted at EUR 190 million. The proposed programme contributes to Result 2 for this sector, namely for ***Productive climate resilient agriculture and community investments to safeguard productivity against climatic shocks supported.***

The programme builds on the ongoing 10th EDF Kenya Rural Development Programme and the Standards and Market Access Programme which have shown that limited access to finance, training and market integration of the smallholder farmers are the main obstacles to move out of subsistence farming.

The primary target of this programme are the smallholder farmers, pastoralists and their groups who are occasional market players with the potential to become full players in specific value chains. The agri-business actors are the strategic partners enabling smallholders' integration into commercial farming within their specific value chain. Financing of the value chain actors will be provided on the basis of approved business plans, whereby the EDF grant support will target provision of services and capacity building to enable smallholder investment on farms, as well as reduce financial risks by way of interest subsidies or collateralisation through a blending facility with possibly the European Investment Bank (EIB) acting as lead financial institution. A separate blending facility for the dairy value chain will target dairy cooperatives to support investments to improve quantity, quality, and traceability of milk delivery.

The purpose of the EU blending facilities is to help finance projects with high development impact that would not have been undertaken without the support from these facilities². The support to the value chain actors will be complemented by a) support to research on adapted value chain agro-practices solutions and b) support to develop and disseminate value chain based extension curricula modules, integrating also the compliance to Sanitary and Phytosanitary (SPS) regulations. The programme builds also on the Joint Programming Dialogue with EU Member States and will specifically leverage existing German Development Cooperation, Agence Française de Développement (AFD), Slovak Aid, Netherlands, Danish and Swedish Bilateral Aid support to the smallholder sector as well as lines of credit to Small and Medium Enterprise (SME) promotion provided by the European Investment Bank and by the EU Member States Finance Institutions.

² Catalysing private engagement and resources for development - the EU's role, 2015

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 *Public Policy Assessment and EU Policy Framework*

The rationale of the programme is based on the need to ensure sustainable food security and growth of agriculture, livestock and fisheries growth with more intensive farming systems as indicated in the **Kenyan Agriculture Sector Development Strategy 2010 – 2020 (ASDS)**, the Medium Term Plan 2 and the Medium Term Economic Framework for Agriculture to 2017. Targeting small holders is part of Vision 2030 for increased productivity and income from underutilised land; the ASDS aims at empowering smallholder farmers operating at a subsistence level to include them in a productive model delivering market outputs. This approach is in line with the increasing role of the private sector in agriculture development, in a context where Kenya has graduated to medium income country status with vibrant private sector initiatives.

The programme also responds to a number of national policies and planning framework: a) the National Agriculture Sector Extension Policy which favours privatisation of services in a commercially oriented sector; b) the Common Programming Framework for Ending Drought Emergencies, that promotes diversification of livelihoods and more drought adapted solution in Arid and Semi-Arid Land areas; and c) the proposed priority programmes for agriculture development that will generate a Common Programming Framework for agriculture development.

The programme is in line with the **Agenda for Change** with attention to: a) investing in drivers for inclusive and sustainable economic growth; b) cross-cutting issues and employability targeting social inclusion and human development; c) gender equality; d) capacity-building, exchange of knowledge, vocational training for employability and capacity to carry out and use the results of research; e) climate adaptation and mitigation strategies f) strengthening cooperation with non-state actors and local authorities and supporting smallholder agriculture producer groups along supply and marketing chains, g) and h) support government efforts to facilitate private investment.

The programme integrates the guidelines from EU Communications on nutrition, on resilience and on working with the private sector particularly in: a) facilitating the development of a competitive local private sector, b) building management capacity, c) promoting SMEs and cooperatives, d) integrating youth in employment, and e) supporting a broad based farmers' outreach model. It complies with the "Criteria for the provision of direct support to private sector actors". The programme is also in line with the AgriFI approach to integrate and to generate investments funds for the private sector.

The programme will promote innovation for the farmers and sector growth. It will impact on the national food production deficit and on the nutrition challenges.

The Agenda for Change's themes for joint programming, financial leveraging and policy coherence are incorporated. Synergies between private sector led development and poverty eradication have been made.

1.1.2 Stakeholder analysis

a) The main target group are smallholders including livestock keepers, mixed farming practitioners, crop producers and fisher folks. Smallholders make up 80% of the people working in agriculture, nearly half of whom are living below the poverty line and/or are unable to meet their household nutritional requirements.

Women in Kenya comprise more than 70% of the labour force in agriculture contributing 80% of all labour in food production and 50% in cash crop production. Farming has become unattractive to youth which results in a farming population with an average age of 58 years.

b) Common Interest Groups and Common Working Groups associated with private sector value chain actors. Efforts to move individual smallholders from subsistence to commercial farming were based on the formation of Common Interest Groups at the primary level and Common Working Groups at the secondary level. In the dairy sector, the primary stakeholders are cooperatives, structured as Dairy Business Units (DBUs), that collect milk from members and selling it to processors.

c) Private sector value chain actors enabling access to market and promoting better standards of agriculture products for Common Interest Groups and Common Working Groups are part of the solution for success in Kenya for sorghum, pasture production, horticulture products and export commodities. The private sector is providing innovative services to smallholders such as crop and livestock index-based insurance, e-payments and banking as well as mobile based extension services, climate and disease information, market information and linkages.

