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KENYA: SECOND LIVESTOCK (CR. 477-KE) 6160
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Report No. 6160

PROJECT PERFORMANCE AUDIT REPORT

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT

(CREDIT 477-KE)

April 24, 1986

Operations Evaluation Department

ABBREVIATIONS

AI	Artificial Insemination
AFC	Agricultural Finance Corporation
BADEA	Arab Bank for Economic Development in Africa
CBPP	Contagious Bovine Pleuropneumonia
CDC	Commonwealth Development Corporation
CDW	Cold Dressed Weight
CIDA	Canadian International Development Agency
CIR	Country Implementation Review
DCA	Development Credit Agreement
DVS	Department of Veterinary Services
FMD	Foot and Mouth Disease
GOK	Government of Kenya
ILCA	International Livestock Center for Africa
KMC	Kenya Meat Commission
LMD	Livestock Marketing Division
MLD	Ministry of Livestock Development
MOA	Ministry of Agriculture
MOALD	Ministry of Agriculture and Livestock Development
MWD	Ministry of Water Development
ODA	Overseas Development Administration (U.K.)
OED	Operations Evaluation Department
PPAM	Project Performance Audit Memorandum
PPAR	Project Performance Audit Report
PCR	Project Completion Report
PCU	Project Coordinating Unit
RMD	Range Management Division (formerly Branch)
RWS	Ranch Water Section
SIDA	Swedish International Development Agency

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THE WORLD BANK
Washington DC 20433
USA

Office of Director-General
Operations Evaluation

April 24, 1986

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Project Performance Audit Report: Kenya Second Livestock Development Project (Credit 477-KE)

Attached, for information is a copy of a report entitled "Project Performance Audit Report on Kenya Second Livestock Development Project (Credit 477-KE)" prepared by the Operations Evaluation Department.

Attachment

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PROJECT PERFORMANCE AUDIT REPORT

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CREDIT 477-KE)

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PROJECT PERFORMANCE AUDIT REPORT

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CREDIT 477-KE)

PREFACE

This is a Project Performance Audit Report (PPAR) on the Kenya Second Livestock Project for which Credit 477-KE in the amount of US$21.5 million was approved in May 1974. The final disbursement was made in June 1983. Total disbursements under the Credit amounted to US$12.5 million. US$9.0 million were cancelled.

The audit report includes a Project Performance Audit Memorandum (PPAM) prepared by the Operations Evaluation Department (OED) and a Project Completion Report (PCR) prepared by the Bank's Eastern Africa Regional Office. The audit memorandum is based on a review of the Appraisal Report (193a-KE) dated May 9, 1974, the President's Report (P-129a-KE) of May 15, 1974, and the Credit Agreement dated June 5, 1974. Correspondence with the Borrower and internal Bank memoranda on project issues have also been studied, as well as the Impact Evaluation Report on the First Livestock Development Project (OED Report Number 3622 of September 22, 1981). Bank staff associated with the project have been interviewed, while an OED mission visited Kenya in October 1985. The mission held discussions in Nairobi with officials from the Ministry of Agriculture, the Ministry of Tourism and Wildlife, the Office of the President, and the Agricultural Finance Corporation. Field trips were made to Laikipia, Kajiado and Taita Districts, where the mission met with local officials and a number of ranches were visited.

The PPAM agrees with the conclusions of the PCR, which provides a thorough and accurate analysis of the experience with the project. In addition to summarizing the conclusions of the PCR, the PPAM discusses issues relating to the design of the project, factors contributing to subdivision of ranches, financial problems faced by company operated ranches, and the experience with livestock marketing.

A copy of the draft report was sent to the Borrower in January 1986. Comments received from the Kenya Rangeland Ecological Monitoring Unit and the Office of the President are included in Attachments I and II.

The audit gratefully acknowledges the assistance provided by many Government officials, staff from the Agricultural Finance Corporation, and farmers.

PROJECT PERFORMANCE AUDIT REPORT

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CREDIT 477-KE)

BASIC DATA SHEET

KEY PROJECT DATA

	Appraisal Estimate	Actual or Estimated Actual	Actual as % of Appraisal Estimate
Total Project Cost (US$ million)	50.7	60.0	117
Credit Amount (US$ million)	21.5	12.6	58
Amount Cancelled (US$ million)	-	9.1	
Board Approval Date	-	05.28.74	
Effectiveness Date	10.30.74	12.02.74	
Date Physical Components Completed	12.31.80	12.31.82	
Proportion then completed (%)	78	65-85	
Closing Date	12.31.80	12.31.82	
Economic Rate of Return (%)	25	Close to 0	

STAFF INPUT

	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	TOTAL
Identification Preparation	44.1	9.1	-	-	-	-	-	-	-	-	-	-	-	53.2
Negotiation	-	16.7	-	-	-	-	-	-	-	-	-	-	-	16.7
Appraisal	16.8													16.8
Supervision	-	0.3	17.1	41.7	45.6	30.0	16.6	30.0	10.0	16.1	11.2	6.0	1.0	271.0
TOTAL	60.9	32.1	17.1	41.7	45.6	30.0	16.6	30.0	10.0	16.1	11.2	6.0	1.0	350.7

CUMULATIVE DISBURSEMENTS

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83
Appraisal estimate (US$ million)	4.6	12.7	[illegible]	20.5	21.5	-	-	-	-
Actual (US$ million)	-	1.5	2.9	2.5	4.2	6.0	7.6	10.6	12.6
Actual as % of Estimate	-	1	1	12	21	28	36	49	58

Date of Final Disbursement: May 1983

MISSION DATA

Mission	Date (Mo. Yr.)	No. of Persons	Mandays in Field	Specializations Represented a	Performance Rating b	Trend c	Types of Problems d
Appraisal							
Supervision I	06/74	1	21	a,d	1	n.a.	F,T
Supervision II	04-05/75	2	30	a,c	1	n.a.	F,T
Supervision III	10-11/75	1	21	a	1	2	F,M,P e
Supervision IV f	02-03/76	5	170	a,b,c,d,e	-	-	-
Supervision V g	10-11/76	2	32	a,b	1	2	F,P,M
Supervision VI	05-06/77	2	76	a	1	2	F,P,M
Supervision VII	01-02/78	2	56	a	1	1	F,M
Supervision VIII	06-07/78	1	40	a	1	2	M,O
Supervision IX	01/79 h	2	3	a	1	2	M
Supervision X	03/79	2	28	a	1	2	M,P i
Supervision XI	04/79				1	2	M,P
Supervision XII	03-04/80	1	46	a,f	1	1	M,P
Supervision XIII	11/80				1	1	M j
Supervision XIV	06-10/81 k	1	22	a	1	3	F,M,T
Supervision XV	04-05/82 l		15	a	1	3	F,M,T
Total			572 mandays or 19 manmonths				

OTHER PROJECT DATA

Borrower: Government of Kenya

Executing Agency: Project Coordination Unit in Ministry of Agriculture and several Government agencies

Fiscal Year of Borrower: July 1 - June 30

Name of Currency (abbreviation): Kenya Shillings (KSh); Kenya Pound (K£ = 20 KSh)

Currency Exchange Rates: Appraisal Year

1974	US$1 = KSh 7.14
1976	US$1 = KSh 8.37
1977	US$1 = KSh 7.94
1978	US$1 = KSh 7.40
1979	US$1 = KSh 7.33
1980	US$1 = KSh 7.57
1981	US$1 = KSh 10.21
1982	US$1 = KSh 12.72

Follow-on Project: None

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a a = Livestock Specialist, d = Meat Processing Specialist
b = Economist, e = Farm Management Economist
c = Financial Analyst, f = Soil economist-Agriculturalist
b 1 = problem free or minor problems, 2 = moderate problems, 3 = major problems
c 1 = improving, 2 = stationary, 3 = deteriorating.
d F = Financial, M = Managerial, T = Technical, P = Political, O = Other.
e Refers to the serious problem of scarcity of supply of immature cattle.
f Review Mission.
g Follow-up Review Mission.
h Partial supervision mission.
i Indicates current problem of obtaining registered ranch leases in company ranch component.
j This mission extended over three periods of field work in the period from [illegible].
k Mission was discontinuous involving field work and meetings with the executing agencies in Nairobi during April, May, 1982. Further field visits were subsequently made to individual subprojects in [illegible] 1982.

ACHIEVEMENT SUMMARY

	Unit	Appraisal	1976 Review	Actual Achievement	Actual as % of Appraisal
1. Ranch Development Loan Approvals					
Group Ranches	No.	60	29	27	45
Commercial ranches (traditional areas)	No.	100	46	56	56
Company and Cooperative Ranches	No.	21	29	19	91
Commercial Ranches (new areas)	No.	-	-	303	-
Baringo Area Ranches	No.	-	-	485 /a	-
Feedlots	No.	3	1	-	0
2. Grazing Shemes					
Northeast Province Grazing Improvement	Million acrees	7	7	5.7 /b	81
Isiolo Grazing Improvement	Million acress	3	3	- /c	0
3. Livestock Marketing					
Cattle Markets (500 head/day)	No.	5			
Cattle Markets (200 head/day)	No.	26	33	37	119
Sheep and Goat Market	No.	3	-	-	0
Holding Grounds	No.	30	30	47	157
Veterinary Laboratories	No.	2	-	-	0
Boat Jetties	No.	2	-	-	0
Cattle Trailers (72 head)	No.	5	5	5	100
Cattle Truck (32 head)	No.	10	10	10	100
4. Wildlife					
Amboseli Park Development	% Implemented	100	100	100	100
Maasai Mara Park Development	% Implemented	100	100	40	40
Nairobi Park Expansion	Km^2	350	350	-	0
Census and Monitoring Unit	No.	1	1	1	100
5. Technical Services					
Livestock Marketing Division	% Implemented	100	100	100	100
Agricultural Finance Corporation	% Implemented	100	100	100	100
Meat Processing Feasibility Study	No.	1	1	1	100
Veterinary Services	% Implemented	100	100	80	80
Overseas Training	No. of courses	4	4	100	2,400

/a Two schemes involving 488 small owners.
/b Infrastructure partially completed.
/c GOK continued the program after termination of CIDA involvement.

PROJECT PERFORMANCE AUDIT REPORT

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT (CREDIT 477-KE)

EVALUATION SUMMARY

Introduction

This project performance audit report covers the Second Livestock Development Project in Kenya, for which Credit 477-KE in the amount of US$21.5 million was approved in May 1974. Cofinancing was provided by the United States, Canada and the United Kingdom. The project, which was expected to cost US$59.7 million, was a much expanded follow-on to the First Livestock Development Project, which was primarily a pilot project.

Objectives

The primary objectives of the project were to increase meat production, both for domestic consumption and export, and raise producers' incomes. This was to be achieved through developing ranches, investing in better livestock water supplies, improving the management of grazing, and developing livestock marketing. A subsidiary objective was to promote development of game reserves, and domestic stock and wildlife in ranching areas adjacent to game reserves.

Implementation Experience

Several Government ministries and one parastatal were responsible for implementing the project, with the Ministry of Agriculture assuming a coordinating role. Although the project was implemented along the lines planned, implementation was made difficult by both the scale of the project and its complex design. The Closing Date was extended by two years, but at project completion only about 50% of the work had been completed, while there was a cost overrun of 17% (in terms of US Dollars).

Results

Although there were some positive results from the project, performance fell far short of expectations and it will probably not show a positive economic rate of return. The results from the main component for ranch development were unsatisfactory, for several reasons. Many ranches were owned by groups of people, but there was considerable dissention within these groups, decision making was ineffective, and many of the owners are now subdividing their land. Some new ranches were established with insufficient equity capital, while management was often indifferent and extension services were weak. At the time of appraisal official meat prices in Kenya were about 25% below export parity and it was expected that this differential would be eliminated during the project period through removing price controls. However, this did not take place. Livestock prices actually declined in real terms over the project period and this adversely affected the financial viability of ranches. Government did not completely phase out all price controls for beef, even though this was required under a covenant in the Credit Agreement.

Under the component for development of range water supplies and improvement of grazing a considerable amount of physical development was carried out. But subsequent maintenance has been poor and control of the grazing has been ineffective. A significant amount of physical development was also completed for the livestock marketing component. But this program incurred large financial losses and Government has withdrawn financial support for this operation. Only limited progress was reported with the wildlife component.

Sustainability

There have been few sustained benefits from this project. Many ranching operations have come to a standstill due to subdivision of holdings, while others have experienced such serious financial problems that they continue to operate only with great difficulty. The benefits from improved range water supplies and grazing management have not been sustained due to poor maintenance and ineffective organization of grazing management committees. Livestock marketing operations came to a standstill when Government terminated financial support for this program.

Findings and Lessons

(a) Most of the project components were somewhat untried and/or risky and there had been insufficient experience under the first project to go ahead on such a large scale in the second (PPAM, para. 24; PCR, para. 10.03).

(b) Complex projects requiring coordination between several implementing agencies, and in this case several cofinanciers, have not worked effectively in Kenya (PPAM, para. 25; PCR, para. 10.04).

(c) Government was unwilling to decontrol beef prices completely, although this was required by a covenant in the Credit Agreement (PPAM, para. 34). Experience implementing covenants relating to price control has also been unsatisfactory with several other projects in Kenya.

(d) Management and decision making on group operated farms and ranches has generally been very unsatisfactory and this has encouraged owners to subdivide their holdings. In many cases the ranches are not suitable for subdivision (PPAM, paras. 27-29).

(e) It was unrealistic to expect that Government could undertake a successful livestock marketing operation. It would have been better if trading activities had been carried out by private traders (PPAM, para. 37).

(f) Unfavorable experience has also been experienced with many other Bank-supported projects aimed at improving traditional livestock systems especially in Africa. (See, for example, "The Smallholder Dimension of Livestock Development. A Review of Bank Experience." OED Report Number 5979, December 1985).

PROJECT PERFORMANCE AUDIT MEMORANDUM

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CREDIT 477-KE)

I. PROJECT SUMMARY

1. The Second Livestock Development Project was a much expanded follow-on to the First Livestock Project, which was completed in 1974. Proposals for the Second Livestock Project were prepared by the Ministry of Agriculture with assistance from the World Bank's Regional Mission in Eastern Africa. The project was appraised in October/November 1972. The project did not become effective until December 1974, owing to delays in obtaining necessary financial commitments from the cofinanciers, the United States, Canada and Great Britain.

2. At appraisal the project was expected to cost US$59.7 million. This was to be financed with an IDA Credit of US$21.5 million and the following contributions from the cofinanciers: USA, US$7.3 million; Canada, US$2.4 million; and Great Britain, US$3.7 million. The balance of the project cost was to be financed by Government and the project beneficiaries.

3. The main component of the project involved development of ranches, while there were smaller components for development of range water supplies and grazing, livestock marketing, and wildlife. Minor components (amounting in total to only 5% of project cost) provided for improved veterinary services, research and technical services, and project coordination. The ranch development component consisted primarily of ranch development loans to be channeled through the Agricultural Finance Corporation (AFC). This component was expected at appraisal to account for 72% of the total project cost. AFC ranch loans were to be provided for purchase of livestock and development of ranches, including water supplies, dips, firebreaks and roads.

4. Loans were to be provided to 100 ranches in the old-established commercial ranching areas, and to 60 newly established group ranches in Masailand and Samburu and 21 company ranches in Coast Province. In Masailand and Samburu the pastoral people had previously led a semi-nomadic existence and they did not hold title deeds to their land. The group ranches involved issuing land title deeds and setting up new ranching units which were collectively owned by groups of people, usually between 50 and 100 families. These ranches were designed as relatively large units (an average of 40,000 acres), because smaller individually owned ranches were generally considered not to be viable. The larger group ranches would enable better use to be made of the available water supplies and seasonal grazing areas. Although livestock would continue to be individually owned on the group ranches, it was expected that the group would agree to control livestock numbers and improve management of the grazing.

5. The company or cooperative ranches in the Coast Province were designed to utilize land which had not previously been used for livestock production, primarily due to lack of developed water supplies. These ranches were established on land leased from Government. The average size of ranch was expected to be 70,000 acres and each ranch would have at least 50 owners.

6. The components for development of range water supplies and grazing covered 7 million acres in North East Province and 3 million acres in Isiolo. The former was to be financed by the United States, while the latter was supported by Canada. The main items to be financed included water facilities, access roads, cattle dips, staff housing, vehicles and operating costs. Improved range management and animal production techniques were to be introduced by the range management extension staff.

7. The marketing component was designed to improve and expand the livestock marketing activities undertaken by the Livestock Marketing Division (LMD) of the Ministry of Agriculture. Financial support for this component was provided by Great Britain. LMD aimed to increase the offtake of cattle and other livestock from the outlying areas of the country. These would include both slaughter stock and immature cattle for fattening. The main items financed under this component included 31 new cattle markets, 30 holding grounds, improvement of existing holding grounds and stock routes, and purchase of vehicles for transporting livestock.

