

6150171-3

PD-11A6-648-11 PROJECT APPRAISAL REPORT (PAR)

PAGE 1

1. PROJECT NO. 615-T-009	2. PAR FOR PERIOD: 10-10-75 TO 8-1-77	3. COUNTRY Kenya	4. PAR SERIAL NO. 77-7
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Agricultural Sector Loan I

6. PROJECT DURATION: Begin FY 76 Ends FY 79	7. DATE LATEST PROP CAP 6-12-77	8. DATE LATEST PIP -	9. DATE PRIOR PAR None
10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$13.5 million	b. Current FY Estimated Budget: \$ -	c. Estimated Budget to completion After Current FY: \$ -

11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME	b. CONTRACT, PASA OR VOL. AG. NO.
1. American Technical Assistance Corporation	Contracts (a) AID/afr-C-1142, W.O. 2, 3, 6; (b) AID/afr-C-120 (c) AID/afr-C-1213
2. Louis Berger	Contract AID/afr-C-1123
3. Bureau of Educational Research	Contracts (a) AID-615-75-136-T; (b) AID-615-153-T

1. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION X	B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID AID/W OTHER		
X	Investigate discrepancies in Part C reporting of Co-op Bank and Unions	9/27/77
X	Draft implementation letter on reports	9/28/77
	PMU Plan and budget for MIS-SPSCP linkup	9/28/77
	ATAC Part C evaluation	
	ATAC Part C Baseline survey	January 1978
X	Monitor MOA/PMU performance	March 1978
X	Ascertain GOK's attitude re need for continued expatriate advisory services on PMU, and draft PIO/T for such services	9/23/77- PIO/T signed one month later
X	PMU Comprehensive training plan	10/11/77

D. REPLANNING REQUIRES						E. DATE OF MISSION REVIEW	
REVISED OR NEW:	<input type="checkbox"/> PROP	<input type="checkbox"/> PIP	<input type="checkbox"/> PRO AG	<input checked="" type="checkbox"/> PIO/T	<input type="checkbox"/> PIO/C	<input type="checkbox"/> PIO/P	8/25/77
PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE				MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE			
David W. Christenson				Charles J. Nelson			

AID 1020-23 (10-70)	PROJECT NO. 615-T-009	PAR FOR PERIOD: 10-10-75 TO 8-1-77	COUNTRY Kenya	PAR SERIAL NO. 77-7
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II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY	B. PERFORMANCE AGAINST PLAN							C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X)				
	UNSATISFACTORY		SATISFACTORY			OUTSTANDING		LOW	MEDIUM			HIGH
	1	2	3	4	5	6	7	1	2	3	4	5
X 1. Louis Berger (Planning Officer)						X						X
2. ATAC (Evaluation System)							X					X
X 3. ATAC (Project Technician)-Bernhardt						X						X
X 4. ATAC (Baseline Dev) (W.O.7)					X							X
X 5. ATAC (Baseline & Evaluation)				X								X
X 6. BER (Baseline)					X							X
7. ATAC (Project Technician-Bennett)						X						X

Comment on key factors determining rating

(See Continuation Sheet, page 6)

4. PARTICIPANT TRAINING		2	3	4	5	6	7	1	2	3	4	5
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Comment on key factors determining rating

Not applicable. No participants have been funded by the project.

5. COMMODITIES		2	3	4	5	6	7	1	2	3	4	5
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Comment on key factors determining rating

Some commodities are to be acquired from loan proceeds and/or reflow funds. Vehicles and office equipment for the Program Management Unit which were needed since March 1976 have only recently been approved by Treasury and ordered.

6. COOPERATING COUNTRY	a. PERSONNEL		2	3	4	5	6	7	1	2	3	4	5
	b. OTHER			X									X

Comment on key factors determining rating

(See Continuation Sheet, page 7)

7. OTHER DONORS	(a) Nordic Group	1	2	3	4	X	6	7	1	2	X	4	5
	(b) IBRD ✓			X							X		

(See Next Page for Comments on Other Donors)

(c) DANIDA - Danish Inter Dev Co

X

X

AID WJ20-25(10-70) PAGE 3 PAR	PROJECT NO. 615-T-009	PAR FOR PERIOD: 10-10-75 - 8-1-77	COUNTRY Kenya	PAR SERIAL NO. 77-7
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II. 7. Continued: Comment on key factors determining rating of Other Donors