d) The Kenyan Financing Institutions include micro-finance operators, Savings and Credit Cooperatives, commercial banks which have a countrywide structure providing loans for agriculture development, and associated not-for-profit entities of financial institutions able to provide grants and targeted subsidies to promote smallholders integration to value chains.

e) Apex organisations play an important role in supporting information management and capacity building to their members. On farming they include the: a) Kenya National Farmers' Federation, b) Cereal Growers' Association, c) Kenya Livestock Producers Association, d) Kenya Livestock Marketing Council, e) Kenya Dairy Board, f) specialised tea and coffee smallholder producers associations and g) horticulture producers association (F-Peak). On agribusiness/processing, apex organisations include the a) Kenya Private Sector Alliance, b) Kenya Association of Manufacturers, c) Kenya Agribusiness and d) Agro-Industry Alliance.

f) The public sector, represented by the Government of Kenya and parastatal institutions. After devolution of the agricultural sector, the **Ministry of Agriculture, Livestock and Fisheries (MoALF)** is responsible for policy making and for capacity building of County structures.

County Governments are responsible for agriculture planning, extension services, facilitating marketing and value chain development, food quality and safety inspection. Their main intervention tools are the County Integrated Development Plan and the budget. Most counties do not provide required services due to insufficient fund allocation and lack of skilled staff

Parastatals and government agencies for animal and plant health and food safety include the Kenya Plant Health Inspectorate Service, Department of Veterinary Services and Kenya Bureau of Standards. They play an important role in integrating standards, in providing the advisory services and in training programmes to create awareness and compliance by producers to rules and regulations necessary to access export markets. The Pest Control Products Board performs a regulatory and licensing role.

The Kenya Agriculture and Livestock Research Organisation (KALRO) provides high yielding, drought tolerant adapted solutions that are integrated in specific value chains.

g) Other Development projects: 1) The Agriculture Sector Development Support Programme of Sweden is supporting counties in the promotion of priority value chains. 2) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) supports a sustainable market oriented and climate resilient agriculture, the development of occupational standards and curricula for **Agricultural Technical and Vocational Education Training (ATVET)** and 3) the AFD project to finance the dairy value chain.

1.1.3 Priority areas for support/problem analysis

Despite Kenya's overall economic growth, the growth of productivity of small-scale farmers is limited and they remain marginalised. Smallholder agriculture is dominated by staple crop production for subsistence and rarely for sale. The marginalisation of smallholder farming is illustrated in maize production: it provides 75% of the national production of maize, but their average yield is 55% lower than large scale farmers. It is estimated that only 25% of smallholders are market oriented and the remaining 75% are subsistence oriented, being only occasional market players. The dominance of subsistence farming and the low productivity prevent farmers to invest and to become more market oriented.

While mobile banking has reached a broad client base, many smallholders do not use banking facilities and have difficult access to credit and possess little capital. The lack of collateral discourages financial institutions to provide loan finance at terms relevant to smallholders. Access to land in a context of demographic pressure is an aggravating factor which can be mitigated by increased productivity and expanded commercial farming.

Despite the contribution of the dairy value chain to the national economy (12% of agricultural gross domestic product GDP) and the strategic importance of smallholders for the sector (70% of the 1.8 million milk producers), productivity is low with 5 litres/cow/day, against 17-19 litres/cow/day for the larger farmers³. Moreover, 80% of smallholder production⁴ is traded in the informal market with low prices and delays in payment, poor sanitary controls and low quality of milk.

In Arid and Semi-Arid Land areas (ASAL), the dynamic of smallholders' marginalisation is even more profound, resulting in high poverty and malnourishment rates. The ASAL areas negative dynamic is driven by a number of inter-related factors:

- Recurrent droughts, resulting in high animal mortality and in crop failure.

³ EADD: Report on the Dairy Value Chain in Kenya, 1997

⁴ Source: IFAD, Smallholder Dairy Commercialisation Programme Updated Design Report, 2015

- Low return on unit produced due to a) poor rural roads, b) extensive production methods c) high input cost d) low market integration and e) poor animal disease control and extension services.
- Absence of risk mitigation investments such as: permanent water points, high yielding practices which are better adapted to drought, weather-based insurances, and ineffective management of communal natural resources.
- Disincentives created by untargeted social transfers and uncoordinated relief programmes.

The creation of producer-owned aggregation and knowledge hubs has enabled the integration of smallholder/pastoralists in their value chain. The key conditions for success are:

- Aggregate production into homogeneous lots of economic size.
- Promote membership entities with adequate governance.
- Integrate contractual relationships with transparent trade systems.
- Integrate religious considerations in predominant Muslim areas.
- Integrate service provision to cover all aspects of the value chain promotion.
- Capacitate all value chain actors and facilitate their dialogue along a single value chain.
- Be business minded and catalyse finance resources from all stakeholders.
- Use development financing to lower the financing risk and therefore the cost of finance especially through the provision of medium term finance. This would contribute to increase the level of banks' lending to the agriculture sector.