8. The wildlife component was designed primarily to develop areas where wildlife reserves or parks bordered on ranching areas. Traditionally, Masai herdsmen have obtained water for their livestock from within the present boundaries of Amboseli National Park and the Mara Reserve. The project was designed to provide piped water from sources within these game reserves to the nearby ranching areas, thus obviating the need for the Masai to bring their livestock into the reserves. The Masai herdsmen were also to be paid compensation on account of the grazing lost to wildlife.

9. In an area adjoining Nairobi Park (Kitengela) the project aimed to finance the additional developments necessary to extend the park by 550 square kms. The wildlife component also included provision for establishment of a census and monitoring unit to provide up-to-date data on wildlife, livestock and cultivation in pastoral areas.

10. On account of the complex nature of the project a special project coordinating unit was to be established within the Ministry of Agriculture.

11. At full development the project was expected to produce an additional 23,000 tons of meat per annum. The economic rate of return from the project was expected to be 25%.

12. The project encountered many problems and the outcome overall has been unsatisfactory. It has not been followed by a third phase project. Total expenditure under the project is estimated to have been US$69.8 million, 17% higher than expected at appraisal. However, disbursements by IDA were slow, and by the time of project completion only 58% of the Credit had been disbursed. US$9.1 million was cancelled.

13. Disbursements by IDA were slow primarily because most of the IDA funds were allocated for ranch development loans, the main component of the project, but achievements with this component were very limited. The PCR indicates that expenditure on ranch development accounted for only 36% of total project costs, compared with 72% expected at appraisal (PCR, para. 4.03).

14. The pattern of lending for ranch development was also significantly different from that expected at appraisal (PCR Annex 1, Table 1). Loans were made to only 27 group ranches, compared with 60 expected at appraisal, while the total amount lent was only one third of that forecast. In the traditional commercial ranching areas the amount lent by AFC was only 57% of the appraisal figure. For the company ranches, on the other hand, AFC lending was somewhat higher than planned. A total of KShs 40.5 million was provided under 21 loans, compared with 19 loans for KShs 28.0 million planned at appraisal. A large number of relatively small loans were also made to ranches in areas which were not originally included under the project. These included 303 loans for a total of KShs 39.9 million for commercial ranches, and 485 loans totalling KShs 8.5 million for small individual ranches in Baringo District. At appraisal it was expected that three loans would be made for establishment of feedlots. In the event, none of these feedlots was established, primarily because of unfavorable changes in price relationships during the project period.

15. Although a few ranches benefitted significantly from the AFC loan program, the results achieved with most of these loans have been very disappointing. Many of the commercial ranches have suffered from lack of experienced management and dissention among the owners. Divisiveness among the ownership groups proved to be so strong that in many cases the land has been informally subdivided into individual plots and the ranches no longer operate as large-scale entities. Many of these ranches are significantly in arrears with loan repayments to AFC and are now in a very run-down condition.

16. Similar problems have been encountered with the group ranches. There was considerable technical merit behind the idea of group ranches and some significant physical developments, especially improved water supplies, cattle dips, roads and firebreaks, were constructed under the project. However, management has proved to be extremely difficult and the group ranches appear to have made no progress in controlling livestock numbers and improving the management of grazing. For these ranches there are also strong pressures for subdivision, and a few have already been subdivided informally.

17. For the company operated ranches in Coast Province a considerable amount of useful physical development, especially for new water supplies, was completed under the project. However, most of these ranches have also experienced very serious problems and have incurred large financial losses. Management has frequently been poor, the owners contributed very little equity, and beef prices have not been high enough to enable the ranches to be financially viable. Factors which have affected the company operated ranches are discussed in more detail later in this report.

18. Arrears on loan repayments have also been high for the ranch loan program. Data in the PCR (Annex 1, Table 2) indicate that 47% of the ranch loans were in arrears. Data supplied to the audit mission indicate that the total arrears on ranch loans amounted to KShs 52 million (US$3.1 million) in August 1985. This was equivalent to about 14% of all outstanding arrears on loans made by AFC (not including loans for which AFC acted as agent of Government). AFC is confident that all outstanding loans will be repaid in cases where farmers wish to subdivide land, for AFC will not permit title deeds to be issued for the subdivided plots unless all loan accounts are cleared. Land values have risen substantially in recent years and this provides a strong incentive for people to repay loans, rather than lose their land which was provided as security. In other cases, such as the company ranches in Coast Province, where land was not provided as security, it seems inevitable that AFC will not be able to recover significant amounts outstanding.[1/]

19. Actual expenditure on development of range water supplies and grazing was more than three times the amount estimated at appraisal (PCR, para. 4.03). A considerable amount of physical development was undertaken, especially in North East Province, although very little was achieved in Isiolo District due to severe delays and administrative problems. Despite these physical achievements, the impact of this component of the project appears to have been very limited. Subsequent maintenance of the facilities has been very poor and grazing block committees have not functioned effectively.

20. The livestock marketing component was implemented broadly as planned, although actual expenditure was twice the appraisal estimate (PCR, para. 4.03). However, achievements under this program have been extremely disappointing and LMD's activities have been essentially halted since 1983. LMD has incurred large losses on its marketing operations--a total of KShs 53 million (US$3.2 million) during the last 10 years. Eventually Government decided that it could no longer afford to finance such a loss making operation and financial support for LMD was withdrawn.

21. The ineffectiveness of LMD's operations has been a major drawback for the project ranches, for LMD was expected to be the principal source of immature stock for these ranches.

22. Actual expenditure on the wildlife component was also more than twice the appraisal estimate, although achievements were rather limited. The Amboseli pipeline was completed, although at much greater cost than expected. This has been of significant benefit, despite the fact that there have been frequent breakdowns in the last few years. Some compensation has

1/ In the comments in Attachment II the Government has stated that land title deeds will be issued for these ranches, replacing the present leases, thereby increasing AFC's security.

also been paid to ranchers living close to Amboseli to offset grazing lost to wildlife, although there have been long delays before payment was made. Only about 40% of the water development planned for the Mara area was achieved, primarily because of protracted disputes over the boundary of the game reserve. Nothing was achieved with the extension of Nairobi National Park because agreement could not be reached with the landowners concerned. One major achievement under the wildlife component has been the establishment of the Kenya Rangeland Ecological Monitoring Unit (KREMU). This unit was originally established to monitor ecological changes in the Kenya's rangelands, but its mandate has been expanded and it now provides data for a wide range of purposes related to utilization of natural resources.

23. The Second Livestock Project was a large complex project with several different components supported by several donor agencies. Although a project coordinating unit was established within the Ministry of Agriculture, coordination was weak and the unit lacked authority. The experience from this and other projects in Kenya (such as the Integrated Agricultural Development Projects) suggests that projects which require inter-agency coordination, especially between different ministries, are generally not effective.

II. MAIN ISSUES

A. The Project Design

24. The audit believes that the design of this project was deficient because it was too large, the organizational arrangements were too complex, and most of the components were somewhat risky or experimental in nature. One of the most serious mistakes in planning this project was the decision to go ahead with such a large and geographically dispersed project. As noted in the PCR (para. 2.03):

> "IDA decided that, in the interest of making best use of scarce expert manpower in the Bank and in Kenya, it should try to increase significantly the size of individual projects in the agricultural sector. Encouraged by IDA's admonition about more and larger projects, the Government prepared a very large project (US$81.5 million) to be financed by the Bank and other donors."

Although the scale of the project was reduced somewhat during appraisal, the estimated cost of the Second Livestock Project (US$59.7 million) was still more than five times that for the First Livestock Project (US$11.4 million). This was clearly an ambitious undertaking, especially in view of the rather limited, and not totally satisfactory experience gained from the First Livestock Project at the time the second project was planned.2/

2/ For a thorough review of the experience with the First Livestock Project see the Impact Evaluation Report. Kenya First Livestock Development Project (Credit 129-KE), OED Report Number 3622, September 1981.

25. The project also involved four different donors and several different agencies within Government, with a project coordination unit in the Ministry of Agriculture.[3/] Experience with this project, and others, suggests that this type of inter-agency coordination is not generally effective in Kenya, especially when different ministries are involved, for the coordination unit in one ministry has no authority over actions taken by other ministries. Even within MOALD the coordinator worked within a particular division and he had little authority over other divisions. Furthermore, the reorganizations of the Ministry which took place during the project period seriously undermined continuity of funding and interfered with organization and management.

26. All of the major project components were also somewhat experimental or risky. The livestock marketing component involved Government undertaking risky cattle trading operations in a harsh and unpredictable environment. The grazing management schemes in the North East required that the pastoral people make major changes in their traditional system of grazing management, while the group ranches in Masailand and Samburu involved a complete revolution in the peoples' way of life. At the time of appraisal the socio-economic environment was not sufficiently well understood and it was not clear that the farmers concerned would be willing to make major changes to their life-styles, as expected. The company operated ranches in Coast Province also involved high risks, for groups of people with almost no equity capital or relevant management experience were expected to undertake commercial ranching operations in a difficult environment. All of these activities also required a high level of technical assistance/extension input, and this was never properly provided for in the life of the project. When the Second Livestock Project was appraised it might have been worthwhile continuing all of the above project components on a modest scale, similar to the First Livestock Project. At least, the high risks involved should have been acknowledged and the scale of the project should have been reduced accordingly. As noted in the PCR (para. 10.03) "the quantum jump in size and complexity was too great, particularly since certain assumptions originating from Livestock I which influenced the design of Livestock II components turned out not to be fully justified."

3/ The project coordination unit was originally in the Ministry of Agriculture, but this moved to the Ministry of Livestock Development when this became a separate ministry. Subsequently, these two ministries were recombined and became the Ministry of Agriculture and Livestock Development (MOALD). Within MOALD three main divisions or departments (Livestock Marketing, Range Management, and Veterinary) were involved, while other agencies included in the project were the Ministry of Tourism and Wildlife, the Ministry of Water Development, the Agricultural Finance Corporation, and the Registrar of Group Representatives.

B. Subdivision of Ranches

27. All of the group ranches and most of the commercial ranches were owned by relatively large groups of people. But in the majority of cases management of group activities proved extremely difficult. There was mistrust and dissention among the members, while other specific problems arose in the case of the group ranches: in particular, members of the groups often could not agree how to apportion loan repayment commitments to AFC among themselves, while there were disagreements about policies relating to membership of the groups. Existing rules permitted all male children to become members of the groups when they became adults. But some people apparently resented this, for they felt that families with large numbers of children were getting access to more than their fair share of the group's assets. As a result of these problems the group ranches suffered from "virtual paralysis in decision making" (PCR, para. 3.16).

28. These problems created strong pressures for subdivision. People felt that they wanted to manage their own piece of land, take decisions themselves regarding loans and loan repayments, and have the right to dispose of their property as they saw fit. As a result, most of the commercial ranches and some of the group ranches have already been subdivided informally. The land will be formally subdivided when surveys have been completed, any outstanding loans have been repaid, and new title deeds are issued. Clearly, subdivision represents such a radical change that, where this has taken place, the original aim of the project to develop large-scale ranches is no longer valid. For many of these ranches AFC is no longer attempting to promote development but is just concentrating on recovering outstanding loans. Similar problems with subdivision were reported for mixed farms with the Kenya Group Farms Rehabilitation Project (OED Report No. 5752, July 1985).

29. In a few cases subdivision of ranches may be satisfactory, if, for example, a large ranch is divided between a small number of owners. In this case each owner may acquire a unit which is still viable for livestock production. But in many instances there are a large number of owners and the subdivided plots are not large enough to make viable livestock holdings. Most of these areas receive inadequate rainfall for reliable crop production. Furthermore, in many cases the land is not uniform and following subdivision some owners will acquire land which is unsuitable for use at a certain time of the year, or has no water available.

C. Financial Problems on Company Operated Ranches

30. Company operated ranches were established as a means of developing land which previously had been unused. Although the project (together with the First Livestock Development Project) succeeded in completing a considerable amount of useful physical development on these ranches, they have experienced very serious financial problems, due primarily to overdependence on borrowed capital, poor management, ineffective technical assistance and extension services and unattractive beef prices. The majority of these

ranches are seriously indebted to AFC and it is unlikely that AFC will be able to recover a significant amount of the outstanding loans.

31. On each ranch a group of at least 50 people was expected to form a company or cooperative and contribute at least 20% of the capital required. The balance of the capital was to be lent by AFC. Following a review of the project in 1976 it was agreed that the owners' contribution should be increased to 30%. However, in practice they contributed far less than this. Data in the PCR (para. 3.23) indicate that 13 of the 21 company ranches had debt:equity ratios higher than 20:1, i.e. the owners contributed a negligible amount of capital, making financial viability of such enterprises impossible.

32. The owners were expected to contribute equity primarily in the form of cattle, while AFC financed the physical development, such as water supplies, dips, roads, and buildings. Most of this physical development had to be completed first before cattle could be moved on to the ranches. When, subsequently, the owners did not come forward with the expected contribution in the form of cattle, it was not possible for AFC to insist that they should do so. Many of the ranches were thus almost totally dependent on loan capital, rather than equity, and this, in combination with inexperienced management, lack of effective extension, and poor prices, created a disastrous financial situation. This situation was aggravated by the fact that most of the ranches are located in areas which are drought-prone and ranching is a risky operation at the best of times. Furthermore, due primarily to the problems encountered by LMD, as discussed below, it was very difficult for many ranches to obtain immature stock for fattening, and they had to depend increasingly on the much slower process of breeding stock themselves. Lack of an effective fattening operation sharply reduced cash flows and resulted in financial non-viability of the majority of the ranches.

33. At appraisal it was expected that the financial viability of the ranches would be improved through increases in beef prices. The Development Credit Agreement (Section 4.03) provided that Government would decontrol beef prices, thus permitting them to increase to the level of export parity, which at that time was about 25% above the local price level. Subsequently, Government proved unwilling to decontrol beef prices fully because it was concerned about the impact this would have on retail prices. This created considerable strain between the Bank and Government, although eventually the Bank did accept a modified price structure proposed by Government. Despite these changes in the price structure, data in the PCR (Annex 1, Table 7) show that the index of official producer prices for livestock declined in real terms from 100 in 1972 to only 66 in 1982. This had a profound influence on the financial viability of the ranches for, instead of receiving prices which were 25% higher than the level prevailing at appraisal, as was expected, prices actually declined by one third. Although this decline in official prices has had a serious negative impact on the financial viability of ranches, this effect appears to have been partly offset for some favorably located ranches by higher prices in unofficial markets, which had become increasingly important over this period.

D. Livestock Marketing

34. LMD was set up with the objective of purchasing livestock (primarily cattle) from outlying districts, especially the dry pastoral areas. This was expected to help increase the offtake of animals from these areas, while improving the supply of slaughter stock and immatures for fattening elsewhere. To carry out this task a network of holding grounds and stock routes was developed under the first and second livestock projects, while LMD also purchased a fleet of vehicles for transporting cattle. However, LMD has consistently lost money on its marketing operations. It has incurred a loss in every one of the last 10 years; in total these losses have been equivalent to about US$ 3.2 million (at the present exchange rate).4/ Eventually, Government decided it could not afford to continue financing LMD's operations and these have been essentially suspended since 1983.

35. Several factors have contributed to LMD's losses, especially the low margin between its buying and selling prices, the high cost of keeping stock in quarantine for a long period before they could be sold, and high mortality. Although significant mortality must be expected in a program of this type, it appears that LMD has been subject to considerable political pressure to buy large numbers of animals during periods of drought when producers were losing a lot of stock and facing considerable hardship. Through purchasing stock at such times LMD animals experienced substantially higher than normal mortality, for LMD was buying stock which were in poor condition, it did not have adequate grazing to support them, and animals were not in condition to be transported (or they could not be transported because of the quarantine regulations). There have also been suspicions that both the marketing and quarantine operations were open to considerable abuse.

36. Government's decision to withdraw financial support from LMD has meant that the large investment in LMD's physical infrastructure (holding grounds, stock routes, vehicles, etc) is now largely unutilized, while many staff are still drawing their salaries while being essentially unoccupied. Pastoral people in the outlying areas are also finding it hard to sell stock, while ranchers in the higher potential areas are having difficulty buying immature animals. However, some of LMD's facilities are being used to a limited extent by private traders. In retrospect, it was probably unrealistic to expect that Government could operate a livestock trading operation of this type successfully. The audit feels it would have been better if, from the outset, LMD had concentrated on developing some marketing infrastructure, but actual marketing operations had been carried out by private traders, of which there are many with long and successful experience in Kenya.

3/ The losses would be considerably higher than US$3.2 million if the conversion to US dollars were made at the exchange rates prevailing in each of the years concerned.