- (a) Nordic Project Advisory services to MOCD have continued to be highly satisfactory.
- (b) GOK implementation of the IBRD supported IADP program has been inconsistent with USAID understanding and detrimental to the implementation of ASL-I's Part C program. IBRD has sought to correct the problems but has been only minimally successful. Performance in relationship to ASL-I would have to be classified as unsatisfactory.
- (c) The DANIDA Input-Supply scheme, while operating in some of the same areas where ASL-I Part C operates, seems on balance to make a neutral contribution to the latter program.
- ~~(d) Peace Corps performance was highly satisfactory.~~

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					
		CUMU- LATIVE PRIOR FY	CURRENT FY 77		FY 78	FY 79	END OF PROJECT
			TO DATE	TO END			
1. Part A: Loans totaling \$6.7 million were made to larger farmers in 1975/1976.	PLANNED	\$6.7 million	-	-	-	-	\$6.7 million
	ACTUAL PERFORMANCE	\$6.614					
	REPLANNED			\$6.614m (Cum.Total)	-	-	\$6.614 million
2. Part B: An additional \$3.4 million of agricultural credit reaches small farmers.	PLANNED	\$3.4 million	-	-	-	-	\$3.4 million
	ACTUAL PERFORMANCE	\$1.324	Unknown liquidated \$2.175 under review				
	REPLANNED			\$3.4m (Cum.Total)	-	-	\$3.4 million
3. Part C: Approximately 5,500 loans made to small farmers for food crop production at an average amount of \$110. (Loans/average amount)	PLANNED	5500		11000	16500	To be determined	33,000
		\$110		\$110	\$110		\$110
	ACTUAL PERFORMANCE	3840	8968				
	REPLANNED			11000	16500		33,000
4. Part C: Recovery of principal and interest in accordance with harvesting schedules at acceptable levels of delinquency.	PLANNED	-	50% re-pay 70%	50% re-pay 70%	70% re-pay 70%	80% re-pay 70%	80% repay 70%
	ACTUAL PERFORMANCE	-	25% re-pay 70%				
	REPLANNED			50% re-pay 70%	50% re-pay 70%	70% re-pay 70%	70% repay 70%
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS		COMMENT:					
1. (See Continuation Sheet, page 8)							
2.		COMMENT:					
3.		COMMENT:					

AID 5020-25(10-70)	PROJECT NO.	PAR FOR PERIOD:	COUNTRY	PAR SERIAL NO.
PAGE KPAR 4	615-T-009	10-10-75 - 8-1-77	Kenya	77-7

II. 7. Continued: Comment on key factors determining rating of Other Donors

III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					END OF PROJECT
		CUMU- LATIVE PRIOR FY	CURRENT FY 77		FY 78	FY 79	
			TO DATE	TO END			
5. Part C: Fertilizer, seed and chemicals distributed to approximately 5,500 farmers in accordance with technical recommendations.	PLANNED	5,500	Unk.	11,000	16,500	-	33,000
	ACTUAL PERFORMANCE	3,840	8,968				
	REPLANNED			8,968	16,500	-	29,308
6. Part C: Unions/societies will procure from participating farmers approximately 50% of increased volume of food crops produced and will transport it to storage, manage it and sell it.	PLANNED	11,650 Tons	-	23,300 Tons	34,850 Tons	-	34,850 Tons
	ACTUAL PERFORMANCE	-	-				
	REPLANNED						
7. Part C: 5,500 small farmers pre-qualified each year for the program, with an understanding of the use of credit, productive inputs and marketing services and cooperatives.	PLANNED	5,500	11,000	11,000	16,500	-	33,000
	ACTUAL PERFORMANCE	3,840	8,968				
	REPLANNED			8,968	16,500		29,308
	PLANNED						
	ACTUAL PERFORMANCE						
	REPLANNED						
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS		COMMENT:					
1.							
2.		COMMENT:					
3.		COMMENT:					

AID 1020-25 (10-70)	PROJECT NO. 615-T-009	PAR FOR PERIOD: 10-10-75 - 8-1-77	COUNTRY Kenya	PAR SERIAL NO. 77-7
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IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES NO

(See Continuation Sheet, page 11)