2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
Failure of financial sector to provide loan finance	Low	Two dedicated blending funding lines will provide an incentive to financial institutions:
Political interference in the choice of business plan funding	Low	The Grant Manager will be independent from Government or County institutions; separation of appraisal (Grant Manager) and approval (independent Investment Committee) functions
Smallholders don't comply with contractual arrangements	Low	Group guarantee; screening by value chain drivers and capacity building initiatives
Land conflicts	Low	Security of land tenure to be among appraisal guidelines for matching grants component
Market distortions due to programme grants	Low	Fund guidelines to include mechanisms of eligibility, appraisal and monitoring
Value chain champion don't provide integrated services	Low	Appraisal, verification and monitoring of the Proposals by the Fund Manager
Low absorption capacity for the matching grant component	Low	Partnership with Swedish International development Agency (SIDA)-supported Agriculture Sector Development Support Programme.
Price fluctuations within assisted value chains	Medium	Forward contracts with minimum base price preferred
Cash flow/ insolvency problems of farmers	Medium	Financial intermediation with debt servicing intervals aligned to crop cycles
Drought and other climate shocks	Medium	Promotion of sanitary controls and the quality of the milk and Crop and livestock insurance
Crop and livestock diseases	Medium	Coping mechanisms to be included in Business Plans appraisal guidelines
Security and freedom of movement in the Arid Lands	Medium	Outside programming scope: a national security issue to be addressed by the relevant authorities
Assumptions		
1. Private sector value chain champions will find the financial support sufficiently attractive and will have sufficient capacity to submit proposals for the agribusiness funding scheme		
2. Motivation of farmer groups to respond to value chain champions will be strong and sustained		
3. County Government support services in extension and farmer group training will be adequate		
4. County and/or national services in standards on animal health, food safety and plant diseases will be adequate		
5. Lenders will be willing to provide complementary funding at acceptable conditions		
6. The East African Community and its trade and taxation regimes will continue to favour trade		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The 2014 Mid Term Review of the SIDA-supported Agriculture Sector Development Support Programme confirmed the relevance of supporting county coordination in Value Chain Development. Recommendations included: 1) the project structure must be integrated in the county system, 2) components of environmental resilience must be mainstreamed, 3) create

partnership linkages for capacity building and training of Value Chain actors, 4) integration of social inclusion, 5) introduce market analyses and business planning, and 6) engage private sector organisations as implementation partners.

The financial sector is not reaching out to the agriculture sector, mainly due to the perceived high risk; in 2013, the gross amount lent to the agriculture sector was only 4.4%⁵.

Contract farming enforcement is a main constraint to the provision of embedded services: investors are discouraged by the non-respect of obligations by farmers, in particular for side selling and lack of compliance with **Sanitary and Phyto Sanitary** standards. The problem is aggravated by insufficient clarity in the Sanitary and Phyto Sanitary regulation framework.

In the dairy sector, cooperatives find investments in technologies to improve milk quality and traceability to be risky and are reluctant to invest if there is no financial supported by third parties.

Farmers will purchase high quality inputs if packaged in the appropriate size but this is hindered by inappropriate regulation. In addition, excessive subsidies crowd out the private sector.

Donor interventions can facilitate access to finance: the African Enterprise Challenge Fund proved that there is a potential for absorption of targeted finance subsidies for investment plans.

Support to private sector should avoid introducing a distortion element in the competition in the financial market, especially when financing institutions such as commercial banks are involved.

KALRO's strategy for working with partners in the dissemination of research findings has improved the adoption of new technologies. Market and demand-led research has produced successes such as Gadam sorghum and thermostable Newcastle vaccine for indigenous chicken.

In its dialogue with the EU the private sector representatives signalled that EU support should target: job creation, business mentorship, developing profitable business models that integrate with markets, and modernizing production systems.

3.2 Complementarity, synergy and donor coordination

EU, SIDA, and GIZ jointly support the transformation of the Ministry of Agriculture Livestock and Fisheries and the devolution process, called the Transformation Initiative. This includes a Common Programming Framework, to coordinate initiatives from the public, private and Development Partner sectors. The SIDA-supported Agricultural Sector Development Support Programme is a strong partner to support dissemination and networking between value chain stakeholders at County level for the agribusiness funding component, and to facilitate the capacity building on the Sanitary and Phyto sanitary regulation framework for County officials.

The component on standards builds on the work of 10th EDF Standards and Market Access Programme. The component to develop new agricultural technologies builds on the support to KALRO under the 10th EDF Kenya Rural Development Programme

⁵ Source: Central Bank of Kenya

Other relevant ongoing programmes with a potential for synergy are:

Subject	Relevance to Programme mobilisation, effectiveness and/or efficient resource use
Coordination at the policy and programme levels	
Common Programming Framework within the Transformation Initiative of MoALF	Enables consensus and determination of best use of Development partners' comparative advantage
10 th and 11 th EDF Decentralised Land Governance	security of tenure will reduce risks and conflicts,
10 th and 11 th EDF Support to Drought Risk Management	Reducing drought-induced loss of productivity
10 th and 11 th EDF Climate Proofed Infrastructure in the Arid and Semi-Arid Land areas for rural roads and water supply	Enhanced resilience will facilitate integration of livestock value chain
Toyota Kenya Academy / Value Addition and Cottage Industry Development programme	Coordination and sharing of training modules
The African Union Interafrican Bureau for Animal Resources (AU-IBAR) Regional programmes on the Sanitary and Phyto Sanitary regulation framework	Participation of Kenyan stakeholder to regional fora to influence and own food safety standards
UK Aid/UK Department for International Development (DFID) Market Assistance Programme (MAP) supported by Gatsby Trust and the Netherlands.	Fund Management; information management and dissemination; involvement in catalysing targeted sub-sectors; youth employment support
Loan guarantee and equity funds including those supported by Africa Enterprise Challenge Fund, Mastercard Foundation, USAID and International Fund for Agricultural development (IFAD)/Government of Kenya..	Loan guarantee funds can assist to reduce risk to facilitate leverage of commercial bank loans.
Potential sub-national/ regional synergies	
Kenya Rural Development Programme - Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihoods IFAD Programme and FAO Conservation Agriculture in counties in Arid and Semi-Arid Land areas	Presence of service providers to: <ol style="list-style-type: none"> partnership with Cereal Growers Associations and KALRO, to disseminate research innovations; increased crop production and efficiency financial inclusion component could build up on Kenya Cereal Enhancement Programme achievements, towards larger scale investments
Slovak Republic support to Value Chain development	Relevant experience and model of approach
Denmark & Government of Kenya Medium Term Arid and Semi-Arid Land areas Programme	Programme coordination in counties covered
KfW through improved Agricultural Productivity in Western Kenya:	Programme coordination in Counties covered
GIZ Food Security and Drought Resilience programme	Programme coordination in Counties covered and technical partnerships with buyer Companies
IFAD's Smallholder Dairy Commercialisation Programme, implemented in 33 sub-counties over 9 counties	Financial support of dairy groups and link to the Dairy Information Management System: eDairy
Finland supported programmes on: agricultural value chains; climate change adaption/ climate smart agriculture; mitigation of climate change in agriculture; and food safety	Collaboration in identification of projects for pipeline under result 1; lessons learned and innovative approaches on food safety and climate smart agriculture (under results 2 and 3).

The possibility for GIZ, SIDA, European Investment Bank (EIB), AFD and Slovak Aid to support a Value Chain development steering group under the auspices of the Programme Steering Committee could be considered.

The coherence with the other three 11th EDF interventions in the sector is nested in two sets of governmental policies and planning frameworks:

- a) The Agriculture Sector Development Strategy and the sector Medium Term Plan (MTP) that have for objective sustainable food security among others.
- b) The Arid and Semi-Arid Land areas Policy, the Ending Drought Emergencies MTP and the Common Programming Framework to improve resilience to drought in Arid and semi-arid land.

Political dialogue with the Government will build on the two planning and coordination platforms, (Transformation Initiative and the Ending Drought Emergency (EDE) coordination) already supported by 10th EDF projects. The link between the two coordination bodies is ensured by the fact that Ministry of Agriculture Livestock and Fisheries chairs the Joint Technical Working Group.

3.3 Cross-cutting issues

The impact of climate change results in crop and livestock failure and in perennial rivers drying up. The project will mitigate these impacts through the promotion of *conservation agriculture*. Increased environmental sustainability will be promoted through soil and water conservation, damming for irrigation and agro-forestry initiatives. The support to research will promote climate adaptation through development of drought resistant seed varieties and breeds and practices. Subjects on environmental sustainability and climate change will be included in the technical and vocational education and training curricula.

Gender equality/equity is addressed by targeting the integration of smallholders in their Value Chain through agricultural market linkages. Women constitute the majority of smallholder farmers, but their farms have generally lower added value per unit of input. Therefore, there is a high potential for yield increase by promoting opportunities to harness the strengths of women and youth, as they add value, with equal returns, to the physical resources that men own. The appraisal criteria of the business plans will include affirmative criteria for women and youth. Youth involvement will be supported by developing value chain extension curriculums modules aiming to the professionalisation of agricultural practices.

Good governance at farmer organisations will be promoted by including in the appraisal criteria of Result 1 institutional arrangements including contractual relationships, existing governance, and awareness on contractual obligations.

Social-economic and environmental sustainability criteria will be included in the call for funding application and appraisal guidelines.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG target 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture, but also promotes progress towards Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. This does not imply a commitment by the country benefiting from this programme.

Overall Objective

Institutions and stakeholders in the agriculture sector develop, adjust and implement Disaster Risk Reduction strategies involving a multi-sectoral approach to nutrition, agriculture productivity integrating market linkages, diversification of livelihood sources as well as supporting climate proof investments at community and at county levels.

Specific Objective:

Productive, climate change adapted and market integrated smallholder agriculture aiming to reduce the national food deficit and improve agriculture sector competitiveness is strengthened.

Results

- Result 1:** Capacity of smallholder farmers/pastoralists to practice environmentally sustainable and climate smart agriculture as a business in market-integrated value chain on functional and equitable terms
- Result 2:** Capacities of actors along selected value chains through the Agricultural Technical and Vocational Education Training -ATVET system approach strengthened
- Result 3:** Capacity of private sector at County level to manage and enforce standards on animal health, food safety and plant diseases increased
- Result 4:** Climate change adapted and innovative agricultural technologies with potential for market integration developed and adopted.
- Result 5:** Enhanced access by smallholders to the formal milk market

The logical framework presenting the results chain, indicators, baselines and targets is presented in Annex.

4.2 Main activities

Result 1:

- Support value chain based investments for funding the integration of agribusinesses and smallholders.

Result 2:

- Development of new value-chain based vocational training programmes.
- Implement and scaling up of vocational training programmes in selected value chains and Counties.

Result 3:

- Translate Sanitary and Phyto Sanitary regulations for value-chains supported under result 2 into user-friendly sector guidelines, tools and practices for use by the private sector.
- Train private and public sector on Sanitary and Phyto Sanitary regulations and food and animal safety requirements and supported the development of quality management systems.
- Support industry driven compliance audit.
- Support Counties in testing and surveillance and enforcement of Sanitary and Phyto Sanitary regulations.