Attachment I

BORROWER'S COMMENTS

MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT

Telegrams: "Karseu", Nairobi
Telephone: Nairobi 502223/4
If calling or telephoning ask for
....
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Ref. No. KREMU/CONF/2/1/14 Vol.II/(2)
and date

KENYA RANGELAND ECOLOGICAL
MONITORING UNIT
P.O. Box 47146
NAIROBI, KENYA

January 24, 19 85

CONFIDENTIAL

Mr. Yukinori Watanabe
Director
Operations Evaluation Department
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

PROJECT PERFORMANCE AUDIT REPORT
KENYA SECOND LIVESTOCK PROJECT (CREDIT 477-KE)

This is to thank you for your letter dated January 10, 1986 with an attachment of the project performance audit report on the second livestock project Credit 477-KE for which KREMU was a beneficiary. In this connection, I have read and analysed the report with keen interest and I found the report very clear and comprehensive. The report is a useful reference material for future planned projects.

In this connection however, I would like to express my thanks to you for the positive comments made on KREMU and I hope with the continued support from the World Bank, KREMU will even do a much better job to achieve the desired goal of generating data for Government planning requirements. Indeed as indicated in the report our operations have expanded tremendously and this is due to the fact that we have taken advantage of the changing technological inputs to data gathering which has included the applications of satellite imagery and aerial photography and the implementation of the GIS. The GIS as you will appreciate is a very innovative programme and should launch KREMU to much more interactive challenging tasks of resource data as a contribution to Government policy of rural development planning programme. Apart from this positive comment on KREMU and general observation of clarity and comprehensiveness in the report, I do not have any further comment to make.

(D.K. Andere)
PROJECT MANAGER

c.c. The Permanent Secretary
Ministry of Planning and
National Development
THE TREASURY
P.O. Box 30005
NAIROBI

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-12-

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OFFICE OF THE PRESIDENT

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Ref. No. CF.1/10A/XIV/(124)

CHIEF SECRETARY, SECRETARY TO THE CABINET
AND HEAD OF THE CIVIL SERVICE

P.O. Box 30510
Nairobi

CONFIDENTIAL

and date 20th March, 1986

Mr. Yukinori Watanabe,
Director,
Operations Evaluation Department,
World Bank,
1818 Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Dear Mr. Watanabe,

PROJECT PERFORMANCE AUDIT REPORT

KENYA SECOND LIVESTOCK PROJECT

(CREDIT 477-KE)

Please refer to your letter dated 10th January, 1986 inviting comments on the first draft of the Performance Audit Report on the above project.

I am pleased to attach herewith our comments. The comments include those from my colleagues in the Ministries of Finance, Planning and National Development, Agriculture and Livestock Development, Water, Tourism and Wildlife, Lands and Settlement and the Agricultural Finance Corporation.

In general, we appreciate the support the Bank is giving us in implementing the second Livestock Project, and we agree with you that we should reach balanced conclusions concerning the experiences of this project.

Yours sincerely,

[illegible]

CHIEF SECRETARY

Encl.

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........./2

cc. H. M. Mule, Esq.,
Permanent Secretary,
Ministry of Finance,
NAIROBI.

J. M. Kamunge, Esq.,
Permanent Secretary,
Ministry of Agriculture and
Livestock Development,
NAIROBI.

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C. Mbindyo, Esq.,
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NAIROBI.

COMMENTS FROM BORROWER

Attachment II
Page 3 of 6

KENYA LIVESTOCK DEVELOPMENT PROJECT II - CREDIT 477-KE
SUMMARY OF COMMENTS ON THE AUDIT REPORT & THE PCR

1.0 GENERAL OVERVIEW:

All of these documents have been considered by the audit.

1.1 The Audit Report as a document is too brief for a project with so many components and sub-components. The report draws most of its conclusions from the Project Completion Report vis-a-vis the Project Appraisal Report and loses sight of the Project Review Report and the joint G.O.K/Bank Project Evaluation Report of 1976 and 1982 respectively.

1.2 The Project Review Report became the Project Paper and hence the basic document of reference in the project implementation (see page 10 of the PCR) while the joint G.O.K/Bank Project Evaluation (page 12 of the PCR) enlisted the "experiences and results" of the project performance as lessons to the project implementing agencies (both the G.O.K. and the Donor Agencies) in appreciating the extent of achievements of the project objectives, reasons for shortfalls and/or outstanding achievements and the general effectiveness of the World Bank support for the Kenya Livestock Development Project.

The audit believes that the Bank and the Kenya Government share responsibility for supporting an unsound project.

1.3 Based on the Project Review Report and the joint G.O.K/Bank Project Evaluation Report, the conclusions on the project components, sub-components and accomplishments should have come out more clearly, otherwise the general conclusion statements in the Audit Report are not essentially applicable and subsequently are lopsided putting inappropriate blame on the project implementation performance by the G.O.K.

2.0 Specific Issues

2.1 Planning and Objectives

The PPAM (para. 25) specifically mentions problems of coordination between donor agencies.

The project was too complex and it is therefore not surprising that it encountered co-ordination problems both with the donors and the implementing agencies. It is evident that the Audit Report overlooked the problems encountered on donor coordination during the project implementation. (see joint GOK/Bank Evaluation Report of 1982).

In spite of the initial size and complexity of the project at the proposal stage a wildlife component was included at the appraisal stage complicating the project even more.

Some of the objectives remained conflicting throughout the implementation period mainly because of the initial poor Project Conception:

While the main target output was on red meat production, a measure of success of the project, a number of ranching types (Group, Grazing Blocks) have had milk production as their traditional priority. The project insisted on production and Credit facilities that catered only for cattle, ignoring other sources of red meat such as sheep, and goats. A holistic ranch approach would have reduced the effects of the recurrent drought since small stock are not as heavily affected by drought as cattle.

ie PPAM (para. 5) has been mended and now akes specific eference to the nadequate under- tanding of the ocio-economic nvironment at ppraisal.

Like most small-scale farmers, the pastoralists are risk averters. The soci. l-cultural nature of the target group should have been studied more adequately to understand the role and possible repercussion expected of the target group in the implementation of the project.

During the planning stage oversights were made on the need to have some critical activities e.g. surveying, accomplished at the right time.

Although these are some of the major causes of the project failure, the report does not mention them.

In view of the above comments, the report Contains Sufficient evidence to show that the objectives and planning of this project was unsatisfactory.

2.2 Pricing (Page 30, paras. 7.03 - 7.09)

lthough the udit agrees that any factors con- ributed to the oor performance f the project, he unattractive ontrolled price tructure for eef was a major actor contribut- ng to unprofit- bility of ranch- ng operations.

Although G.O.K agrees that low prices have affected the ranch profitability (see GOK/W-Bank Mission Report carried in 1982), the conclusion regarding the price issue puts inproportionate share of the blame to GOK for not decontrolling the prices. Price liberalization has not been thought to be the only solution to guarantee project success. Given the social economic realities within the country, GOK was not able to comply with the cov. nant.

The declining agricultural terms of trade argument to the effect that this decline was caused by the Government for not allowing adequate price increases is not convincing.

Some of the major factors that contributed to the low rate of return of the Project were both external and internal to the Project e.g. recurrent drought, low throughput, poor management etc. In addition, rising prices, inputs and depressed world prices of Kenya's exports, devaluation and problems related to marketing and input supply, all contributed, directly or indirectly, to a decline in price in real terms.

2.3 Land Sub-division (paras. 15, 27-29)

The audit disagrees. The audit mission was informed that the majority of ranches in the old-established ranching areas had been subdivided, at least informally.

It is true the sub-division process of group ranches and large-scale farms/ranches has affected some areas of the project but certainly it is not to such an extent that one would say the sub-division is one of the major causes of the current lack of business of most of the ranches. It must have been obvious that the main objective of the Kenyans that bought either the large scale farms or ranches in the former scheduled areas was to have a piece of individually owned land to settle. Possession of a group farm and the generation of income through the latter organization was only secondary. At no time were these groups informed that the sub-division was unviable proposition for ecological reasons. Such a policy would have allowed for an understanding that the ranches could only provide an income, if any, when run as a single entity and on commercial lines.

A footnote has been added to para. 18 noting that land title deeds will be issued for these ranches.

Para. 18 of the Audit Report indicates that AFC will be unable to recover significant amount of outstanding loans, the main reason being that these loans are not secured. GOK is aware of the problem and measures have been taken to have the ranches surveyed, title deeds given and thereafter have security offered for the loans.

At the time of the audit mission AFC had no funds available for further development of these ranches.

The Audit Report further states that AFC is no longer attempting to promote development but it is just concentrating on recovering the outstanding loans. It should however be noted that AFC is currently servicing the existing clients which is part of development objectives. While loan recovery generally implies ranch liquidation, servicing includes the improvement of ranch repayability through injection of more capital in viable ranches.

2.4 Ranch Lending

Para. 7.13 - while it is true that AFC records were not up-to-date at the beginning of the project there was no time when working capital was ever credited to Development Capital accounts to prevent their falling into arrears. Working Capital Account was an operational account where all the proceeds from ranch operations went and from where payments were made.

Para. 3.31 and Annex 1, Table 2 gives a misleading interpretation of the actual status of loan arrears for Baringo and other ranch types. The 62% refers to the number of ranchers in arrears but not the actual amount of money in arrears. The latter would give a better picture as to how much money was in arrears. This percentage is much lower (7%) for Baringo compared to the reported 62%. A column on "% Amount in Arrears" should add more meaning to Annex 1 Table 2.

2.5 Overall Project Performance.

The audit agrees that many of the physical targets were achieved but the impact of this development was minimal due to ineffective ranching operations, failure to control the use of grazing, and termination of LMD's operations.

It is unfortunate that no actual IRR has been calculated or attempted to, for the Project. If one has to look at the actual performance (see Basic Data) as a percentage of the appraisal, project does not look allthat disappointing as most components reached 100% performance. If the actual performance is based on the 1976 Review, which is actually project base, the actual performance is either 100% or above the expectations.

Notwithstanding, the Project has laid a strong base for future livestock development in Kenya if current infrastructures and institutions set by the project are not left idle for too long.

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
CREDIT 477-KE

PROJECT COMPLETION REPORT

Eastern Africa Projects
Central Agriculture Division
October 7, 1985

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I. BACKGROUND

Agricultural Sector

1.01 Kenya, with a land area of 575,000 km2, is a country of contrasting climate, topography and agricultural systems. Despite its large area, its diversity of ecological and climatic conditions limits the areas of high agricultural potential. Only about 7% is high-quality land, with adequate and reliable rainfall and good soils. Another 11% is medium quality and a further 4.5% is arable, but subject to periodic drought and crop failure. The remainder (77.5%) is suitable only for extensive exploitation, mainly livestock. Kenya's population is about 18 million, and growing at about 4% per year. This high rate has seriously increased pressure on better land and pressure is continuing to mount.

1.02 At the time of appraisal in 1972, Kenya had experienced almost a decade of dynamic post-independence economic growth (an average of 6.7% per annum between 1964 and 1972), based substantially upon the strong performance of agriculture (4.6% per annum). The performance of development projects had by and large been satisfactory and there was a widespread sense of confidence in continuing progress.

1.03 The year 1972/73, however, marked a turning point for the economy, whose growth slowed to 4.5% (3.1% for agriculture) per annum between 1972 and 1982. Aside from less favorable international conditions, weaknesses in the internal economy became apparent during the 1970s. The major sources of agricultural growth in the 1960s (expansion of the cultivable area, the switch to higher-value crops, and the diffusion of hybrid maize) all lost momentum. The short-lived 1976/77 coffee boom led Government to undertake an expansion of development spending which was abruptly curtailed by drastic budgetary cuts during the period 1980-82. Cuts have continued since then. These cuts, which in 1981/82 amounted to 20% of the nominal development budget (about one-third in real terms), had a dramatic effect on many development projects, including Livestock II (para 7.23). Expansion of public investment also led to severe strains in the management capacity of Government, particularly in the project's implementing ministries.

Livestock Subsector

1.04 Domestic livestock represents a major national resource, comprising an estimated 11.5 million cattle, 8.3 million goats and 4.3 million sheep (see table below). About half the domestic animal population is in the intensively cultivated, high potential areas and half is scattered over the extensive range areas where livestock is subjected to significant and increasing competition from wildlife which are building rapidly in numbers under the game protection laws.

Livestock Population - May 1979 a/

('000 head)

Livestock	Total Number	Large	Intermediate	Small
		Distribution on Farms of Different Size		
Cattle	11,453.4	9,754.1	990.7	708.6
Goats	8,282.0	7,542.7	693.3	46.0
Sheep	4,299.0	3,565.8	411.5	321.7
Pigs	111.5	92.2	b/	19.3
Poultry	28,864.0	26,559.9	b/	304.1

a/ Excluding the dry areas.
b/ Not covered in enquiry.

Source: Economic Survey, 1982.

1.05 Livestock production is estimated to contribute some 5% of GDP and about 10% of exports. However, these figures underestimate the real contribution of livestock in providing a major part of the subsistence of smallholders and pastoralists. Furthermore, livestock/pastoral production, along with wildlife and tourism, are a major means of utilizing the large expanse of arid and semi-arid lands which make up nearly 80% of the country.

1.06 Data on production of meat are poor, mainly because only a fraction, perhaps one quarter, of production passes through official marketing channels. The volume of officially marketed production decreased by 10.7% per annum between 1971 and 1982, although this does not reflect trends in production as a whole, but rather the falling proportion of production that was handled by the Kenya Meat Commission (para. 1.07). Best estimates for overall production suggest a slow rate of increase over the period, although with major fluctuations resulting primarily from droughts. Droughts are a major feature of the livestock sector in Kenya; they occured in 1961, 1974/76 and 1984, with a lesser recurrence in 1979/80, and resulted in periodic marked declines in the animal population.

1.07 The Government's role in the sector is extensive. The overall beef policy, with its origins in the colonial period, has been to encourage a stratification of production, with the arid and semi-arid pastoral areas supplying immature and slaughter stock for finishing and marketing in the high potential and urban areas, especially in the center of the country. To this end, Government has been directly involved commercially through the Livestock Marketing Division (LMD) of the Ministry of Agriculture and Livestock Development (MOALD) (though the volume handled has fallen in recent years), has supported the development of a trading infrastructure, and operates a system of disease control in an attempt to limit the spread of Foot and Mouth Disease and Contagious Bovine Pleuropneumonia from range areas to higher-potential areas. A parastatal corporation, the Kenya Meat Commission (KMC), had until the early 1970s legal monopoly over the butchering and wholesaling of meat which it exercised within a set of prices established by Government. The monopoly in respect of beef for the domestic market was, however, rescinded in 1972 and the KMC has declined in importance relative to the private trade (although it continued to channel beef for export). Government has continued to set controlled prices, although their effectiveness was lessened by the removal of KMC's monopoly, and the limited amount of beef marketed through official channels. Government also provides various services in support of producers including veterinary help through the Department of Veterinary Services (DVS), credit through the Agricultural Finance Corporation (AFC), and water through the Ranch Water Section (RWS) of the Ministry of Water Development (MWD).

1.08 The Livestock I and II Projects represented an increase in Government support for producers in arid and semi-arid areas. These areas play a twofold role in the beef industry of Kenya. First, slaughter animals are supplied to the major consuming areas of the Coast, Central and Western Kenya; and second, immatures are provided to higher-rainfall ranch areas for fattening prior to slaughter or, on a relatively small scale, for live export. Animal production in the rangelands is in the hands of ethnically diverse pastoralists, who generally keep multi-species herds and flocks. While priorities vary from area to area, milk for domestic consumption and stock sales for cash incomes form the main economic benefits from pastoralism. Production systems are based upon migration in response to climatic variation modified in some areas by provision of permanent water-points. These systems are devised to ensure the maximum chance of survival and rapid subsequent recovery of herds; consequently, innovation is accepted by pastoralists only if it is consistent with their traditional drought-avoidance strategy.

1.09 Rapid social and economic changes have occurred during the past 20 years in many pastoral areas, manifested as permanent settlement (though herd movements continue) together with slowly-developing access to schooling, modern medical services and social facilities. Economic changes have also slowly increased the diversity of sources of pastoralists' incomes through inter alia the spread of agriculture in wetter areas, better communications and increased employment opportunities.

Earlier IDA Involvement in the Sector

1.10 Between 1960 and March 1974 the Bank/IDA made seven Loans/Credits for Kenyan agricultural development. Of these, the most relevant for Livestock II was the First Livestock Project (Livestock I), the first occasion on which the Bank provided funds for livestock in Kenya. Other projects with significant livestock components included the Integrated Agricultural Development Projects I and II (IADP I and II). Highlights of these projects are discussed below.

1.11 First Livestock Project. The Bank, SIDA (Sweden) and the Government provided funds for a pilot livestock development project in 1968, with principal emphasis on increased beef production through ranching development, mainly in the country's extensive pastoral areas. The project also provided for improved livestock water on communal lands, more effective veterinary facilities and animal health control. The project represented the first major effort by the newly-independent Government of Kenya to reverse the comparative neglect of low-rainfall pastoral areas; for IDA it constituted a model whose aims and objectives were to influence livestock project design in a number of other African countries.