B. 1. Conditions which will exist when above purpose is achieved.

2. Evidence to date of progress toward these conditions.

(See Continuation Sheet, page 12)

V. PROGRAMMING GOAL

A. Statement of Programming Goal

1. The long-term goal of Part C is to improve the welfare of small farmers.
2. The short-term goal of Parts A and B is to relieve balance of payment pressures by reducing wheat imports and producing an exportable surplus of maize.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

The long-term goal is served by a myriad of interrelated purposes and subpurposes. Achievement of these purposes would result in a system which gives small farmers access to improved production and marketing technology, relieving current constraints inhibiting increased production. While increased small farmer production does not necessarily result in improved welfare of small farmers, it has over time, so happened in most countries which have been able to modernize the systems of this sector.

Whether increased production and productivity result in improved farmer welfare depends upon whether it results in increased returns to the farmer. In a country,

(Cont'd on page 16)

SECURITY CLASSIFICATION
UNCLASSIFIEDPROJECT NUMBER
615-T-009

PAR CONTINUATION SHEET

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II. A. Comment on Key Factors Determining Rating (Cont'd from page 2)

1. No Contractor Performance Evaluation Report can be found in the files. Other materials, however, indicate that contractor's performance was satisfactory.
2. Contractor Performance Evaluation Report indicates contractor completed all significant contract responsibilities in a manner deemed outstanding by Project Manager.
3. Contractor Performance Evaluation Report indicates that most significant contract responsibilities accomplished in superior fashion.
4. Contractor Performance Evaluation Report indicates that several contract responsibilities were carried out in a superior manner, the remainder as planned.
5. Contractor's performance was largely as planned. Shortcomings were as follows:
 - (a) The first annual evaluation under the contract was scheduled for October 1976 but was delayed to January by mutual consent of contractor and Mission. A further delay to late February was agreed to. The contractor, however, was unable to field the full evaluation team until late May. While pieces of the evaluation have been delivered to the Mission and appear to be of satisfactory quality, the Mission does not yet have a complete integrated draft.
 - (b) The first baseline study, required under the contract, was scheduled to be delivered to the Mission in October 1976. It was not delivered until January 1977. Various unforeseen problems were reported to have been encountered by the contractor in developing the computer programs required for analysis of the baseline data. The resulting report was, however, of high quality.
6. No Contractor Performance Evaluation Report can be found in the files. Other materials indicate, however, that contractor's performance was highly satisfactory.
7. While contractor's work was largely as planned, the following shortcomings have been identified:
 - (a) The contractor has not yet succeeded in developing and implementing a Management Information System (MIS) for the project.
 - (b) Contractor's Home Office Support: Conflicts between contractor and contract technician threatened to disrupt project. Issues, while not fully resolved, no longer appear to threaten project.
 - (c) Project technician's quarterly reports have been consistently late.

UNCLASSIFIED

SECURITY CLASSIFICATION

PAR CONTINUATION SHEET

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II. A. 6. Cooperating Country (Cont'd from page 2)(a) Personnel

The GOK has not done well in meeting their manpower commitments to the project.

(1) Provision of Project Officer from MOCD: An excellent officer was assigned to the project but continues to have numerous other commitments and thus cannot be considered full-time.

(2) Provision of Project Officer from MOA: A full-time officer was assigned to the project but he was not vested with sufficient authority to act on behalf of his Ministry. Performance was barely satisfactory.

(3) While provided for in the Operational Plan of the Loan Agreement, neither a permanent secretary nor a program analyst has been provided for the PMU.

(b) Other

(1) Commitment of MCA to provide training at training centers largely met.

(2) Commitment of MOA to provide participating farmers with extension services was, in general, not met.

(3) MOCD technical support for Part C program was satisfactory.

(4) Overall GOK support for Part A was satisfactory.

(5) AFC performance under Part B program satisfactory. Coop Bank performance under Part B program was unsatisfactory in that they did not follow documentation procedures, specified in Implementation Letters and thus it was impossible for Government to present evidence required for loan draw-downs. In lieu of this form of evidence, a random sample survey will be conducted to determine the amount of Part B loans that were provided to eligible farmers. Coop Bank performance under Part C was, in the first year, minimally satisfactory. Loans were delayed in disbursement and the Coop Bank failed to establish a revolving marketing loan program which had been agreed to as part of the Implementation Plan.