Result 4:

- Research in new drought resistant and more yielding climate smart technologies.
- Disseminate existing market-linked research for application.

Result 5

- Support cooperative investments in the dairy value chain

4.3 Intervention logic

The intervention logic is based on a holistic support to the integration of smallholder farmers in their value chains. The project will enable smallholders' farmers to graduate from extensive subsistence farming to a more productive market orientated farming model, while promoting women and youth integration as part of value chain support (results 1 and 5). Support to develop new adapted solutions to extension services and standards, integrated in value chain, will be funded under results 2, 3, and 4.

Result 1 includes of a calls for funding with the following outlines:

- The basis to finance smallholder integration into a value chain development will be the submission of a **single Business Plan (BP)** to support investments in a given value chain. The Business Plan must demonstrate a positive impact on smallholders.
- Financing of the business plan will be based on an **integration of grant and loan finance**:
 - **grant finance** will be provided to smallholder farmers groups (Common Interest Groups and Common Working Groups) through grants selected through a Call for Proposals that is managed by the Fund Manager (implemented through a grant as per 5.4.1). The grant will support actions such as:
 - provision of services and training to increase productivity
 - investments related to soil and water conservation
 - seasonal inputs supply if not subsidised by other mechanisms
 - job creation for youth and women offering services to smallholder farmers
 - subsidies to businesses which would otherwise not be considered for commercial financing
 - **loan finance** will be provided to private sector value chain actors by commercial banks under their responsibilities and terms (implemented through a contribution to the African Investment Facility (AFIF) as per 5.4.4): The loan will support actions such as:
 - improvement of productivity,
 - quality and adherence to standards of commodities,
 - processing, bulking and value addition
 - working capital for services to meet production and marketing objectives
- Dedicated financing lines will be established possibly by EIB under the AFIF to facilitate provision of complementary finance by commercial banks.

- The BP will be submitted by a single legal person/entity or a consortium, which will provide services to partners contributing to value chain development. This legal person could be Common Interest Groups, Common Working Groups or (private) agri-business entities.
- Consortium members may include other actors in the value chain including: producer organisations, service providers, traders, managers of storage facilities, processors and marketers
- BPs will be prioritised for a value chain addressing a situation of national food deficit where Kenya has suitable agro-climatic condition; for instance fish farming, grains, and livestock.
- Capacity building and other affirmative actions will facilitate access to funding for applicants from counties with a less developed private sector (namely Arid and Semi-Arid Land Areas).
- Synergies will also be sought with current and future programmes by Development Finance Institutions, especially from EU Member States, to provide additional financing to lower the cost and risk of finance for commercial banks.
- The BPs will not be limited to specific value chains and/or geographical locations. The dairy sector, could also be eligible, since activities under result 5 would target common interest groups, namely cooperatives, through financing instruments.

Result 2 builds on the GIZ programme supporting the upgrading of agriculture and agri-business value chain based training curriculums under ATVET. The programme will contribute to the upscaling of the existing training programmes in 4 value chains (horticulture, aquaculture, dairy and irrigated agriculture) to additional counties and training centres. It will support the development of ATVET training programmes in other value chains (beef, potatoes, sweet potatoes and others). It will develop additional modules in standards compliance and in value chain knowledge, integrating business management skills among the farmers and farmer groups, particularly leadership, to infuse good governance practices and realize the agenda for farming as a business. ATVET Training Centres will assist interested farmer groups in the Business Plan formulation and implementation. Training of Trainers and provision of teaching equipment will be used to enable the ATVET Training Centres to disseminate the new curricula.

Under **Result 3**, the programme will add training modules on Sanitary and Phyto Sanitary compliance to the extension curriculums described under result 2. They will target both the public sector, such as county officials and the private sector on topics including voluntary guidelines and adherence to existing regulations to access Kenyan, East African Community (EAC) and other export markets, including reference to the Economic Partnership Agreement (EPA) with the EU. GIZ, in collaboration with the Kenya Plant Health Inspectorate Service, the Department of Veterinary Services and the Kenya Bureau of Standards, and associations representing farmers and agribusinesses will start a participative process to translate existing Sanitary and Phyto Sanitary regulations into operational guidelines and Quality Management Systems and monitoring and enforcement protocols, which will be translated into training modules for the value chains.

Under **Result 4**, KALRO will deliver market-linked research to develop innovative drought tolerant technologies⁶. This will include the selection of research protocols associating international scientific research organisations and Kenyan private sector companies for the

⁶ In line with existing Kenya legislation no support for research will be related to Genetically Modified Organisms.

diffusion of adapted solutions. KALRO might partner with other research institutions such as with the Kenya Marine Fisheries Research Institute for research on research on fish.

The research will be relevant to sector needs and consistent with other EU-funding to research institutions such as the Forum for Agricultural Research, Consultative Group for International Agricultural Research (CGIAR) consortium members, and the Association for Strengthening Agricultural Research in Eastern and Central Africa.

Activities under **result 5** consist in a **blending** project in partnership with the **Agence Française de Développement (AFD)**, targeting the **dairy value chain** in supporting investments to improve the quality and traceability of milk delivered from the producers to the processors. This component will be subject to further feasibility studies, which will inform AFD proposal to access the funds earmarked under the AFIF.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

This financing agreement will cover the part of the action with the objective to develop and promote climate change adapted and innovative technologies with potential for market integration of smallholder farmers and pastoralists (result 4).