1.12 Total project cost of Livestock I at the completion of disbursements in July 1974 was some US$ 12.3 million, shared about equally by Government, IDA and SIDA. The project experienced serious early slippage due to organizational and administrative problems, and delays in recruiting qualified staff. These were compounded by legal complications with land titles and credit collateral, and delays in establishment of credit delivery. The project subsequently gained momentum and in general the results were encouraging, despite a shortfall in final production targets and expected overall benefits and the evident lesson of subsequent years that development of traditional livestock systems will be a slow process. The project broke limited new ground in making credit available to pastoralists and small livestock owners and in demonstrating a willingness among pastoralists to participate in group and company ranching. It was also successful in encouraging some small livestock owners to form companies and to operate commercial ranches in higher potential areas. Buoyed by these achievements, Government was encouraged to prepare a significantly larger and more comprehensive second phase. In view of the influence of the Livestock I on its successor, a summary of its PCR is included in this report as Annex 2. An Impact Evaluation Report on the project was issued on September 22, 1981 (Report No. 3622). It is interesting that this report emphasized that many processes of change initiated under the project are still unfolding; it concluded that the project can be considered a successful effort.

1.13 The First and Second Integrated Agricultural Development Projects. Both projects included components which supported livestock development in Kenya's higher potential areas. IADP I was jointly financed by IDA and BADEA. Total project cost was US$ 35.7 million, of which only US$1 million (3%) was originally allocated to livestock activities--mainly for animal husbandry improvement, tick control (dipping), artificial insemination (AI), and training. The principal expected benefits were incremental milk and beef production, accruing from better husbandry, improved nutrition and lower mortality resulting mainly from better control of East Coast Fever and other tick-borne diseases. IADP I became effective in March 1977 but experienced serious implementation slippage. The livestock component did not develop along the lines expected. Only the tick control activities made significant progress, after agreement by the Bank to finance acaricides. Of total investments of some US$5.69 million (significantly more than anticipated) ultimately made for livestock development, over US$4 million was invested in the tick control program. The Credit was closed in December 1981, and the full amount of the Loan (US$10 million) and US$3.33 million of the US$10 million Credit were cancelled. The PPAR for the project was circulated on October 29, 1984 (Report No. 5305).

1.14 IADP II was designed to cover many of the higher potential areas not included under IADP I. It was financed by IDA and IFAD for a total project cost of US$ 92 million of which some 18% of base costs (US$ 16.5 million) was for livestock development. Emphasis continued on increased milk and beef production through disease control (dipping), AI, and animal production including extension and the provision of milk handling facilities (in that order of priority). The rationale for the emphasis on disease control was that Government felt that cattle-dipping would be a prerequisite if Kenya was to upgrade its cattle stock. It was decided that this goal could best be met by dipping in public dips. IADP II supported this program as it did the opening up of several new AI routes. As with other parts of the IADP program, it was not possible to quantify the impact of these activities. Much of the herd owned by smallholders in high potential areas is now upgraded, indicating that IADP or other AI programs had significant success although this was achieved at considerable cost. Moreover the recent financial crisis combined with high subsidies, has meant that AI services provided are not now as good as they were in the mid to late seventies. The dipping program was less successful and very costly to Government because of inefficiencies and subsidies to farmers; a significant proportion of smallholders now spray their cattle with hand sprayers. IADP II also included a legal covenant that Government would review milk prices annually to ensure an adequate return to producers. While there were three upward adjustments to milk prices during the project years, producer returns decreased significantly in real terms in the period and continue to do so. Because of overall unsatisfactory performance, the Government decided to disaggregate IADP II into its component parts and identify and prepare new projects. The National Extension Project (Credit 1387-KE) is the first of this new generation of projects. A proposed dairy project may be another (see Section VIII).

II. PROJECT FORMULATION

Identification and Preparation

2.01 The identification and preparation of Livestock II followed directly from the encouraging experience of Livestock I. During 1971, the Ministry of Agriculture (MOA) set up a Phase II Planning Committee comprising members from divisions, AFC and the Bank's Regional Mission in Eastern Africa1/. Divisions of the Ministry prepared proposals, coordinated by the Economic Planning Division, with assistance from RMEA. Government submitted its proposal and requested IDA funding on August 22, 1972.

2.02 Government's proposal was for a comprehensive program, intended to address in an integrated and rational manner the range of major constraints limiting development of the livestock subsector in the drier areas of the country. The major components were:

- livestock marketing (primarily stock route development, provision of vehicles and operating costs);
- veterinary services (largely provision of operating costs);
- range management development;
- livestock water development;
- ranching (providing for development of an estimated 350 ranches);
- KMC plant expansion; and
- wildlife management.

1/ At that time, the role of Kenyans in livestock planning was more limited than it is today. Excluding USAID and IBRD committee members, 4 were Kenyan and 10 were expatriates. By 1984, the great majority of a comparable committee was Kenyan.

The estimated cost of Government's proposal was US$81.2 million.

2.03 The large scale (in financial terms nearly seven times the cost of Livestock I) and ambitious goals of Government's proposal reflected two perceptions at the time. The first was that Livestock I had substantially resolved the socio-economic problems of ranch management and had devised an effective implementation structure. In some respects this conclusion was justified but, as discussed later in this PCR, Livestock II was based partly on assumptions originating in Livestock I which, with the benefit of hindsight, were clearly somewhat over-optimistic (Sections VII and VIII). These included:(i) that a substantial increase in beef production from pastoral areas would be possible from a change in herd structure toward beef animals; (ii) that sustained and large numbers of immatures would be available from the North Eastern Province during the crucial early years of ranch establishment while the breeding herd was building up; and (iii) that the project could be effectively implemented through existing institutions. The second explanation of the large size of Government's proposal was the perception that abundant IDA funds were available at the time. In the words of the PCR for Livestock I (p. 25):

> IDA decided that, in the interest of making best use of scarce expert manpower in the Bank and in Kenya, it should try to increase significantly the size of individual projects in the agricultural sector. Encouraged by IDA's admonition about more and larger agricultural projects, the Government prepared a very large project (US$ 81.5 million)2/ to be financed by the Bank and other donors.

From the receipt of Government's application right through to negotiations, the Bank undertook on Government's behalf active contacts with potential co-financiers, including USAID, CIDA, ODA, SIDA (which had co-financed Livestock I), CDC, and the Governments of West Germany, Italy and Norway. None of these participated fully in the appraisal process, but the first three ultimately took part in the project.

Appraisal

2.04 The appraisal mission arrived within two months of receipt of Government's application and spent one month in Kenya in October/November 1972. USAID and CIDA sent observers to accompany the mission.

2.05 The mission broadly endorsed Government's submission, except for two proposals. First, Government had suggested an extensive campaign of vaccination against Foot and Mouth Disease (FMD), along lines proposed by SIDA. The mission concluded that this component should be excluded because:(i) FMD led to minimal economic losses among indigenous zebu cattle; and (ii) export market conditions were such that little benefit would accrue to Kenya as a result of a large scale campaign. Government's proposal to fund 110 individual ranches in the traditional Maasai rangeland

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2/ The discrepancy between this figure and the US$81.2 normally quoted (para. 2.02) is due to the different exchange rates used. Government's submission expressed project costs in local currency alone and the above quoted figure was based on an estimate using a spot exchange rate.

was also excluded by the mission on the grounds that: (a) there was not sufficient land for individual ranches for all potential participants; and (b) individual ranches would tend to be located in better rainfall areas thus reducing crucial dry-season grazing areas for the majority of pastoralists.

2.06 In addition to these changes, the appraisal included a strengthened wildlife component to provide for management and development of wildlife in Amboseli National Reserve (later gazetted as a National Park), Nairobi National Park and Maasai Mara Park. In these areas wildlife and livestock were beginning to compete for scarce resources to the detriment of both animals and pastoralists. If pastoralists could be compensated by means of assured water points and cash income to discourage their illicit encroachment on parklands, a modus vivendi might be achieved which could be beneficial to all participants. A component to test this possibility was therefore included.

Negotiations and Effectiveness

2.07 Negotiations were completed in July, 1973 with broad agreement on all major issues. Board presentation was, however, delayed by the need for co-financiers to confirm their participation. Consequently, the project was not approved by the Board until May, 1974. The DCA between Government and IDA and the Project Agreement between AFC and IDA were signed on June 5, 1974; effectiveness slipped until December 2, 1974 on account of protracted delays in commitments from the co-financiers. More than two years finally elapsed between the date the appraisal mission arrived in Kenya and the date of Credit effectiveness, considerably longer than usual. This may have been unavoidable given that co-financiers did not participate directly in appraisal and used the Bank's appraisal report as their starting point. Had co-financiers participated fully at appraisal, Credit effectiveness would almost certainly have been speeded up.

Project Description

2.08 Livestock II was designed as a broadly-based, integrated program which would increase beef production in Kenya over six years through ranch development and the improvement of essential infrastructure. It also included a component on for wildlife management, conservation and development. The project provided for:

(i) establishment and/or improvement of about 60 group ranches, 100 commercial ranches, 21 company and cooperative ranches3/ and 3 feedlots;

(ii) improvement of about 7 million acres of communal grazing land in North Eastern Province and about 3 million acres in Isiolo District through provision of water facilities, access roads and grazing control;

(iii) establishment of 31 new cattle markets and 30 new holding grounds as well as the improvement of existing holding

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3/ Brief definitions of the different types of ranches are given in Section III.

grounds and stock routes by providing water, stock handling facilities and bush clearing;

(iv) provision of 10 cattle trucks and 5 cattle trailers;

(v) development of 3 wildlife areas, Amboseli, Maasai Mara and Nairobi National Parks, and provision for a wildlife and livestock census and monitoring service; and

(vi) technical services, training, project monitoring and evaluation, and future project preparation. Under this component, technical services were to include: (a) support to LMD, AFC, the PCU and the Department of Veterinary Services; (b) a meat processing study; and (c) training.

2.09 The project also included costs of incremental working capital requirements for ranch development and incremental operating costs for the implementing agencies.

2.10 Project costs were estimated at appraisal at US$59.7 million of which US$18.9 million or 32% represented foreign exchange. The financing plan was as follows:

Appraisal Cost Estimates and Financing Plan

Component	US$ million	Percentage of base cost	Source
Ranch Development	27.49	72	IDA, USAID, GOK, Sub-Borrowers
Range Water Development	3.10	8	USAID, CIDA, GOK
Livestock Marketing	3.50	9	ODA, GOK
Wildlife	2.08	6	CIDA, IDA, GOK
Technical Services	1.98	5	IDA, USAID, GOK
Total Base Costs	38.15	100	
Contingencies	21.55		
Total Project Cost	59.70		

An IDA Credit for US$21.5 million was approved, which was to finance 36% of project costs. The remaining 64% was to be financed by USAID (12.25%), CIDA (4.0%), ODA (6.2%), Government (27.2 %) and project beneficiairies (14.4%). The contribution of beneficiairies was primarily in the form of equity in ranches.

2.11 Overall responsibility for coordination and implementation of the project was vested in a newly established Project Coordination Unit (PCU) in the Ministry of Agriculture.4/ The executing agency for the ranch development component was the Agricultural Finance Corporation (AFC),

4/ The PCU was transferred to the Ministry of Livestock Development in 1979 when the latter split from the Ministry of Agriculture.

with technical services provided through the Range Management (RMD), Range Water (RWD)5/ and Veterinary Services Divisions of the Ministry of Agriculture. The Department of Tourism and Wildlife was to be involved jointly with RMD in determining appropriate stocking rates and with implementation of the wildlife component. The Registrar of Group Representatives, Ministry of Lands, was to provide management and organizational assistance to group ranches. LMD was to have responsibility for:

(i) buying and selling immature and slaughter cattle;

(ii) provision of auction facilities;

(iii) development, operation and maintenance of stock routes, holding grounds, and markets; and

(iv) transport of cattle by truck and road trailer.

Expected Benefits

2.12 Incremental beef production was expected to be about 23,000 tons of meat at full development, an increase of 50% over the 1972 level of marketed production. Part of this increase was expected to result in higher foreign exchange earnings and to raise the average grade of meat exported. The actual impact on production and exports was, however, recognised to be dependent on pricing policy, and thus the DCA included a convenant to pahse out price controls (para. 7.03). The overall economic rate of return of the project was calculated as 25%. Separate financial rate of return calculations for different ranch types indicated that each would be satisfactory, ranging from 12 to 23%. The main sources of risk were perceived as implementation problems and the complex social and organizational factors involved in group and company ranches.

2.13 The main changes from Livestock I were:

(i) an increase in the scale and complexity of the development interventions proposed along with a significant dependence on multi-donor funding;

(ii) the addition of a wildlife component;

(iii) a quintupling of project costs in current prices;

(iv) substitution of substantial development goals for the pilot and innovative nature of the first phase; and

(v) establishment of a special coordination unit, the PCU, in the Ministry of Agriculture.

5/ Later to become the Range Water Section (RWS) of MWD which itself also split earlier from the Ministry of Agriculture.

III. IMPLEMENTATION

A. History of the Project

3.01 Start-up. Following Credit effectiveness in December 1974, start-up should have been straightforward as project components, with the exception of wildlife development, were continuations of activities begun under Livestock I and the PCU had been set up prior to effectiveness. In fact, the project gathered momentum slowly. The first supervision missions (May and October/November, 1975) identified the following major issues:

(i) weak project coordination;

(ii) slow ranch development (AFC had approved only 16 loans by November 1975, none of them for group ranches) due principally to delays in elaborating ranch plans;

(iii) general escalation of project costs;

(iv) continued Government control of producer and consumer prices depressing the financial attractiveness of beef production; and

(v) complex problems involving the wildlife component.

By the end of September 1975, IDA had disbursed only US$285,000 as compared with an appraisal estimate of US$6.3 million. The project was seriously stalled.

3.02 In-Depth Review (1976). The October/November 1975 joint donor supervision mission unanimously recommended an in-depth review to:

(i) recommend modifications to project organization and management to ensure effective and timely implementation;

(ii) detail the duties and responsibilities of the various departments of Government responsible for project implementation;

(iii) prepare implementation schedules and work programs;

(iv) investigate the economics of beef production under the prevailing costs and Government price controls; and

(v) recost and rephase the project within available funding.

3.03 The joint donor review mission visited Kenya in February/March 1976 and produced a very detailed report. Particular emphasis was laid on the preparation of ranch budgets which indicated that at prevailing prices ranching was financially marginal. The mission's main findings were outlined in a letter to Government dated September 10, 1976 that included recommendations to the effect that:

(i) funds for ranching could not be justified unless meat prices of key grades were raised--to KSh 8 05/kg for Fair Average Quality (FAQ) grade and KSh 7.25 for Standard grade;

(ii) the capital intensity of individual ranch investment prorams should be reduced along with the size of the target area (from 1.9 million ha to 1.5 million ha);

(iii) participant contributions to ranch development should be raised to a minimum of 30% from the 20% specified in the Project Agreement;

(iv) ranch planning, budgeting, management and supervision needed urgent improvement to overcome the implementation hiatus;

(v) greater delineation of responsibilities for maintenance of water facilities was needed;

(vi) alternative measures to strengthen overall project organization, management, and implementation capacity needed to be taken; and

(vii) MOA's Planning Division should be strengthened.

3.04 At follow-up discussions with Government in October/November 1976, the main issue was Government's unwillingness to abolish price controls on beef, as had been specified in Section 4.03(b) of the DCA, or to raise producer prices to the level believed by the mission to be necessary for ranch viability. The issue was not resolved at these discussions and slowly became a major bone of contention between Government and the Bank. The issue was taken up at more senior levels, ultimately by the President of the World Bank with the Minister of Finance. Finally, in February 1978, Government announced a revised set of prices which was acceptable to the Bank (Section VII below).

3.05 For the first time in over three years since effectiveness, therefore, implementation of the project could proceed uninterrupted by the prospects of major redesign or by fundamental disagreement between Government and the Bank. Project implementation proceeded unevenly during this period; the record is described in subsequent chapters. In brief, the project faced a series of intractable problems, and at no stage was progress viewed as satisfactory either the Government or the Bank. Continuing efforts were nonetheless made to address the problems because of the importance of the project in the livestock sub-sector.

3.06 Two-year Credit Extension (1981-82). As the December 31, 1980 Closing Date of the Credit approached, and disbursements were still well behind expectations, Government requested a two-year extension. In response, the Bank conducted a detailed supervision mission in June 1980 that amounted to a second review of the project. The mission concluded that an extension could be justified on the grounds that it would establish:

(i) a clearer understanding of the factors associated with success or failure of development interventions in specific circumstances in rangeland areas of Kenya;

(ii) the capability of Government agencies to implement a livestock development project when conditions were reasonably conducive to effective implementation; and

(iii) Government's commitment to foster livestock development in the semi-arid areas in accordance with MLD strategy.