III. A. Quantitative Indicators for Major Outputs (Cont'd from page 3)

1. Loans totaling \$6.7 million were made to larger farmers in 1975/76 (Part A).
2. An additional \$3.4 million of agricultural credit reaches small farmers (Part B).
3. Approximately 5,500 loans made to small farmers for food crop production at an average amount of \$110.
4. Recovery of principal and interest in accordance with harvesting schedules at acceptable levels of delinquency (a) 50% of unions achieve 70% repayment of 1976 loan; (b) 70% of unions achieve 70% repayment of 1977 loan; (c) 80% of unions

UNCLASSIFIED

SECURITY CLASSIFICATION

SECURITY CLASSIFICATION
UNCLASSIFIEDPROJECT NUMBER
615-T-009

PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

III. A. Quantitative Indicators for Major Outputs (Cont'd from page 7)

achieve 70% repayment of 1978 loan.

5. Fertilizer, seed and chemicals distributed to approximately 5,500 farmers in accordance with technical recommendations either in cash, or in kind as a credit tranche.

6. Unions/societies will procure from participating farmers approximately 50% of increased volume of food crops produced and will transport it to storage, manage it and sell it.

7. 5,500 small farmers prequalified each year for the program, with an understanding of the use of credit, productive inputs and marketing services and cooperatives.

III. B. Qualitative Indicators for Major Outputs (Cont'd from page 3)Comment

1. Effective accounting systems will be established at each of the unions/societies in the SPSCP program permitting an accurate and timely analysis of the entity's financial condition.

1. Systems have been developed and are in place. The cooperatives have shown reasonable progress in improving their capabilities for implementing these systems. It is reasonable to expect that by third year of operations full output will be achieved in most participating societies. The Peace Corps has made a major contribution in this area.

2. Effective planning methods will be adopted by each SPSCP union/society enabling them to provide efficient, effective and economical services to their membership.

2. Planning exercises have been complicated by the unexpected entrance of IADP into the Part C program. Cooperatives are making progress in this area but continue to require outside assistance. Peace Corps Volunteers have provided much of the required assistance.

3. Effective buying and selling practices will be adopted by each SPSCP union/society in order to maximize returns to cooperative entity and membership.

3. First year buying and selling operations met with numerous problems but many unions carried out reasonably good programs. Costs and efficiencies of first year operations are now under review in order to improve the quality of the service provided.

4. Effective operational practices will be adopted by each union/society to enable them to provide efficient, effective services to their membership.

4. (a) Some unions have been tardy in furnishing information demanded as a prerequisite to the release of loan funds. As a result, loans were delayed, leading to delayed delivery of inputs. For year 3, reporting requirements will be clearly identified well in advance of

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SECURITY CLASSIFICATION

PAR CONTINUATION SHEET

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III. B. Qualitative Indicators for Major Outputs (Cont'd from page 8)Comment

planting season to enable all unions to provide required information and avoid penalty of delayed loan release.

(b) Credit records are being properly prepared but bookkeeping in many societies is as much as three months late.

(c) Physical aspects of many union/society storage and sales areas is acceptable. Others have been forced to use unacceptable accommodations. This problem will be addressed when IADP/SPSCP storage facilities are established.

(d) Procedures have been established for recording and accounting for transactions.

(e) With experience, cost saving practices are being identified and adopted.

5. Establishment of effective and efficient procedures for analyzing applications and granting credit.

5. (a) Time elapsed between application and loan authorization has been excessive in many cases. See B.4.a.

(b) Delinquency rates have been higher than anticipated indicating that analysis of loans has been less stringent than desired.

6. Establishment of a recording system for applications, authorizations, draw-downs inspection and repayment.

6. Record system is operational and functioning properly. The major problem is that bookkeeping is several months late. See B.4.b.

7. Establishment of effective, efficient procedures for procurement, transportation receipt, storage, sale and delivery of inputs.

7. Input procurement, handling and distribution procedures in the second year of the program were improved over those of the first year. There remains much room for improvement, however. KNFC, the preferred supplier, has not been able to provide all necessary inputs. This organization has only been in the input supply business since the initiation of this project and requires time to mature, additional financial resources and probably technical assistance. Unions and societies have improved performance but require storage areas for inputs and reliable transport.