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 84 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

N/A

5.4 Implementation modalities

5.4.1 Grants: call for proposals "Support to integrate smallholder farmers/pastoralists in their value chains on functional and equitable terms in Kenya" (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The Objective of the call for proposal is to identify and conclude a grant contract with an institution that will act as the grant manager to implement the sub-grant scheme to provide funding to Smallholder farmers/pastoralists.

Actions eligible for financing are the design, launch, dissemination and implementation of a call for funding to support the grant finance component of result 1. In addition, the grant manager

will network with banks and other financial institutions to ensure parallel loans to co-finance the investments, which are in turn supported by the contribution to the African Investment Facility.

Expected results are:

- A number of sub-grants to Common Interest Groups and Common Working Groups for the grant component of the action described under 4.3 above.
- Business Plans to support investments are identified, appraised and co-financed by beneficiary consortia and commercial finance institutions

(b) Eligibility conditions

Eligible applicants are non-profit-making legal persons and could be a specific type of organisation such as: non-governmental organisation, public sector operator, local authority, international (inter-governmental) organisation as defined by Article 43 of the Rules of application of the EU Financial Regulation, established in a Member State of the European Union or of any Country covered by ACP-EC Partnership Agreement, as laid down in Annex IV to the latter Agreement as revised by DECISION No 1/2014 OF THE ACP-EU COUNCIL OF MINISTERS of 20 June 2014 (2014/428/EU). Moreover, the applicants will need to have a demonstrated capacity to manage action involving a significant sub-grant component targeting agribusinesses in East Africa.

Subject to information to be published in the call for proposals, the indicative amount of the EU contribution is EUR 20 000 000 and the grants may be awarded to sole beneficiaries (mono-beneficiaries) only. The indicative duration of the grant (its implementation period) is 60 months.

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call: Last trimester of 2016

5.4.2 Indirect Management with the partner country

A part of this action with the objective to develop and promote climate change adapted and innovative technologies with potential for market integration of smallholder farmers and pastoralists (result 4) may be implemented in indirect management with the Government of Kenya in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) 2015/323 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement and grant procedures.

Payments are executed by the Commission.

The financial contribution does not cover the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) /3232015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of the Regulation (EU) 2015/323, will be laid down in the financing agreement concluded with the partner country.

5.4.3 Indirect management with a Member State

A part of this action may be implemented in indirect management with **Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH**, Germany in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails all activities under results 2 and 3. This implementation is justified because the two components build up on actions and a methodology GIZ is already implementing. It has proven its technical and financial management capacity and its capacity to conduct sector policy dialogue with the Ministry of Agriculture, Livestock and Fisheries on behalf of the EU and has already the structures in place to provide for this dialogue.

The entrusted entity would carry out the following budget-implementation tasks. GIZ activities will be focused on: provision of technical assistance, organisation and facilitation of training and coordination workshops, provision of equipment and other logistical support to the Agricultural Training Centres, monitoring and evaluation.

The entity has passed the new Pillar Assessment. The EU Specialised Agency has been assessed ad-hoc on the basis of opinions of the Court of Auditors, discharge resolutions and any available internal audit reports for the past three years.

5.4.4 Contribution to the African Investment Facility (AFIF)

This contribution may be implemented under indirect management with the entities, called Lead Financial Institutions, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation shall also monitor and evaluate the project and report on it. The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. A complementary financing decision will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012 to determine the Lead Financial Institutions definitively.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Component.	EU contribution (in EUR)	Indicative third party contribution
Result 1 composed of		
5.4.1 Direct management: Support to integrate smallholder farmers/pastoralists in their value chains, Grant through a Call for Proposals	22 200 000	Private investors; to be quantified
5.4.4 - Contribution to the African Investment Facility: funding for integration of agribusinesses and smallholders	10 000 000	EIB loan and loans/equity from Financing partners and private investors – still to be quantified
Result 2 composed of		
5.4.3 – Indirect management with German Development Cooperation / GIZ	2 730 000	EUR 900 000
Result 3 composed of		
5.4.3 – Indirect management with German Development Cooperation / GIZ	2 270 000	EUR 600 000
Result 4 composed of		
5.4.2 - Indirect management: Development of climate change adapted and innovative technologies with KALRO – Grant through Direct award	5 000 000	KES 170 000 000
Result 5 composed of		
5.4.4 - Contribution to the African Investment Facility: Support cooperative investments in the dairy value chain	5 000 000	AFD loans and private investors loans /equity to be quantified
5.9 - Evaluation, 5.10 - Audit	300 000	
5.11 Communication and visibility	500 000	
Contingencies	2 000 000	
Totals	50 000 000	

5.7 Organisational set-up and responsibilities

A Programme Steering Committee (PSC) will be constituted to direct and to review the operations of the Programme under Chairmanship of the Ministry of Agriculture, Livestock and Fisheries. Participants in the Committee will be the concerned government ministries, development partners and private sector representatives with the European Commission participating in an observatory status. The Committee will oversee and validate the overall direction and policy of the project. The steering committee shall meet twice a year and form technical committees to meet regularly under its supervision

The National Authorising Officer will be responsible for the contracting of the Grant under points 5.4.2 with KALRO.