The mission noted that registration, survey and planning procedures had finally been completed on a substantial number of ranches and that conditions were favorable for more rapid AFC lending for ranch development. The mission's report set out detailed implementation programs, in particular for water development, where MWD was to be strengthened through substantial resources and where an accelerated program on 36 ranches was regarded as a major justification for the extension. The mission's recommendations for the extension were contingent on : i) two-monthly monitoring with the option to terminate, and (ii) commitments from Government in respect of budgetary provision to implementing agencies, of which the most crucial was MWD. In its reply to the Bank (letter from Treasury August 28, 1980) Government stated that:

...the respective Ministries have been given an assurance that the necessary funds required for implementing the program during fiscal year 1980/81 will be provided through a supplementary budget.

3.07 In fact, the results of the extension were extremely disappointing, largely because government's overall budgetary position continued to deteriorate and very little of the water program was actually implemented.[1] The extension coincided with a program of austerity which included, inter alia, substantial cuts in the development budget. In January 1981, a MWD directive halted all field work until the new fiscal year, July 1981, but by September/October 1981, funds had still not begun to flow and the supervision mission of that date was informed by MWD that the position was unlikely to improve. The mission felt unable to recommend that the extension should run its full course. In a letter to Government (January 13, 1982), the Bank wrote that:

It would be in the best interest of all parties concerned to close the project forthwith and, in any event, not later than February 26, 1982.

At the CIR in early March, 1982 this was contested by Government and it was accordingly agreed that the project would continue until December 31, 1982, to allow an orderly winding down of project activities; a joint Government/Bank evaluation was also to be carried out to determine lessons from this project experience. This evaluation, largely carried out by MLD staff, stands as a useful statement of the policy and institutional constraints that hindered implementation. The Credit closed on December 31, 1982.

3.08 With hindsight, the minor benefits that followed the decision to extend the Credit did not justify it. Government's inability, during a period of financial stringency, to fulfil its assurances on the supplementary budget effectively made it impossible to realize the objectives envisaged under the extension. In the circumstances prevailing at the time the decision to extend was taken, however, the Bank would probably have been unreasonable to refuse an extension altogether; it would probably have been better to agree to a one-year extension in the first instance.

1/ The Government notes that implementation of some other components did proceed during this time. In particular, disbursement was highest during this period, totaling 43% of total disbursements under the project. There is no available data on whether these disbursements were for new activities, however, or were lagged claims from earlier years.

B. Implementation: The Ranch Component

3.09 Table 1 (Annex 1) summarises physical implementation under the project including that of the key ranching component. Table 2 (Annex 1, page 8) summarizes the status of AFC loans to all ranch categories financed under the project. Some ranches established under Livestock I were refinanced under Livestock II and were, therefore, borrowers under both projects. The actual pattern of lending by type of ranch deviated from appraisal. Group ranch lending was lower (4% against 29% at appraisal), commercial ranch lending in traditional areas was also lower (35% against 54%) and company ranch lending was higher (28% against 17%). Lending categories for which provision had not originally been made amounted to 33% of actual disbursements.

Pattern of AFC Lending as Per Cent of Total Loan Value by Category

Ranch Type	At Appraisal (%)	Actual Disbursement (%)
Group	29	4
Company	17	28
Commercial (Traditional areas)	54	35
Commercial (New areas)	-	27
Baringo	-	6
Total	100	100

Group Ranches

3.10 Group ranches are legal entities in which typically 50-100 families (though the range is from 18 to several hundred) collectively hold title to land and borrow development and working capital, but continue to own their own livestock as individuals. The concept was developed during the 1960s and by the late 1970s group ranches had been adjudicated covering all of Maasailand, excluding wildlife areas and the small proportion of the area used as individually owned ranches or for non-range purposes. Maasai society is currently undergoing a process of rapid socio-economic change whose dimensions include the spread of education, more permanent settlement, and involvement in modern economic pursuits. The establishment of group ranches represents an important component in this process and, as such, their success cannot be evaluated in the short term or according to solely financial criteria. Moreover, differing and not always compatible objectives are ascribed to the program; for meat consumers, ranches represented a means of achieving a higher level of commercial offtake from pastoralists' herds; for Government, they are a means of encouraging nomadic pastoralists to settle permanently and to modernize; while pastoralists' views vary according to their individual perceptions of the advantages and disadvantages of the group concept as given below.

Advantages and Disadvantages of Group Ranches as Perceived by Pastoralists

Advantages	Per Cent of Responses	Disadvantages	Per Cent of Responses
Development (water, dips, vet. services, schools, etc.)	49	Poor facilities	34
		Management problems	38
Free grazing (communal rights)	30	Loan repayments	7
		No individual deed	21
Land rights for Maasai	16		
Other	5		
Total	100		100

Source: "Impact Evaluation Report - Kenya: First Livestock Development Report" ILCA, 1981; adopted from Njoka (1978)

Significantly, 49% of responses were concerned with the development aspects of ranches and 46% with the retention of grazing rights for the traditional users of the land; the nature of these responses must be considered particularly relevant at a time when land ownership patterns in Kenya continue to change so rapidly.

3.11 Disbursement of loan funds to group ranches was significantly below projections both at appraisal and in the 1976 Review. By December 31, 1979, 23 loans had been approved (see below) but only KSh 902,000 was disbursed. During the remaining three years of the project (including the two-year extension), this figure increased to 27 group ranch loans, well below the 60 projected at appraisal but about in line with the number projected by the review mission. Implementation difficulties led to disbursements lagging seriously behind loan approvals and, at the original December 31, 1980 Closing Date, disbursements amounted to only KSh 6.4 million, or 20% of approved loans and only 13% of appraisal expectations. Also, 6 group ranches (22%) were in arrears, although the sum in arrears totalled only 2% of outstanding loans (this low figure was in good measure due to the fact that only KSh 0.4 million was due).

Build-up of Ranch Loan Approvals by Number

	December 31, 1979 a/	December 31, 1982 b/
Group ranches	23	27
Company ranches	11	19
Commercial ranches (traditional areas)	21	55
Commercial ranches (new areas)	194	303
Baringo Area ranches	-	485

a/ Source: Supervision mission March-April 1980: Annex 9; except group ranches for which data supplied by AFC.

b/ Source: AFC Data.

3.12 Delays in initiating AFC loan approvals and in disbursing after approvals were due to a series of problems in respect of services provided to ranches by AFC and other Government entities, and problems of internal organization and management inadequacies existing on the bulk of participating ranches. These issues are discussed below.

3.13 Ranch services. Adjudication of group ranch boundaries and preparation of ranch plans proved to be time-consuming, despite provision of technical assistance under the project. By 1979/80, however, most group ranches were in a position legally to be considered for loan funds, a fact that in part justified the two-year Credit extension.

3.14 After AFC loan approval, the main delays in both group and company ranch development occurred because of problems encountered in water development. MWD data on 36 group and company ranches are summarized below. The poor rate of water development adversely affected almost all other aspects of ranch investment (see Section VII below).

Water Development Summary, Livestock II

	Planned	Completed (June, 1983)
Dams	6	2
Pans	3	1
Boreholes	13	2
Spring developments	8	2 a/
River developments	4	1
Pipeline rehabilitation	2	-
Total	36	8

Source: Rural Water Service (RWS), Ministry of Water Development (MWD).

a/ One of which, serving 3 ranches, was constructed in association with a religious mission.

The water sources provided suffered from poor maintenance as is the case for many water developments installed by MWD. Overall figures were not available for Livestock II, but ILCA found that by 1977/78, 63% of boreholes and 71% of dips provided on Kajiado group ranches under Livestock II were inoperative.

3.15 Further delays in AFC loan disbursement were occasioned by the effective suspensions of market operations by LMD from 1980 and the consequent shortage of immatures for fattening on project ranches. To its credit, AFC undertook steer purchase on behalf of ranches, but the numbers were well below requirements and consequently the majority of ranches were unable to acquire immatures in a timely fashion. This seriously undermined their cash flow and financial viability.

3.16 Ranch organization and management. Most group ranches, especially those with larger numbers of members, appeared to suffer virtual paralysis in decision-making in the early project years. Many ranches appeared not to have applied for loans because of difficulties in decision-making and consequent preparation of necessary documentation. Compounding this situation was the novelty of decision-making by committee6/ and practical problems of assembling quorums for member meetings; also, many of the decisions involved thorny questions of allocation and equity, viz:

(i) allocation between individual members of a ranch's debt repayment obligation; allocation on the basis of cattle wealth when the debt was incurred suffered the major flaw that cattle holdings fluctuated widely as a result of mortality or social transfers. This issue was partially resolved by purchasing of immatures for fattening, the profits from which were used to repay AFC directly.

(ii) ranch subdivision: on many ranches pressure existed for land subdivision among members, some of whom built permanent houses in areas to which they hoped to gain title.7/ In such circumstances, commitment to the development of the group ranch was greatly reduced.

(iii) membership registration: decision-making was made more difficult by the issue of the procedures for registering new members, summarized in the Livestock I Impact Evaluation Report (p.39) as:"the equity issue in time perspective, requiring resolution as to who has what rights (presumably for all time), based on the conditions at a single point in time."

6/ An in-depth study of one group ranch concluded "Overall neither the group ranch committees nor the members have a clear understanding of the group ranch development philosophy." Bille and Anderson, 1980. Reference 6.

7/ See for example (reference 1).

(iv) factionalism, reported frequently by technical and AFC field staff, occasioned in part by national political issues.

3.17 At the time of the December 1980 Credit extension, the group ranch program was modified to reduce the emphasis on AFC loan disbursement and to increase the emphasis on developing an effective extension system between the Government agencies and the Maasai. To this end, it was agreed to recruit an extension specialist internationally; due to the difficulty of locating and recruiting a suitable candidate, however, the post was never filled.

3.18 The slow rate of implementation of the group ranch program, especially when set against the more dynamic individual ranches, tended to support pressures for ranch subdivision. The issues involved are complex and are currently the subject of discussion among national leaders in Kenya. A recent comparative study of group and individual ranches in Kajiado District8/ provides a valuable contribution to this discussion. It concluded that (i) "the concept of the group ranches is technically sound"; (ii) individual ranches were not basically more profitable than group ranches; and (iii) it would not be possible to replicate the apparent success of individual ranches by extending this mode of land tenure and that group ranches should not be subdivided. Owing to widespread pressures from participants of the group ranching system, a special case will, however, probably have to be made especially where ranches lie in higher rainfall areas with potential for both livestock and agriculture.

3.19 One major area where group ranches fell short of appraisal expectations was in the development of higher stocking rates and of rotational grazing. In part this was because the group ranch committees generally did not have the authority to enforce new practices on members. In addition, the technical recommendations were only marginally appropriate to pastoralists where a survival strategy under conditions of periodic drought and disease required that (i) numbers, particularly of breeding females, be kept high in order that herd numbers should be able to recover rapidly after high mortality, and (ii) herds be able to migrate extensively in response to rainfall patterns and disease outbreaks. It was noteworthy that establishment of group ranches was not inconsistent with the continuing need for migration, for as the Impact Evaluation Report observed "...concern for boundary maintenance has not precluded the sharing of grazing resources following traditional patterns."

Company Ranches

3.20 Company ranches are enterprises in which land is leased from Government or public entities, and shareholders provide cattle or a cash equivalent for shares. Animals are collectively owned and profits shared according to established agreements. It was expected at appraisal that each company ranch would have at least 50 members and that they would be set up in Taita-Taveta, Tana, Kwale and Kilifi Districts of Coast Province in which no ranching infrastructure existed. Characteristics of these ranches which greatly influenced implementation of this program included that:

8/ White and Meadows, "Evaluation of the Contribution of Group and Individual Ranches in Kajiado District".

(i) shareholders were in many cases very poor and found difficulty in putting up equity;

(ii) directors in many cases had no experience in running companies and, in particular, in the appropriate relationahip between a board and the manager;

(iii) there were few managers with the necessary level of qualifications and experience;

(iv) ranches did not already have a core breeding stock producing steers for sale and replacement heifers, except such as were put up as equity by members; and

(v) ranches were poorly served in terms of communications and had little access to service facilities.

Recognizing these problems and that the level of support needed was beyond its own capacity, AFC proposed to IDA in May 1975 that Ranch Service Companies should be established. Accordingly Allied Ranch (Taita) Ltd. was set up, owned by seven ranches and the Theta Group which had a stake in one reanch. THe management and technical input for Allied was provided by Technoserve, a US-based technical aid agency, introduced to Allied by AFC. There was, however, no obligation imposed by AFC or PCU on a ranch to use Allied's services and after a promising start, the scheme was not sustained. 10/ Ranchers claimed that Allied was not cost-effective, while the lack of commercial discipline of many of the boards suggests that they would not have welcomed outside involvement. In retrospect AFC should have persisted with the scheme and insisted on acceptance of management and technical support as a condition of loan approval. In the event, much of the failure of most company ranches can be ascribved to the tyechnical, organization and management weaknesses that ranches can be ascribved to the technical, organization and management weaknesses that ranch service companies were designed to address.

3.21 Table 2 (Annex 1) summarizes lending from AFC to company ranches. Approved loans totalled 19, compared with 21 expected at appraisal, amounting ton KSh 40.5 million compared with KSh 28 million at appraisal. Ten of the ranches (52%) were in arrears by the December 31, 1982 Credit Closing Date, a high figure given that only 11 ranches had had loans for 3 years (poara 3.11). The amount in arrears (KSh 8.0 million) was 16% of outstanding loans, but would represent a higher proportion of the amount due for repaymenbt by December 31, 1982. 9/ Disbursements amounted to only 64% of loan approvals at December 31, 1982, reflecting implementaiton difficulties. 11/

3.22 The major difficulties and weaknesses encountered in implementing the company ranch component are described below.

3.23 (a) Inappropriate financial structure. The Project Agreement specified that a minimum of 20% of investment costs should be met by the ranchers (a debt: equity ration of 4:1), a figure increased ton 30% (a ration of 2.3:1) after the 1976 Review. In ractice, AFC did not adhere to this.

9/ AFC loan status summaries did not quote this latter figure for PCR purposes.
10/ The Government notes that services provided by Allied, aside from accounting, were poor, which may have contributed to lack of demand.
11/ The Government notes that high interest rates on loans contributed to signifcant arrears for project ranches. Although the Government on-lending rate to AFC remained at 3% over the life of the project, AFC rates increased from 7.5% to 13%, increasing AFC's spread by over 100%. Concessionary rate benefits of IDA funds were not passed to beneficiaries, nor did the Government receive greater benefits.

The reasons given included Government's desire that poor people would be able to become shareholders, a sense of urgency to speed up project implementation, and in some cases the effects of the drought in the mid-1970s which represented a severe setback to ranches that then existed. Thus, most company ranches had very low equity contributions and had to pay almost all earnings to AFC which was bearing virtually all the risk. AFC data shows that out of 21 company ranches only one had a debt:equity ratio lower than 4:1. The others ranged between 7:1 and 78:1, with 13 ranches having ratios higher than 20:1.

3.24 (b) Weak management structure: Few if any ranches demonstrated satisfactory management performance. There were several reasons which were in most cases mutually reinforcing:

- (i) boards of directors seldom delegated authority to ranch managers;
- (ii) there was often a lack of trust between directors;
- (iii) managers had little job security or status;
- (iv) many managers had little or no qualifications and experience; and
- (v) ranch financial performance was often too poor to permit adequate remuneration to attract managers and technical assistants of the right calibre.

3.25 (c) Delays in title and survey: Prior to 1980, a precondition of loan approval was that the ranch had been issued with title deeds which in turn required that a survey had been carried out. Delays of several years occurred in completing these surveys although the process was somewhat speeded up by provision of funds under the project for equipment to strengthen the Survey of Kenya. In order to meet the problem, Government agreed in 1980 to guarantee AFC loan funds issued on the basis of letters of allotment, a procedure which significantly assisted the situation.

3.26 (d) Reliance on fattening steers: As with group ranches, company ranch models were based on optimistic rates of development. Immature steers for fattening were to be purchased primarily from North Eastern Province to generate income in the years before the breeding herds became the major income source. Steers were to generate 75% of total revenue in Year 4 of the appraisal report model. LMD was unable to supply the numbers required, a deficiency only partly made up by AFC's purchasing on the ranches' behalf. There was a continuing acute shortage of immatures on most ranches, which contributed to the ranches loan arrears to AFC. The failure of company ranches to acquire the necessary steers was in contrast to the success of some individual and established commercial ranches to do so, and largely resulted from two factors: (a) management weakness meant that company ranches did not take the initiative when it became clear that LMD would not be able to fulfil their needs; and (b) where immatures were available, ranchers reported difficulty in getting rapid agreement from AFC on the price and in securing the cash for purchase. AFC's experience with the management of company ranches inclined it to keep comparatively tight control over loan disbursements, to the ranches' detriment.

3.27 A source of future concern is that the trend of the company ranch development is generally still downward, with most of them in acute financial difficulty with little prospect of improvement. AFC is undertaking a ranch-by-ranch review to determine rehabilitation needs, but is likely to be obliged to foreclose in many cases unless cost:price relationships alter drastically.