PAR CONTINUATION SHEET

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III. B. Qualitative Indicators for Major Outputs (Cont'd from page 9)

- | | <u>Comment</u> |
|---|--|
| 8. Establishment of recording system for all aspects of procurement, receipt, transport warehousing, sales and inventory of inputs. | 8. Recording systems have been established. More experience is required to enable them to function more efficiently. |
| 9. Standard procedures will be established governing the purchase of grains from farmers and its transportation, the drying and other processes involved in its storage, and its sale and associated transport. | 9. Lack of reliable transportation and storage facilities have hindered the development of standardized procedures. It is anticipated that these two problems will be largely overcome through inputs from SPSCP and IADP by mid-1978. Other problems remain, however, the most important being the lack of standardized procedures on the part of the Maize and Produce Board which hinders the efforts of cooperatives to develop standardized procedures. |
| 10. Standard record keeping will be adopted to fully control the entire process of buying, storage and sale. | 10. Standard record keeping system has been developed and is being utilized. With experience, the unions are becoming increasingly proficient in their record keeping operations. |
| 11. Profits from management fees, price fluctuations and operating margins will enable the cooperative to repay loans and achieve surplus. | 11. An economic analysis of first year marketing operations is underway. Heavy subsidies in first year operations cloud questions of marketing profitability and the situation must be carefully studied. |
| 12. Confirmation that the participating farmer is following approved technology. | 12. Confirmation has been requested from MOA. Preliminary evidence indicates that very little extension follow-up took place so verification of first year performance may be impossible. Coop hired Assistant Field Supervisors are now working with farmers and will generate this information for year II. |
| 13. Confirmation that inputs are being applied to right land and crops. | 13. See comment B.12. above. |
| 14. Recommendations on subsequent practices. | 14. The PMU has received feedback on first year package utilization and problems and has modified content and, in some cases, timing of plantings. With the implementation of the IADP Evaluation system and feedback from field supervisors, the development of improved technical recommendation should become more efficient. |

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PAR CONTINUATION SHEET

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III. B. Qualitative Indicators for Major Outputs (Cont'd from page 10)

Comment

15. Assistance in problem solving.

15. In the first year, farmers received very little problem solving assistance. With new field supervisor input, this should be substantially improved.

16. From IACC: policy guidance, program coordination, progress reviews, reviews of evaluation.

16. Requests that the IACC be convened were made both by USAID and by the PMU. These requests have not been met. The IACC has not provided policy guidance nor program coordination. It has not held progress reviews nor reviews of evaluations.

17. From PMU: (a) Field inspections, analyses recommendations to IACC; (b) Policy distribution, program coordination and evaluation; (c) Development and operation of Management Information System (MIS).

17. (a) PMU has conducted periodic field inspections, prepared analysis and made recommendations to IACC.

(b) The PMU has, without IACC guidance, sought out policy decisions, carried out program coordination and evaluation.

(c) The PMU has failed to develop an MIS. In the absence of an MIS, the IADP Monitoring and Evaluation System will be adopted by the SPSCP program.

18. From MOA and MOCD Provincial and District personnel and from union/society officers: Direction of their respective programs.

18. MOA and MOCD have allowed ambiguity to develop in the relationship between SPSCP and other small farmer programs. Given this, many Provincial and District personnel and union and society officers have done as well as could be expected in providing direction to the program.

IV. A. 1. Statement of Purpose as Currently Envisaged (Cont'd from page 5)

(a) Under Parts A and B, the short-term purpose is to increase food crop production.

(b) Under Part C, the long-term purpose is, in selected areas, to improve the infrastructure serving small farmers, particularly cooperative credit, training and education, input supply, marketing and storage facilities.

(1) To enable selected cooperative unions/societies to become effective, efficient and profitable entities, capable of managing the integrated delivery of credit, import and marketing services to their members, to their own and their member clients advantage.

SECURITY CLASSIFICATION
UNCLASSIFIEDPROJECT NUMBER
615-T-009

PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

IV. A. 1. Statement of Purpose as Currently Envisaged (Cont'd from page 11)

(2) To establish an effective system for providing and managing food crop production credit which permits small farmers to purchase productive inputs and follow more modern technology.

(3) To establish an effective system for delivering productive inputs to small farmers.

(4) To establish a system for providing food crop marketing services to small farmers and increase their returns.

(5) To establish among trainees a minimum understanding of program characteristics as a precondition to entering the agricultural modernization program.