5.8 Performance monitoring and reporting

The Grant Manager mentioned in paragraph 5.4.1 will be directly responsible for the monitoring of activities under result 1: as part of its tasks in the Call for Proposals, he/she will design a framework and a methodology to consolidate indicators baseline, targets and reporting of achievement per each business plan funded, including the blending component. This framework (which will be approved by the Project Steering Committee) will include gender disaggregation of indicator data, a common methodology for data collection, analysis, consolidation, and reporting by the value chain grants/blending beneficiaries.

The above mentioned monitoring framework shall include, per each approved business plan, a detailed risk analysis/appraisal and mitigation strategy, which will possibly involve coordination with the banks providing complementary commercial loans. The analysis and monitoring will also include the risk that funds are misused or not ultimately benefiting smallholders.

The baseline and target surveys for this component will be produced by the Grant Manager during the inception phase of its contract: they will be updated on the basis of the approved business plans, and monitored by the Grant Manager during project implementation. The Grant Manager will be responsible also for the measurement of the result's indicators at the end of the project with funding from its grant contract. The baseline and target results measurements could be done in collaboration with the Lead Financial Institutions mentioned in paragraph 5.4.1.6.

GIZ will be responsible for monitoring achievements under results 2 and 3.

KALRO will be responsible for monitoring achievements under results 4: particular attention shall be put to the effectiveness of the public private partnerships to disseminate the research outcomes.

Activities under result 5 will be jointly monitored by AFD and the Kenya Dairy Board, who is a partner of AFD for the project

As far as the blending components are concerned the day-to-day technical and financial monitoring of the implementation of individual projects will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by

corresponding indicators, using as reference the relevant minimum set of indicators defined in the EU blending results framework and the relevant indicators defined in the regional programme. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and comprehensive regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a mid-term and an ex-post evaluation will be carried out for this action or its components contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to the use of blending facilities as an effective tool to reach smallholder farmers and to assess the effective complementarity of the different components in contributing to the action outcome.

The ex-post evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), and will inform future directions of EU support to the private sector in the agricultural sector.

The evaluation reports shall be shared with all other key stakeholders. The implementing partner, the Government of Kenya and the Commission shall analyse the outcome of the evaluations and, jointly decide on the follow-up actions to be taken and any adjustments necessary, including the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract: one in 2020 for the mid-term evaluation; the other after the completion of the project in 2022.

As far as the management of the blending component is concerned evaluation tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project. In addition, the Commission reserves the right to undertake evaluations on specific projects; in that case it shall be financed by other financial sources.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded under a framework contract, one system audit for the non-governmental organisation grant manager after award of contract in 2017 and tentatively one after the completion of the project.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above, in addition to visibility activities planned to be implemented centrally, which will be pooled with funds from other initiatives from the 11th EDF National Indicative Programme for Kenya.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Visibility actions supported may cover all EU cooperation activities in Kenya in order to increase coherence in the EU's communication strategy. Care will be taken that substantial visibility will be given to the programme as described in this Action Document.

In consideration of the innovative nature of component 1, the Grant Manager contract will also include the organisation of events to disseminate lessons learnt to stakeholders in the private, public and civil society sectors. The Grant Manager will also play an important role in disseminate among development partners outside Kenya lessons learnt on the effectiveness of the model of support agri-businesses as a tool to empower smallholder farmers, with particular focus on affirmative actions to include women and youth.

In addition to visibility activities planned to be implemented by the implementing entities mentioned under chapter 5.4 above, the Communication and Visibility budget of Euro 500 000 will also be used to pool funds from other initiatives from the 2016 Annual Action Programme for Kenya. Visibility actions may cover all EU cooperation activities in Kenya in order to increase coherence in the EU's communication strategy. Care will be taken that substantial visibility will be given to the programme as described in this Action Fiche. Standards for visibility will be derived from the "EU visibility guidelines for external actions" published by the European Commission. It is foreseen that one service contract (pooled with resources from other Commitments) will be concluded with the procedure to be launched in the first trimester of 2017.

List of appendices

Appendix 1	Indicative Logframe matrix (for project modality)
Appendix 2	List of Lead Financial Institutions to implement part of the action

APPENDIX 1 - Indicative Logframe matrix (for project modality) ⁷

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Indicators will be disaggregated by gender whenever relevant.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Institutions and stakeholders in the agriculture sector develop, adjust and implement Disaster Risk Reduction strategies involving a multi-sectoral approach to nutrition, agriculture productivity integrating market linkages, diversification of livelihood sources as well as supporting climate proof investments at community and at county levels.	1. *(NIP) National grain deficit (reduction)	1. 20%	1. To be established at inception	MoALF / FAO / IFAD annual reports	