Commercial Ranches in Traditional Areas

3.28 Commercial ranches in traditional areas were owned by one or more individuals or a company. They were located on freehold land and in many cases had been long-established. In higher-rainfall areas, many ranches had been subdivided into agricultural plots; in lower-rainfall areas, a higher proportion remained as ranches, but even here some were subdivided (often into non-viable units with a harmful effect on productivity).

3.29 Long-established commercial ranches tended to have fewer problems than did group and company ranches. First, the capital structure was more favorable, given that much of the development expenditure had been undertaken in previous years. Information provided by AFC on the debt:equity ratios of 51 commercial ranches indicated that the highest ratio of any ranch was 2.4:1, much sounder than that of company ranches. Second, management procedures were simpler and better established and the ranches did not experience the social problems prevalent on group or company ranches. This category of ranch absorbed a higher proportion of lending (35%) than any other and, once loans were approved, disbursement was rapid (98% of approvals at the conclusion of the project on December 31, 1982). By the latter date, however, 40% were in arrears to AFC due mainly to rapidly escalating input costs relative to output prices.

Commercial Ranches in New Areas

3.30 Commercial ranches in new areas (also sometimes called individual ranches) were excluded at appraisal from the lending program. However, in 1979 the Bank accepted Government's argument that as all land in the areas had been adjudicated, no further inequities would be created by encouraging commercial ranches, and they became eligible for loan funds. Disbursement was rapid thereafter with 303 loans being approved by December, 1982. At that date, disbursements amounted to 93% of approvals. Average loans were fairly small, about KSh 130,000 compared with KSh 940,000 for commercial loans in traditional areas, and loan arrear performance was considerably better than commercial ranches in traditional areas (Table 2).

Baringo Area Ranches

3.31 After subdivision of ranch land in the Baringo area into plots of 40 to 100 acres, AFC provided small loans (average KSh 17,500) to 485 individuals, primarily for water development. The high arrears rate (62%) given in Table 2 is reported by AFC to be due to an error in loan repayment scheduling which was reportedly subsequently corrected, but the revised data were not available.

Feedlots

3.32 Three feedlots were included at appraisal, but their financial viability was questioned very early on by supervision missions on the grounds that input costs were rising more rapidly than output prices. At the 1976 Review, the number of feedlots targetted was reduced to one, but even this was never implemented. Given the circumstances of Kenya's economy in the 1970s, with the worsening foreign exchange crisis and intensifying competition for feed supplies from the rising human population, the decision to cut down this component seems sound in retrospect.

C. Implementation: Grazing Block Development

North Eastern Province Grazing Scheme (USAID-supported)

3.33 Under this component, investments in water supplies and access roads were to be made in grazing blocks covering 7 million acres in North Eastern Province, a program begun under Livestock I. Grazing Block Committees, consisting of pastoralists, were to be established to manage stock numbers and to maintain the facilities. In terms of the national beef economy, the importance of this component was that, in association with the strengthening of LMD, the number of immatures and slaughter stock coming from these areas would be increased.

3.34 Annex 4 is USAID's Project Assistance Completion Report on this component and is reproduced here with their permission. In summary, the report's main conclusions were that, while creditable progress was made with physical implementation under adverse circumstances, it was impossible to verify that the economic and welfare aims of the program were achieved. Major problems included:

(i) weak support and coordination from participating Ministries;

(ii) insufficient pastoralist involvement during project planning and implementation;

(iii) poor project design;

(iv) insufficient steps by the donors to clarify implementation responsibilities between different Ministries; and

(v) ineffective functioning of grazing block committees.

Isiolo District Grazing Scheme

3.35 The aims of this component, covering some 3 million acres, were similar to those of the North Eastern Province grazing scheme. However, project start-up did not begin until January 1977 with an initial stage due to last 18 months. The July 1978 supervision mission reported severe administrative problems, and CIDA involvement was ended shortly after. Reportedly, some implementation of the program was continued after that date directly by Government, but reliable information was not available.

D. Implementation: Livestock Marketing

3.36 An integral part of the national livestock development strategy was the improvement of marketing facilities in order to facilitate the flow of immatures and slaughter stock from the range areas, predominantly from the north and north-east and from the southern Rift Valley (Kajiado and Narok) to consuming areas and to ranches in higher rainfall areas in which immatures would be finished prior to slaughter or export. Two main constraints limited this flow. First, veterinary regulations were such that, in an effort to prevent the spread of Contagious Bovine Pleuropneumonia (CBPP), cattle moving from disease-endemic areas were subjected to quarantineof some four months (including three successive blood tests) adding to the cost and risk of marketing. There was doubt raised by Bank supervision missions whether these regulations were the most appropriate for current circumstances in Kenya. As the following table indicates, very few positive cases of CBPP were identified in recent years, which must cast doubt on whether the benefits justified the program's cost. Nevertheless, the Veterinary Department strongly supports the program.

Year	Total Cattle Tested	CBPP Positives
1976	113,000	16
1977	61,000	23
1978	65,000	Nil
1979	95,000	Nil
1980	67,000	Nil
1981	Incomplete	60

Source: Letter to PCU from Department of Veterinary Services, May 15, 1982.

Second, additional water points were required to reduce stress on certain stock routes during the dry season. Adequate water was installed under the project but the majority of water points were not subsequently properly maintained by Government due to a paucity of recurrent budget funds.

3.37 The objectives of the livestock marketing program at appraisal were to improve the infrastructure of buying centers, stock routes and holding grounds; to strengthen quarantine procedures; and to develop the operations of LMD through technical services and the provision of vehicles for stock movement. Physical implementation was generally up to appraisal estimates and the capacity of LMD was estimated to be 100,000 head of cattle per year by 1981 12/ an increase from 50,000 head at the beginning of the project. From 1980 to 1982, however, operation of the livestock marketing component was severely affected by the Government's financial crisis with the result that LMD's purchases fell in the project's annum. This situation continued through 1983. Both staff and infrastructure of LMD were underused as funds were still scarce and few cattle were being purchased by LMD.

12/ "Kenya: First Livestock Development Project - Impact Evaluation Report", p. 76.

E. Implementation: Wildlife Components

Amboseli and Maasai Mara National Parks

3.38 The principle underlying interventions in Amboseli and Maasai Mara was to create a *modus vivendi* between wildlife and pastoralism by reducing the competition for scarce resources of water and grazing and by transfering benefits from tourism to pastoralists. The major means for achieving this at Amboseli was to be the construction of a 90 km pipeline to provide water for livestock outside the perimeter of the park. The pipeline was constructed as planned and was in operation by 1976, largely because much of the planning had been underway with the assistance of the New York Zoological Society before Credit effectiveness. The presence of the pipeline in that year, the peak of the drought in that area, undoubtedly reduced cattle mortality greatly and was instrumental in persuading many local pastoralists that the national park could be of benefit, in conjunction with: (a) the compensation paid by Government to the surrounding ranches for lost grazing, and (b) earnings from national park-related sources which included the sale of wood and gravel, and fees from camping sites (Annex 7, available on request).

3.39 The pipeline operated satisfactorily until 1980/81 when dry weather revealed design faults and a scarcity of funds for diesel interrupted pumping. By 1982 disruptions to supplies were prolonged. As of mid 1983, the pipeline was reported by the Game Department not to have supplied significant amounts of water throughout the previous dry season and pastoralists had re-entered the park with some 7,000 cattle in search of water, threatening the future of the project and of the park itself. A plan was prepared for modifications to the pipeline to correct the design faults but the modifications were not completed due to lack of Government funding. The component was further jeopardized because compensation due to the pastoralists was two years overdue as of mid-1983 and their attitude accordingly became less than cooperative to the detriment of the scheme.

3.40 At Maasai Mara, progress was much slower. Members of ranches surrounding the game reserve pressed for better access to grazing and the ensuing process of adjudication resulted in ranch boundaries being extended at expense of the reserve. Furthermore, agreement was never reached on the level of compensation to be paid to the pastoralists. Implementation slipped seriously and was estimated in mid 1983 to be less than 40% of planned, with no further immediate progress likely.

Nairobi National Park

3.41 Creation of a dispersal area for the game in the park was never implemented as agreement could not be reached with surrounding group and individual ranches on the course of animal migration routes which were to be left unobstructed.

Kenya Rangeland Ecological Monitoring Unit (KREMU)

3.42 KREMU was established much as envisaged at appraisal, mainly with CIDA funding, though at a later stage IDA assisted with funding under both Livestock II and the Agricultural Technical Assistance Project (Cr. 1277-KE). KREMU has set up a routine to monitor, *inter alia*, vegetation changes, land use, wildlife, and livestock, based upon satellite imagery, low-level aerial survey and ground verification. KREMU has expanded its original terms of reference to cover high potential as well as range areas. It provides valuable planning and monitoring data for a wide spectrum of natural resources and for a variety of uses. A 1981 Review sponsored by CIDA was conducted, the summary of which appears, with CIDA's permission, as Annex 8 (available on request). The evaluation is justifiably very positive on the achievements. It found that the unit is well managed and functions efficiently and, as required, was providing a continuous flow of information on livestock, wildlife, vegetation and cultivation. KREMU's recent transfer to the Ministry of Finance & Economic Planning puts it in a more central and visible position. KREMU is providing data for national and district plans, and can potentially do so for project preparation, sector studies, crop monitoring, and mineral exploration. KREMU is making an effort to publicize its data gathering and processing capabilities, and distribute its reports more widely. Under the Agricultural Technical Assistance Project, a computerized Geographic Information System is being installed which should dramatically improve processing time. Although KREMU still requires technical assistance for some key positions (resource and systems ecologists, pilots), and has some problems in producing data on time, institutional development is progressing well. In sum, KREMU represents a positive contribution of the project and an asset for the Government for data analysis on agricultural and other natural resource issues.

F. Implementation: Technical Services

3.43 Under the project, technical assistance, buildings and equipment were to have been provided to improve the capability of AFC, LMD, DVS and the PCU. The contribution of the project to these entities is summarized in Table 1 and is discussed in Section VIII.

3.44 At appraisal, the project provided for four overseas training courses of two years each, probably inadequate for a project that was seen as an early stage in a long-term sector development program and that was itself to be severely constrained by key manpower deficiencies. Under an expanded USAID program, 100 scholarships (76 of them academic and 24 technical) in range management and hydrology were provided in support of RMD and RWS. The project also subsequently provided funds for commercial ranch management courses to be offered at the University of Nairobi and at Egerton College, a positive contribution to a problem that presented an obstacle to effective company ranch development, although it generally came too late to improve implementation of this project.

3.45 Provision was also made at appraisal for a meat processing study as a possible prelude to further investment. At the request of Government, the terms of reference were widened to provide a beef sector study which was conducted by consultants, funded by USAID, and completed in 1977. It remains the most recent study of its type and constitutes a valuable sub-sector benchmark document. Among its major conclusions are that Kenya is likely to become a net importer of beef and sheep and goat meat by 1985, and that production of beef is being adversely affected by competition with field crops in high potential areas.

IV. FINANCIAL PERFORMANCE

Project Costs

4.01 Project cost estimates for the PCR were based on approved development budget estimates modified, where possible, by audited actual expenditures. This is likely to overestimate Government expenditures, especially since 1980, as the Ministry of Finance did not in all cases release approved funds to the implementing agency; it is the best available estimate as data on actual expenditures were not available (this could be extracted from Government's accounting system but the amount of time involved would be considerable). In the case of donor funds, project cost estimates were based on information provided by USAID, CIDA and ODA. Project beneficiary contributions were based on estimated equity contributions for incremental project-related activities. Annex 9 gives details of the derivation of cost estimates (available on request).

4.02 Estimated project costs are given in Annex 1, Table 3 and are summarized below. Actual project costs (US$69.8 million) were 17% higher than appraisal estimates (US$59.7 million), although in local currency terms actual costs were 39% higher (KSh 594.8 million compared with KSh 426.5 at appraisal). Over the life of the project, the shilling fell from KSh 7.14/US$ 1 to KSh 12.72/US$ 1.

4.03 The major divergence from the appraisal estimates of project expenditure was for ranch development (36% of actual costs compared to 72% of appraisal estimates). This is accounted for by: (a) delays in disbursement on the ranching component; and (b) subsequent increases in commitments for non-ranching components by USAID and CIDA.[13] At the 1976 project review (para. 3.02), cost estimates were raised to US$74.4 million, largely reflecting the increase by these two agencies. Divergences from appraisal estimates also occurred in overall project financing (Table 4), primarily by IDA (from 36% of total project costs at appraisal to 17.8% of actual), USAID (up from 12.2% to 22.5%), CIDA (up from 4.0% to 8.3%), and Government (up from 28.5% to 36.8%, although the figure on Government expenditures may be an overestimate).

Total Project Cost Summary by Component

	Appraisal			Actual		
	KSh m	US$m	%	KSh m	US$m	%
Ranch Development	307.1	43.0	72	223.1	25.2	36
Range Water Development	34.1	4.8	8	105.8	12.2	17
Livestock Marketing	38.4	5.4	9	79.1	9.9	14
Wildlife	25.6	3.6	6	63.6	8.1	12
Technical Services	21.3	3.0	5	123.2	14.4	21
TOTAL PROJECT COST	426.5	59.7	100	594.8	69.8	100

13/ At the time of the Bank's negotiations with Government, USAID and CIDA had not completed their own appraisal. In order to allow the project to get underway they made minimum interim commitments which they later increased.

4.04 The decline in IDA's contribution reflected (a) the devaluation of the Kenya shilling and (b) the difficulties encountered by the ranch components. At appraisal, the ranch components were expected to account for 88% of IDA's expenditures but in fact only accounted for only 64%. The only IDA expenditure category which had significantly greater expenditures than estimated at appraisal was Category III (Consultants and Technical Services), which was debited with the costs of strengthening the RWS for which provision had not originally been made. Total expenditures by IDA under the project amounted to US$ 12.4 million. Of the original Credit of US$ 21.5 million, US$ 4.0 million was cancelled at the time of the Credit extension; a further US$ 5.1 million was undisbursed and was cancelled at the close of the Credit.

4.05 Annex 1, Table 6 indicates the slow rate of disbursement of the IDA Credit. By the end of FY76, shortly after the review mission had completed its field work, actual disbursemnts amounted to only 2.5% of appraisal expectations. By December 31, 1979, when disbursement should have been completed according to the appraisal schedule, only 21% had in fact been drawn down. By December 31, 1980, when the two-year extension began, disbursements amounted to 33% of the original Credit and, when the accounts were finally closed, to 58%.

Procurement

4.06 The project experienced long delays in procurement. While Government procurement procedures were cumbersome, in good measure the delays were due, especially in later years, to the scarcity of funds within the Ministry of Finance for making initial payments prior to claiming reimbursement from the Bank. A partial solution would have been for Government to make more use of the Bank's Procedure III (direct payment) facility, which it consistently declined to do until the final year of the project, despite Bank urging. This issue is discussed further in Section VII.

V. PHYSICAL AND INSTITUTIONAL IMPACT

Ranch Development

5.01 Group ranches. During the Livestock II project years, the process of adjudication of group ranches was completed and progress was made with surveys and planning. Very few physical improvements were carried out, however, and the project had no apparent impact on herd structures as had been envisaged at appraisal. Although not primarily as a result of the project, a number of developments occurred in group ranch areas during the project period, including the intensifying demand for dips, water, market outlets, education and permanent settlement.

5.02 Company ranches. This component of the project continued the process of opening up the coastal hinterland that had begun under Livestock I. On a small number of ranches, high quality stock were put in place, managements gained valuable experience, and infrastructure was improved. At the project's end, however, 16 of the 19 company ranches participating in the project had serious financial problems, particularly due to the scarcity of immatures for fattening which were essential to generate cash flows in the early ranch development years. Diversion of funds appeared to be minimal and not a factor detracting from financial viability. The great majority had accumulated debts in the course of implementing their ranch development plans that are unlikely to be paid off. Furthermore, on the majority of ranches, there was little sign that in the later stages of the project, problems were being adequately addressed by PCU, AFC, and other project entities to improve the position.

5.03 Commercial ranches. An estimated 25% of commercial ranches, were actually or potentially viable at the project's close and, as the major source of medium and long-term loans for ranching in the country, the project made a contribution in this area. The majority of ranches were, however, not on a sound financial footing despite project funds. No systematic assessment of the use to which project funds were put on all 358 commercial ranches in traditional and new areas could be undertaken and was also difficult to assess what proportion of funds provided for individual ranches were used for agreed purposes, as there is some evidence of diversion of funds. On average, perhaps some 25% of funds were diverted on 10% of ranches. While diversion on this scale would have some effect on achievement of the project's objectives, it is not viewed as a serious problem.