(6) To establish an effective program of follow-up technical assistance to help small farmers follow improved practices and assist them in problem solving.

(7) To establish a structure which will be effective in bringing together the resources from vertically organized institutions with other continuing responsibilities and concentrating and integrating these resources in a small farmer agriculture modernization plan.

IV. B. 1. Conditions Which Will Exist When Above Purpose is Achieved

(Cont'd from page 5)

(a) Quantities of major grain crops produced and marketed have increased.

(b)1.a. Union/societies profitable.

b. Membership grows.

c. Union/society equity capitalization increases.

d. Volume of credit, number of loans, volume of food crops purchased and number of clients grew.

IV. B. 2. Evidence to Date of Progress Toward These Conditions

(a) Quantities of major grain crops produced in 1976 are estimated to have declined by 10% below the previous year because of severe drought. Because of increases in price, however, quantities of grain marketed increased substantially (almost 19%). (Kenya Economic Survey 1977.)

(b)1.a. Economic evaluation of first year operations underway. It is expected that some operations will have proved profitable in first year, most not.

b. Number of active farmer members increased by more than 100% in year II - SPSCP report 2 and 3.

c. Capital position of participating coops is currently under review.

d. Changes from year I to year II increase in credit: from K.Shs. 3.3 million to over K.Shs. 7 million. Increase in loans: from 3,840 farmers to 3,968. Second year

UNCLASSIFIED

SECURITY CLASSIFICATION

UNCLASSIFIED

615-T-009

PAR CONTINUATION SHEET

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IV. B. 1. Conditions Which Will Exist
When Above Purpose is Achieved

(Cont'd from page 12)

(b)2.a. Loans are granted.

(1) When needed: One month before planting season.

(2) In adequate amounts: To conform with recommended incremental input costs and labor.

(3) To qualified farmers: Those who have attended course and requested credit.

b. Loans are managed.

(1) In-kind and cash tranches are granted when needed by production cycle.

(2) Farms are inspected at least twice per season to assure compliance with technical recommendations.

(3) Problems which arise are dealt with promptly through the credit staff or referred to appropriate agency.

c. Loans are repaid.

IV. B. 2. Evidence to Date of Progress
Toward These Conditions

food crop purchases will not be known until mid-1978. Increase of clients is largely reflected in increase of loan numbers.

(1) Loan releases were more timely in year II than year I. They were not granted one month before planting season, however. Plans for meeting this purpose are being prepared for year III.

(2) Review of each year's operation is undertaken to determine appropriate ratios and input levels.

(3) Project reviews indicate that several unqualified individuals received loans but that number is very small.

(1) Apart from delay due to late approval of loans, input delivery is largely satisfactory. In some few cases, however, the input suppliers failed to make deliveries as agreed to, causing delays in input supply.

(2) Such inspections occurred infrequently in first year operations. With the hiring of Field Supervisors, however, it is anticipated that this shall be accomplished.

(3) Such problem solving was not efficiently carried out in year I. Field Supervisor staff should enable the development of problem solving capability in year II, however.

c. Loan repayment in year I was unsatisfactory in most unions. This is a central problem to be dealt with in year II.

UNCLASSIFIED

UNCLASSIFIED

615-T-009

PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

IV. B. 1. Conditions Which Will Exist
When Above Purpose is Achieved

(Cont'd from page 13)

(b)3.a. Productive inputs are accessible.

(1) When needed: In accordance with technological package.

(2) In adequate amounts: As required by the technological package.

(3) Where needed: At the union/society warehouse which serves the small farmer.

(4) At reasonable prices: Prices should provide the union/society with a comfortable margin and still leave farmers a minimum 1:2 cost/benefit ratios.

(b)4.a. The system will clear the immediate market at peak harvest times, establishing an effective floor for food crop prices.

b. The system can operate at competitive prices against other buyers in the area of influence. Society members should use the system in preference to alternatives.

IV. B. 2. Evidence to Date of Progress
Toward These Conditions

(1) See 2.b.(1) above.

(2) Provided in amounts recommended. Recommendations will, however, change as on-farm experience is gained.

(3) In general, accomplished. Major problem is adequate storage space for inputs. Anticipated increases in storage by year III should enable unions/societies to completely overcome problems.