⁷ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Specific objective(s): Outcome(s)	Productive, climate change adapted and market integrated smallholder agriculture and improve agriculture sector competitiveness is strengthened.	2. *(NIP) % of smallholders farmers beneficiaries graduating from subsistence farming to commercial farming measured by: i. % of non-subsidized inputs used. ii. % of smallholder farmers with a commercial contract (sex disaggregated) iii. % smallholder farmers accessing formal financial services (sex and age disaggregated)	2. Baseline data to be established at project inception by consolidating baseline data from implementing partners and ASDSP baseline	2. Targets to be established at project inception (and reviewed after approval of business plans as per results 1-5) by consolidating targets from implementing partners	Business plans as per result 1; Grant Manager reports (for result 1); GIZ reports (results 2-3); KALRO reports (result 4); AFD report; County Integrated Development Plans and ASDSP reports	Kenya's membership of the East African Community (EAC) and its trade tariff and taxation regimes will continue to favour internal and external trade.
Outputs	Result 1 Capacity of smallholder farmers/pastoralists to practice environmentally sustainable and climate smart agriculture as a business in market-integrated value chain on functional and equitable terms improved	<i>** indicators will be disaggregated by sex and age (youth below 30)</i> 3. *(NIP) % increase of smallholders' production that is marketed 4. ** (EU RF 6 L2) Agriculture and Pastoral ecosystems where climate smart land management practices were introduced with EU support (number of hectares) 5. ** (EU RF 8 L1) Agricultural Value added per hectare (amount) 6. (EU RF 7 L2) Number of smallholders benefiting from BP	3-6.. Baseline to be established by Grant Manager at inception and updated upon business plans approval	3.-6. Baseline to be established by Grant Manager at inception and updated upon business plans approval	3-6 Grant Manager reports, based on consolidation and verification of business plans reports	Private sector value chain champions will find the financial support framework attractive and will have capacity to submit proposals for the agribusiness funding scheme. Organisation and motivation of farmer groups to respond to value chain champions will be strong and sustained. Banks and other lenders will be willing to provide complementary funding at acceptable conditions.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
		funding (disaggregated by sex and age)				
	<p>Result 2</p> <p>Capacities of actors along selected value chains through the Agricultural Technical and Vocational Education Training - ATVET system approach strengthened</p>	<p>7. Number of new value chain based curriculums developed and certified by ATVET authorities</p> <p>8. 15 local ATVET centres directly supported by the programme to provide training</p> <p>9. 5000 additional value chain actors trained (500 youth in regular programmes, and 4500 other value chain actors in short term programmes) (sex and age disaggregated)</p>	<p>7. 3 currently being developed under GIZ CAADP-ATVET programme</p> <p>8. 7 currently supported (but support to be upscaled during this project)</p> <p>9. 0 (the indicator will measure the additional beneficiaries from the GIZ programme)</p>	<p>7. 7 value chain based developed and certified by ATVET authorities by end of project</p> <p>8. Curriculums delivery is broadened to 15 Counties by end of project</p> <p>9. 5000 (number of additional value chain actors trained)</p>	<p>Inventory of curriculums developed by the ATVET programme</p> <p>GIZ reports, ATVET centres records</p> <p>GIZ reports, ATVET centres records</p>	<p>County Governments support to services in extension and farmer group training will be adequate to meet programme implementation requirements</p>
	<p>Result 3</p> <p>Capacity of private sector at County level to manage and enforce standards on animal health, food safety and plant diseases increased</p>	<p>10. Number of value chain based modules on SPS developed and certified by regulatory authorities</p> <p>11. Number of County officials completing SPS modules (sex and age disaggregated)</p>	<p>10. 0</p> <p>11. 0</p>	<p>10. 7 value chains (same as per result 2)</p> <p>11. 100% of County staff in charge of enforcement of</p>	<p>Inventory of curriculums developed by the ATVET programme</p> <p>Training reports and completion certificates</p>	<p>Actors from private and public sector cooperate to define VC based guidelines on SPS compliance</p> <p>Counties recruit and retain technical staff of the suitable calibre in a timely manner</p> <p>CIG/CWG representatives</p>

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
		<p>12. Number of CIGs/CWGs trained on SPS and group governance</p> <p>13. Number of SPS controls undertaken by county officials</p>	<p>12. 0</p> <p>13. Established at project inception</p>	<p>SPS compliance in 15 Counties</p> <p>12. >50% CIG/CWG accessing funding under result 1</p> <p>13. Established at project inception</p>	<p>Report by SPS county enforcement authorities</p>	<p>committed to SPS compliance and good governance</p> <p>County Governments involved supporting officials in SPS monitoring</p>
	<p>Result 4</p> <p>Climate change adapted and innovative agricultural technologies with potential for market integration developed and adopted</p>	<p>14. *(NIP) Number of new drought resistant and more yielding technologies adopted (in value chain or national programme) -</p> <p>15. Number of farmers (disaggregated by sex and age) adopting climate smart research innovations through partnerships with the private sector -</p>	<p>14.-15. Baseline to be established at project inception</p>	<p>14.-15. Targets to be established at project inception</p>	<p>KALRO, County Government and MoALF reports.</p>	<p>KALRO continues to receive not less than the present level of funding from Government and retains its financial semi-autonomy</p>
	<p>Result 5</p> <p>Enhanced access by smallholders to the formal milk market</p>	<p>16. Number of DBUs adopting e-dairy system</p> <p>17. Number of smallholders accessing formal milk markets (sex and age disaggregated)</p>	<p>16. 0 DBUs adopting full e-Dairy system</p> <p>17. To be assessed with baseline survey</p>	<p>16. 87 DBUs adopting the e-dairy system (number verified at project start)</p> <p>17. To be assessed with baseline survey</p>	<p>Implementing partners report</p>	<p>Successful feasibility study and application to AFIF by AFD</p>

Appendix 2

List of Lead Financial Institutions to implement part of the action

- European Investment Bank (EIB)
- Agence Française de Développement (AFD)