Grazing Block

5.04 The USAID project evaluation report stated that, although physical implementation of the grazing block component had been substantial, there was little evidence of economic or social benefits to the pastoralists. There may have also been an enhanced risk of ecological degradation through the increase in water points. Furthermore, grazing block management systems did not develop as projected at appraisal. In the Isiolo area, implementation under the project was terminated early, because of slippage due to protracted implementation problems, so project impact was negligible.

Livestock Marketing

5.05 This component started well, with substantial infrastructural investment increasing LMD's handling facility from 50,000 head to 100,000 head per annum. LMD had a beneficial impact on pastoralists' incomes at certain periods: during the drought in the early 1970s it purchased over 60,000 head of cattle, incurring substantial losses but mitigating the worst effects of the drought for many people. In 1979/80 it bought 35,000 head but, due to Government budgetary constraints, LMD activities fell off sharply thereafter and only trifling purchases were made (e.g. 6,000 head only in 1980/81). In consequence, the infrastructure provided under the project was underused and there is a risk of inadequate maintenance. If utilization rates could be improved, however, either by LMD or by private traders, this investment might result in significant future benefits. The livestock marketing component also generated benefits through provision of services at holding grounds and on stock routes to farmers and livestock traders, though figures were not available from LMD to make a quantitative assessment of the benefits.

Wildlife

5.06 The Amboseli pipeline helped to reduce mortality in the 1975/76 drought period in that area significantly,[14] although estimates of the actual numbers involved are not available. The pipeline was undoubtedly a key element in drought survival of the park over those years and thus contributed to the continued functioning of one of the two major attractions in Kenya's tourist industry, one of the country's main foreign exchange earners. Lately, the benefits from this component have been diminished as a result of operational problems with the pipeline and of shortage of funds for needed repairs and maintenance due to the overall Government financial squeeze. No benefits accrued from the Maasai Mara water development due to construction delays, or from the Nairobi National Park dispersal area which was never implemented.

Institutional Impact

5.08 The Ranch Section of AFC received project support in the form of staff, vehicles and equipment, technical assistance and operating costs, both at headquarters and at branch offices. The section is now handling a greatly expanded program when compared with the pre-project situation. Moreover, its staff, many of whom originally came from the Range Management Division (RMD), have gained considerable experience with commercial operations. While AFC operations were criticised by supervision missions, the technical strengthening of this section can be rated as a project benefit which can be expected to increase with time.

5.09 RMD received support from the project in the form of salaries for technical and support staff, vehicles and equipment and operating costs. Supervision missions noted the need to improve the effectiveness of RMD field services and it was made a condition of the credit extension that a Range Extension Specialist be recruited internationally, although this was never done. The major contribution to institution-building within RMD under the project was the large training program both within Kenya and overseas, funded primarily by USAID. This made a substantial impact in improving staff qualifications and capabilities and can be expected to have positive long-term benefits on sectoral development.

5.10 The project did not originally make provision for strengthening the Range Water Section of the Ministry of Water Development. Both the 1976 Review and the 1980 supervision mission, however, recommended substantial resources for MWD. USAID also provided training in hydrology. The benefits from this support have, however, been very limited, in part because of the overall Government budgetary restrictions which precluded implementation of water developments generally. Successive supervision missions noted that the soundness of MWD work suffered from inappropriate technology, lack of cost-consciousness and poor workmanship.

5.11 The Livestock Marketing Division (LMD) also received support under the project, comprising technical assistance, vehicles, equipment, and housing. In this case, as with other Government entities, benefits from this support tended to be obscured by the Government budgetary crisis

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14/ D. Western, "Amboseli National Park: Ensuring Landowners to Conserve Migratory Wildlife," Ambio, V.II, no. 5 (1982).

which brought a halt to effective operations in the final three project years. KREMU has proved a highly useful facility established under the project, but has as yet generated limited economic benefits. It should have greater benefits in future if its findings are more systematically used in planning and decision-making for natural resource projects, which KREMU is actively promoting.

5.12 One important national benefit which occurred late in the project was the procurement of equipment with project funds for the Survey of Kenya in order to expedite the ranch survey program. This also increased Survey of Kenya's capacity to undertake work outside the ranching sector more effectively by upgrading both survey technique and equipment to incorporate the latest developments in survey methodology. The national benefits of this exercise are considered significant and further benefits will undoubtedly accrue with time.

VI. ECONOMIC RATE OF RETURN

6.01 At appraisal, the economic rate of return (ERR) was estimated at 25%, with both labor and foreign exchange shadow-priced. With neither shadow-priced, the ERR was 21%. The appraisal report did not include separate ERR calculations for individual project components. Financial rates of return ranged between 12% and 23% for ranches, 16% for feedlots, and 18% for livestock marketing.

6.02 Insufficient data were available on the incremental benefits from major project components to recalculate the project's ERR. In particular, little could be quantified overall concerning the operating performance of commercial ranches which may, as a whole, have shown a small positive rate of return (paras. 3.28-3.30). The Amboseli pipeline would also have shown a positive rate of return if prompt and effective remedial actions had been taken to rehabilitate the scheme and put it on a sound operating footing. Other project components with direct production objectives have shown no significant benefits or, at best, limited benefits that were negligible compared with the costs incurred. These included the group and company ranch schemes, the North Eastern Province and Isiolo Grazing Blocks, the livestock marketing program and the Maasai Mara water developments. Overall, the ERR for the project is estimated to be close to zero.

VII. POLICY AND INSTITUTIONAL ISSUES

A. Pricing Policy

Government Pricing Policy, 1972-1982

7.01 Throughout the life of the project, producer price policies and price controls on beef, especially the lower grades, were seen by the

Government as important tools to restrain consumer costs. At the start of the project, Government set both producer and consumer prices. Official producer prices were only enforced for production marketed through LMD and KMC, while official consumer prices appear to have been enforced mainly in urban areas and for the lowest grades of beef (commercial grade). Real producer prices for officially marketed production in the livestock sector declined at an average annual rate of 4.1% between 1972 and 1982 (Annex 1, Table 7), a significantly faster fall than was registered in the case of agricultural crops, whose prices also fell over the period. Income terms of trade, which combine real producer prices with estimates of production, declined by 2.3% per annum, though with marked fluctuations from year to year. Real consumer prices for beef also fell during this decade; by 1976, the official prices of all grades of beef were 10 - 12% below 1972 levels, while the prices announced in February 1978 ranged from 3% below 1972 levels for Standard grade to 20% below for FAQ (Annex 1, Table 8).

7.02 The impact of this deterioration on returns to livestock production were mitigated by the fact that up to 80% of production was handled by private traders in normal years. Official prices were clearly not conducive to profitability and investment in the livestock sector. However, the actual prices received by producers also depended upon movements in unofficial prices offered by traders. Little is known about the patterns of these prices, although they are believed generally to have been significantly higher than official prices in many areas. After KMC's monopoly was rescinded (para. 1.07), its market share fell sharply, and by 1979 was insignificant.[15] Although this led to a freeing of producer prices, consumer price controls continued, especially in urban areas where demand for beef was high. The Government has now freed prices for all higher grades). The net effect of the consumer price controls was to discourage production of the lowest grades, to encourage substitution of substandard grades for the commercial grade (para. 7.04), and to discourage beef exports (para. 7.03).

The Pricing Issue

7.03 The appraisal report noted that controlled beef prices were on average some 25% below export parity. The effect was to discourage production for export and to encourage domestic consumption, causing exports to stagnate. The DCA thus included a covenant under which Government undertook to phase out all price controls in respect of the production, processing, and marketing of beef and beef cattle within three years of Credit effectiveness (i.e. by December 1977). Within a year of effectiveness, however, it had became clear to the Bank that controls would not be easily abolished; by the time of the negotiations that followed the 1976 Review, beef pricing had become a major issue.

7.04 The 1976 Review carried out a detailed analysis of ranch profitability and concluded that inadequate and inappropriate price levels were severely hampering ranch viability. So fundamental was this issue that the review mission concluded: "...it will be impossible...to envisage great (project) progress unless the Government introduces and maintains an effective pricing policy for the beef industry." During post-review

15/ A 1979 study estimated that by 1978, KMC's share of the Nairobi market was down to 25% and by the end of 1979 was insignificant.

discussions, the absolute and relative levels of controlled prices (especially retail prices) became the most important issue. The Bank's position was that in view of the costs of production on ranches, which mainly produced Standard grade, there should be a wider spread between Standard and Commercial (the lower quality produced on rangelands). Furthermore, the Bank argued that because of retail price controls for lower grade beef, the minimum gazetted prices for Standard grade in effect determined the maximum producer price payable by KMC and that there was a need for an upward adjustment. Government adopted the view that consumer price increases in Standard grade were undesirable and unnecessary for ranch profitability, and that in any case, the Bank was giving the issue unwarranted emphasis, as prices for most higher grades were already effectively decontrolled due to a large and increasing intervention of private butchers in the market as KMC's role diminished (letter from Treasury to the Bank of August 22, 1977). Although this was true, to the extent that production from project ranches had to be channelled through LMD or KMC, official prices were relevant - and they were cerainly important for export. Also, existing consumer price controls doubtless exerted a downward pressure on prices in major urban markets, and certainly adversely affected KMC's finances.

7.05 Lack of agreement on pricing policy brought into question the future of the project, and in May 1977 post-review discussions between the Bank and Government included the issues of cancelling at least part of project funds and excluding some categories of ranches. The Bank's view at the stage was unequivocal and was expressed in a letter to the Minister of Finance (August 15, 1977): "we are convinced from the Review's analysis that the project cannot proceed as intended unless beef and cattle pricing policy is changed." Government did not, however, change the basis of its policy and in February 1978 announced a new price structure (Annex 1, Table 6) to which the Bank reluctantly agreed. However, the extent of the rise in real terms, especially for Standard grade, was considerably less (given that almost two years had elapsed since the review mission) than the Bank had earlier stipulated as necessary for ranch viability. Real official prices for all grades remained lower than in 1972, and for FAQ and Commercial were lower than in 1976.

7.06 The Bank's acceptance of the 1978 price structure represented a retreat from its previous positions in respect of both (i) requiring Government to fulfil the terms of the covenant, and (ii) bringing about significant real increases in officially controlled producer prices. At the time of negotiations, the Bank underestimated the political sensitivity of the issue of decontrol, and overestimated its own ability to use project funds as leverage to induce a policy change. These issues are discussed under "Bank Performance" in Section IX (para. 9.03).

7.07 On the issue of official versus actual prices, data is not available to assess the Government's 1977 assertion--accepted by the Bank--that the decline in the role of KMC meant that the level of official prices no longer had any relevance for producers and, therefore, the pricing issue was irrelevant.16/ We conclude that in 1977 and 1978 the Bank should have pursued the issue of how relevant were official prices and should have been

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16/ Data would be needed on: (i) the proportion of stock sold by different categories of ranches to KMC and to private traders, (ii) price trends in the private trade, and (iii) the ways in which officials prices might influence prices on the open market.

prepared to delay disbursement of Credit funds until the Bank was sure that project participants had access to sufficiently high-price outlets. In the event, pricing never again emerged as a major issue between the Bank and Government for the project, as it appears probable that from about 1978, when KMC purchases diminished, producers did receive reasonable prices. The 1980 supervision report, on which the two-year extension was based, stated (annex 10, para. 4): "As long as the private trade is permitted to proceed as it has over the last couple of years, the prices received by ranches should not be a constraint to viability in the remaining project period."

7.08 Very partial information now available indicates that in 1983, domestic open market prices were still somewhat below export parity. Liveweight producer prices on coastal ranches were about KSh 8/kg, while f.o.b. Mombasa export prices ranged between KSh 12 and KSh 15/kg. This does not, however, take into account the costs of preparing animals for export. In addition, the number of animals exported was small (4-8,000 annually from 1980), primarily through "special" contracts that were not necessarily replicable on a large scale. Producers, however, have been prevented from realizing higher export prices by periodic bans on beef exports. These data indicate that local prices were on the low side.

7.09 Over the life of the project, Government's actions reflected its concern to keep consumer prices down, especially for lower quality cuts. These actions were more effective at the start of the project but, as KMC's purchases declined, producers were able to sell on the free market. It is unknown, however, to what extent consumer price controls depressed open market prices in large consumption centers. The low prices in early years tended to undermine ranch profitability and the viability of the sector. Rancher confidence in investment in the livestock industry, which was never strong, was seriously weakened, so that when prices increased, it was in large measure too late, and too little. There remain some important issues on meat pricing policy, including the role of official prices and the effectiveness of private marketing systems which should be examined. The ranching sector in Kenya has a large untapped potential which, if developed, would make a significant contribution to the country's economy. Pricing policy can be key in either stimulating further this potential.

B. Agricultural Finance Corporation

7.10 AFC was established in 1963 and later re-constituted under the 1969 Agricultural Finance Corporation Act "to assist in the development of agriculture and agricultural industries by making loans to farmers, cooperative societies, incorporated group representatives, private companies, public bodies, local authorities and other persons engaging in agriculture or agricultural industries." AFC has expanded greatly, increasing its staff fivefold between 1963 and 1981 to nearly 500. Total loans outstanding rose from KSh 413.1 million in 1976 to KSh 719.7 million in 1980, an annual rise of 14.9%. AFC has been the focus for four World Bank agricultural credit projects and served as the channel for credit funds under several other projects, aside from the two livestock projects.

7.11 AFC's overall performance has been closely monitored by the Bank under the four credit projects. For some years, AFC has been overstretched and institutional weaknesses have been a source of concern. Specifically these include persistent accounting problems, and weak loan appraisal, follow-up and collection procedures, in part because of outside interference in loan approval and administration. The Bank has emphasized to AFC the need to take appropriate measures to improve the accounts and audit situation, and to resolve several of AFC's important financial management constraints. AFC has taken important steps over the past year to implement institutional development measures and has made substantial progress on several fronts, mostly development of its field office management and updating of accounts and financial management systems.

Ranch Lending

7.12 Under Livestock I and II, considerable technical assistance was provided for the newly-established Ranch Section of AFC. Initially, staff were drawn primarily from the Range Management Division of MOA rather than from finance backgrounds. Over the years they have gathered considerable experience of credit operations. By 1983, AFC had established some 40 branch offices, including branches in Narok and Kajiado (the main group ranch areas), Coast Province (serving company ranch areas), and in the major towns in commercial ranching areas. During the Livestock II project, AFC Ranch Section technical services (excluding charges and allowances for ADS staff) amounted to 9.7% of the value of loans disbursed, a reasonable proportion in view of the comparative newness of the program.

7.13 AFC ranch loans procedures were the subject of several modifications during project implementation as a result of supervision mission recommendations. Up to 1978, AFC recording systems did not show the true arrears position of borrowers because working capital loans were credited to development capital accounts to prevent their falling into arrears. Early supervision missions and the 1976 Review mission were dissatisfied with the quality of the ranch plans used as a basis for AFC loan approvals. Efforts were made to improve these using technical assistance provided by USAID, with some success. AFC was unable to devise a satisfactory loan collection system for group ranches due to organization and management problems of this category of ranch, but was able partially to bypass the problem through purchasing immatures on behalf of the ranches and deducting loan repayments from sales proceeds.

7.14 By the close of the project, AFC's Ranch Section was submitting to the PCU and to IDA prompt summary quarterly returns on loan status under Livestock I and II. A continuing weakness in the recording system, however, was ranch records for management and for monitoring and, as a consequence, neither AFC nor ranch managements were able adequately to monitor use of loan funds on ranches. In view of the comparatively low returns in the ranching subsector, this resulted in some funds being diverted but the practice appeared to be of minor significance.

7.15 When the Credit closed, the main source of new loan funds for AFC's ranch section was cut off and further expansion of lending will depend in the future on the availability of concessional external funds. AFC's 5-year projections for 1984/85 - 1988/89 for livestock development amount to KSh 376 million to cover the rehabilitation needs of existing ranches and loans for 43 new ones. In future lending for ranching in Kenya, we believe that the commercial banking sector should be involved to a greater extent. At present, the major obstacle lies in the unwillingness of the banking system to provide medium and long-term loans. To remedy this, a rediscounting facility might be considered in order to encourage longer-term commercial bank lending to the subsector. The competition to which AFC would consequently be exposed should be beneficial not only to the institution, but also to agricultural lending practices generally at the national level.

C. Project Coordination Unit

7.16 The ineffectiveness of the PCU in implementing the project was repeatedly emphasized during review and supervision missions for the project. The essential cause was the lack of the authority and means to act as an executive agency. The suitability of individuals within the unit was thus a secondary issue to effective project implementation.

7.17 The PCU's terms of reference (Annex 3) specified two areas of responsibility: (i) coordination between donors and between the implementing agencies of Government; and (ii) project monitoring. In respect of the first, the project demonstrated that effective coordination of field activities among the diverse agencies was not feasible without in-line responsibility over the staff. In respect of project monitoring, ILCA was commissioned to undertake a monitoring program which generated a number of useful impact monitoring studies. However, at the end of the project there were large gaps in the project's records which made PCR preparation unusually protracted. Furthermore, it was evident that even where records were available, little use was made of them by the PCU in day-to-day project management. Consequently, monitoring the implementation of the project was, in general, not fully satisfactory and the value of monitoring and evaluation as a management tool was not put to effective use. After the close of the Credit, and pending clarification of any future role for the PCU (changed in 1983 to the Project Coordination Branch of EMD), the unit is primarily engaged in improving sectoral monitoring and evaluation and to this end is drawing up a register of livestock-related projects. It has at present no substantive executive function.