(4) Production costs of first year operations will be analyzed in relation to prices. Since produce prices and input costs are largely regulated the project can do little in and of itself to bring desired ratios into being.

(b)4.a. The Maize and Produce Board (M&PB) is responsible for effecting such a system. Marketing during the first year of the program was hindered by several factors, the most critical caused by limited storage capacity of the M&PB. Unions were often delayed in their efforts to market produce because of this. It is anticipated that the problem will become increasingly acute until the M&PB is able to increase storage capacity.

b. Farmer members have welcomed the establishment of cooperative marketing facilities. They have, to an encouraging extent, patronized them. The question of economic viability of the system is currently under study on the basis of first year operations.

UNCLASSIFIED

SECURITY CLASSIFICATION

SECURITY CLASSIFICATION
UNCLASSIFIEDPROJECT NUMBER
615--T-009

PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

IV. B. 1. Conditions Which Will Exist
When Above Purpose is Achieved

(Cont'd from page 14)

(b)5.a. Percentage of trained farmers
who:

(1) Enter program by joining
cooperative.

(2) Use loans.

(3) Achieve expected incremental
yields.

b. Percentage of farmers entering
program who demonstrate an understand-
ing of program content, procedures and
responsibilities.

(b)6.a. Farmers follow approved prac-
tices.

b. Farm yields increased to
anticipated levels.

(b)7.a. Operating schedules for input
delivery are achieved.

IV. B. 2. Evidence to Date of Progress
Toward These Conditions

(1) In first year of program, 70% of
trained farmers joined cooperatives. Of
those who were trained in the first year,
another 11% are believed to have become
members in year II, bringing the total to
81%. Actual figures for year II are not
yet available but estimated to be 74%.

(2) Virtually all trained farmers
who joined cooperatives in year I received
loans.

(3) Information feedback system has
been inadequate to provide this information
for year I. The project evaluation will
provide some information on this. More
detailed information should become available
in the future as SPSCP adopts the IADP
monitoring and evaluation system and from
second baseline.

b. This information will be gathered
in second baseline study.

(b)6.a. Reliable data available for first
year. This information should be generated
by Field Supervisors in second year and con-
firmed by Baseline II.

b. Reliable data not available for
first year. This information should be
generated by Field Supervisors and by
Baseline II. Such information will be
generated on a regular basis when IADP
monitoring and evaluation system is made
operational.

(b)7.a. As noted above, second year opera-
tions were a marked improvement over first.
It is anticipated that additional progress
will be made in year III.

UNCLASSIFIED

SECURITY CLASSIFICATION

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IV. B. 1. Conditions Which Will Exist
When Above Purpose is Achieved

(Cont'd from page 15)

b. Policy guidance is issued as needed, and program decisions are taken in a timely fashion.

c. Program concepts, policies and procedures are generally understood and adhered to by field personnel.

IV. B. 2. Evidence to Date of Progress
Toward These Conditions

b. Policy issues have not been adequately addressed. There appears to be an increasing recognition of many of the issues, however, and improvement anticipated.

c. The introduction of IADP into SPSCP areas has brought much confusion to the field in year II. Efforts continue to clarify relationships between projects to eliminate this problem.

V. B. Will the Achievement of the Project Purpose Make a Significant Contribution
to the Programming Goal, Given the Magnitude of the National Problem? Cite Evidence.

(Cont'd from page 5)

such as Kenya, in which the government is largely a monopoly purchaser of marketed agricultural products, the relationship between production increases and farmer welfare is very much in the hands of government. We have no reason to doubt the sincerity of the Kenyan Government which has expressed concern for and a desire to improve the welfare of the rural poor, largely made up of the type of farmer served under this project.

The project represents a pioneering effort for Kenya in trying to develop workable systems for modernizing the subsistence farmer sector. It does not and could not address the immediate needs of all of the farmers of this sector. It is assumed, however, that once workable systems have been developed, the activity could be spread to bring benefits to a large proportion of the nation's subsistence farmers. We have no reason to doubt that systems developed in the "pilot" areas could be instituted in similar areas throughout the nation. The short-term project goal, relieving balance of payments pressures through increased wheat and corn production, was not achieved. Production decreased as a result of drought. The magnitude of production decreases, however, was presumably lessened because of the program. The balance of payments pressure was unexpectedly relieved by rises in world market prices of Kenya's major agricultural exports, most notably, coffee.