7.18 The main institutional lesson from the implementation of Livestock II is clear. Project design that relies on horizontal coordination between independent agencies which are not linked to each other through clear lines of authority is not a suitable structure to ensure effective project development.17/ In the Kenyan context, this conclusion militates against integrated projects, such as Livestock II and IADP I and II, that depend upon coordination at the level of central Government ministries. To ensure more successful implementation of future projects the organization and management structure will require much more careful definition during preparation and appraisal to ensure not only clear lines of authority but that sufficient executive power is vested in project management to allow it to discharge its mandate. To accomplish this, projects should be much simpler in design, when possible limiting the number of participating agencies and ministries.

D. Ministry of Water Development

7.19 The inability of the RWS of MWD to undertake water developments under the project in a timely and cost-effective manner was a major

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17/ Similar conclusions were reached in the PCR for IADP I and Group Farms Project. This lesson had already been drawn in the Bank's Rural Development Policy Paper of 1974.

obstacle to implementation of the ranch components of the project. At appraisal, provision was not made for strengthening the section (then the Range Water Division of the Ministry of Agriculture) on the grounds;that existing resources should be sufficient. The first supervision mission of May 1975, however, questioned this assumption and requested the PCU to "evaluate the resources of RWS...to adequately service the ranch development component." Both the 1976 Review and, subsequent supervision missions recommended provision of a substantial budget for strengthening the Section but adequate funds were never forthcoming, suggesting that commitment by MWD was limited (para 7.21).

7.20 The role of the RWS in the project, already important, became central in 1980 when Government announced that primary ranch water developments would in future be provided as a free service by RWS and would no longer need to be funded through AFC loan funds. While this step should have improved the ranches' capital structure, it had the negative effect of discouraging the use of contractors and of causing ranches to rely wholly on RWS which, in the event, failed to implement more than a small proportion of its plans (para 3.14). Such development as did occur was the subject of criticism by successive supervision missions on the grounds of technical misjudgements, high cost overruns and poor quality workmanship.

7.21 RWS's problems resulted from unsatisfactory organization and management, inappropriate technology, inadequate cost controls, weak field operations and severe budgetary shortfalls. Problems also appeared to have resulted from the low priority accorded RWS's work plans within MWD compared with urban and rural water supply programs for human consumption. RWS was not up to the responsibility which it was given under the project for the several reasons listed above. It cannot be expected to perform better in the future until it is better organized, managed, staffed and financed. The shortfalls it exhibited during the implementation of Livestock II seriously undermined the project and RWS could be expected similarly to constrain the development of any future livestock project unless drastic overhaul of its operating capability is effected. Arrangements for livestock water development in future project should be designed on the basis of a realistic assessment of RWS's capacity for effective implementation.

E. Government Funding

7.22 At appraisal, Government was expected to provide 27.2% of total project costs; the PCR estimated that the actual contribution almost 37% of costs, although this is probably an overestimate (para. 4.03). In the early years of the project, the Government provided budgetary funds in line with agreements on the project. However, from 1980 when Kenya's financial crisis developed, inadequate project funding emerged as a major constraint to implementation. The extent of this change is demonstrated by the record of Government's reimbursement of AFC for expenditures incurred under the project. From July 1976 to May 1980, AFC claimed a total of KSh 67.5 million of which Government reimbursed over 99%. Between May 1980 and December 1982, a further KSh 112.9 million was claimed, of which only 29% was reimbursed.

7.23 The general negative effects of the budget crisis on the project were unfortunately exacerbated by Government's unwillingness to use Procedure III (direct payment to suppliers) for many purchases under the project notwithstanding the Bank's attempts to encourage the practice. In

1981/82, Government changed its position on this issue and for most donor-assisted projects, direct payment is now routine.

7.24 Government was also slow in preparing and forwarding withdrawal applications for reimbursement of eligible expenditures to the Bank. The magnitudes of the sums involved could not be established, but from discussions with staff of implementing agencies, it is possible that as much as KSh 10 million of eligible expenditures were not claimed. Particular weaknesses in claiming for eligible operating costs were reported, although capital expenditures were also involved. This problem afflicted many projects in Kenya and results from a combination of weak reporting systems, poor supervision and follow-up, and lack of incentives in operating ministries to claim reimbursements in a timely manner.

VIII. FOLLOW-ON PROJECTS

8.01 The disappointing performance of this and other Kenya agricultural projects led the Bank and Government to favor simpler project design, based on support of national programs and centered in one ministry or agency. A joint Bank/Government identification mission specifically for a follow-on livestock project took place in June/July 1983. Government's view was that a further project in the livestock sector should potentially include activities in the high-rainfall areas which were included in IADP I and II, as well as in the range areas covered by Livestock II. The disappointing experience of Livestock I and II has made it difficult to identify viable project interventions for livestock development in the arid areas. A project is currently being identified and prepared, which is likely to focus on improving the marketing of dairy products in higher-potential areas.

8.02 Despite the overall disappointing results of Livestock II, a case can still be made for continuing support for at least some of the activities of the project. First, well managed credit through AFC and/or commercial banks is needed for the better-established ranches, most of them commercial ranches, which are actually or potentially viable. Second, in the case of group ranches, a process of long-term socio-economic change is underway which will not be reversed and which calls for continuing external technical and financial resources. The costs of these resources versus other priority activities in Kenya, however, needs to be weighed carefully. Third, although some ranches are beyond salvage, many could be put on sound footing with better management, training and supervision. In view of the newness of the concepts and procedures of these ranches, provision of such assistance might be warranted. Fourth, in respect of wildlife, the encouraging results from Amboseli indicate that a mutually beneficial relationship can be established between wildlife/tourism and pastoralists, an achievement that could be replicated under subsequent livestock or wildlife projects.

IX. BANK PERFORMANCE

Project Design

9.01 The Bank endorsed the large scale and ambitious nature of the project as designed by Government, in part through its influence on the initial proposal and in part through appraisal. Having played a constructive role in the development of thinking in Kenya on the ranching and range sectors, and having supported the first phase project, the Bank adopted the view, probably prematurely, that enough of the problems were resolved (especially those of a socio-economic and an organizational nature) to warrant a full-scale development project. In retrospect, some of the most persistent problems were inherent in the design of the project, and it was not possible to take adequate and effective remedial action in the life of the project. These included the inadequate organizational structure of the project, the ambitious time-scale for group and company ranch development, the management problems of the ranches, output pricing, credit delivery by AFC, and the capability of RWS/MWD to implement ranch water development.

Donor Coordination

9.02 The Bank coordinated bilateral donors fairly well in ensuring that an orchestrated approach was taken to design, funding and implementation of the project which, by virtue of its scope amounted to a program of sector support. However, the Bank might have substantially reduced delays in Credit effectiveness by inviting potential co-financiers to participate in the full appraisal process. The Bank coordinated donor participation in supervision missions, almost all of which were mounted jointly and, while differences arose, notably in 1976/77 over the role of the PCU, in general these missions served to reduce misunderstandings and duplication.

Pricing

9.03 The DCA included a pricing covenant which amounted to an attempt to bring about a fundamental change in price policy, that is a phasing out of administered prices for beef (para. 7.03). Experience in Kenya has shown that pricing covenants alone do not guarantee adequate prices for project output. In this project, the Bank was unsuccessful in convincing the Government to move away from a price control system or to raise producer prices in real terms to the level that the Bank's analysis had indicated was necessary for ranch viability. Although a violation of Credit Agreement Covenants was involved, disbursements were not suspended. The remedies for non-compliance in such an instance are all-or-nothing —either the project soldiers on or disbursements are cut off. This is always a difficult choice and, as in this project, is made all the more difficult because of the lack of clear-cut data to demonstrate that the project cannot proceed. The Bank went along with a price structure that was substantially lower in real terms than its own recommendations, on the basis that by 1978 official prices had become much less significant for ranch profitability because of the expansion of the private trade. In retrospect, it is unfortunate that more analysis of actual prices and pricing systems was not undertaken in 1978 and subsequently. Although there has been a marked decline in the importance of administered prices, and hence much greater play of market prices in price formation, too little is known about pricing mechanisms and market development to allow effective policy decisions. We conclude first, that IDA's position on pricing could have been clearer and firmer (including suspension of disbursements if satisfactory measures were not taken), and second that important opportunities were missed for undertaking the policy analysis that would have allowed effective policy decisions on meat pricing and marketing.

Supervision

9.04 The project was intensively supervised by the IDA with a total of 15 missions, almost all mounted jointly with other donors. The project also commanded the attention of senior Bank management, primarily over the pricing issue. It featured consistently and prominently as a major problem project, and issues were reviewed at a high level with Government officials. From effectiveness to the closing date, a period of some eight years, the lead in supervision was taken by three Bank staff members who provided a good degree of continuity. From a technical and organizational point of view the project was well supervised, the main issues being identified clearly and early on (with a considerable commitment of time and effort in detailed ranch analysis that, in some measure, compensated for management weakness within the project itself). Yet the results were disappointing, largely because the project's deficiencies were inherent in its design, in weak institutional support, and in the failure to settle the pricing issue satisfactorily at an early stage in the project. The supervision process could, and did, spell out the key issues, with the two exceptions noted below, but it could not resolve them.

9.05 The first exception relates to staffing and occurred in respect of financial analysis of the ranch lending program, especially of the commercial ranches in both new and traditional areas. Aside from disappointing arrears figures, little is known in detail of the financial status of these ranches which accounted for 35% of expenditures on ranch lending. In this context, it was significant that in a project where nearly 75% of IDA's lending at appraisal (actual 64%) was to be loan funds for ranches no financial analyst was included in a supervision mission for almost seven years between the project review in February/March 1976 and the Closing Date in December 1982. The active intervention of a financial analyst sooner might have given earlier signals than were otherwise given on the questionable viability of the ranching component. The second weakness was not to have questioned more closely the assumption that the free operation of the private trade in beef was a sufficient resolution of the pricing issue. The operation of the open market pricing system should have been more thoroughly analyzed and kept in view to ensure that prices received by ranches were in fact adequate. The comparative silence after 1975 on the issue of price levels probably results more from a "feel" that price levels were adequate than from real analysis. Overall, however, Bank supervision of this complex project was satisfactory, particularly with respect to frequency, continuity of staffing, attention to detail, competence of problem analysis, and reporting.

X. CONCLUSIONS

10.01 The project offers important lessons for the management of development in the agricultural sector. They revolve around project size and complexity; project organization and management; support services; and policy and institutional considerations.

10.02 Livestock II was typical of a number of agricultural and livestock projects in Eastern Africa. It was based upon a creditable intention to spread the benefits of development widely among farming groups and it was large, geographically dispersed, costly, complex and ambitious. Its successful implementation required a high degree of Government commitment, good inter-ministerialcoordination at the national level, and substantial local financial resources, all of which were only partially forthcoming. At the end of its eight-year lifespan, the project largely failed to meet its principal objectives and its rate of return to the Kenyan economy was close to zero.

10.03 Although it was a second phase undertaking which followed a reasonably successful first phase pilot effort, it is clear in retrospect that the quantum jump in size and complexity was too great, particularly since certain assumptions originating from Livestock I which influenced the design of Livestock II two components turned out not to be fully justified.

10.04 A key factor which became increasingly crucial during implementation was the inadequacy of the project's organization and management structure. The Project Coordination Unit, as it was designed, had no power or authority to execute. Its most far-reaching mandate was to coordinate which, due to the structure and autonomy of Kenyan publ c sector entities, was difficult. The experience of Livestock II and other multi-ministry projects indicates that an essential precondition for effective project execution is a management structure with clear lines of authority in which those responsible for implementation have the executive power to do so. One of the principle means of achieving such a structure is to integrate the project vertically into a Government ministery rather than to rely on horizontal coordination between ministries.

10.05 If the support services essential to the project are not in place and working effectively at project start-up, implementation slippage and reduced benefits result almost automatically. The weaknesses of AFC, RWS, LMD and RMD were all prejudicial, to a greater or lesser degree, to its success. The expectations of adequate performance by participating entities in Livestock II, given their earlier modest achievements, were clearly overestimated at appraisal and review to the detriment of the final outcome of the project. At appraisal and during implementation, there was scope for making greater use of complementary or alternative means of providing these services. In the case of credit, it was decided that this vital activity would be the sole responsibility of a very newly established section of a public sector institution, notwithstanding the presence in Kenya of a well-developed commercial banking sector which was already lending to some of the longer-established commercial ranches. In respect of marketing and water development, the project worked entirely through Government departments despite in both cases the presence in Kenya of active private sector enterprises fulfilling at least some of the functions required. In all these cases, there was scope for a more flexible approach to the provision of services to producers.

10.06 The experience of the project underlines the crucial importance of pricing policy issues for project implementation. Low official consumer and producer prices and an ineffective marketing system contributed to a lack of rancher and pastoralist confidence and explain much of the failure of the project at the ranch level. Further development of livestock, and the effective use of external aid resources will depend to a great extent upon an improved policy and institutional framework for the sector. Finally, a factor that could not have been forseen at appraisal, was the severe tightening of the budgetary situation which brought several of the already weak institutions almost to a standstill. In sum, while the outcome of the project was disappointing, the lessons learnt have been very positive and are now being incorporated into a new generation of projects.

KENYA
SECOND LIVESTOCK DEVELOPMENT PROJECT
PROJECT COMPLETION REPORT

PHYSICAL IMPLEMENTATION

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
1. RANCH DEVELOPMENT (IDA AND USAID FUNDED)			
Establishment and/or improvement of group, company and commercial ranches through (i) provision of loan funds for disbursement by AFC and (ii) technical services (see below)	1. Loans to about 60 group ranches averaging about 16,000 ha. located mainly in Kajiado, Narok and Samburu. Total loans KSh 480 million.	1. Appraisal target reduced to 29 group ranches. Total loans KSh 19.9 million.	1. 27 Groups ranch loans approved. Total disbursed KSh 6.4 million.
	2. Loans to 21 company or cooperative ranches in Taita, Tana, Kwale and Kilifi districts with an average size of about 28,000 ha Total loans K.Shs 28 million.	2. Appraisal target raised to 29 Company ranches. Total loans KSh 78.2 million.	2. 19 Company ranch loans approved. Total disbursed KSh 40.5 million.
	3. Loans to about 100 commercial ranches owned by individuals or companies located primarily in traditional ranching areas of Nakuru, Laikipia, Nyandarua and Machakos, with an average size of about 3,500 ha Total loans KSh 91.0 million.	3. Appraisal target reduced to 46 commercial ranches in traditional areas. Total loans KSh 37.7 million.	3. 55 Company ranch loans approved. Total disbursed KSh 51.9 million.

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PHYSICAL IMPLEMENTATION (contd.)

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
1. RANCH DEVELOPMENT (IDA AND USAID FUNDED)			
	4. Commercial ("individual") ranches in new areas, i.e. primarily former trust lands were a late introduction in the lending program, having originally been excluded at appraisal.	4. Commercial ranches in new areas not included.	4. 303 commercial ranch loans in new areas approved Total disbursed KSh 39.9 million.
	5. Funding for individuals in receipt of title to subdivided to ranch land in the Baringo areas was not requested by Government at appraisal but was included in the program in 1979.	5. Baringo ranches not included.	5. 485 small loans in Baringo area (average disbursed KSh. 17,500). Total disbursed KSh 8.5 million.
	6. Three feedlots would be financed through AFC, in Nairobi, Kajiado and Western Kenya each with a capacity of 1,600 head in yards and 1,600 head on improved pasture.	6. Appraisal target reduced to one.	6. None established under Livestock II.

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PROJECT COMPLETION REPORT

PHYSICAL IMPLEMENTATION (contd.)

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
2. RANGE WATER DEVELOPMENT (USAID AND CIDA FUNDED)	1. North-East Province Rangelands (USAID)		
Improvement of cattle production on 7 million acres of North East Province rangeland (USAID) and 3 million acres of Isiolo District rangeland (CIDA).	N.B. USAID objectives were established and modified on occasion through direct Government/USAID contacts and did not necessarily adhere to the World Bank appraisal report or subsequent changes. USAID targets given here were as provided by the USAID supervision mission, March April 1980 (Annex 8).		
	a) Reservoir Construction: 45 large, 25 medium, 40 small		a) 34 Large, 13 Medium, 19 Small
	b) Access track construction: 4100 km constructed, 0 km maintained	b) Not applicable	b) 2,500 km constructed, 1,969 km maintained
	c) Borehole Development: 42 constructed		c) 31 drilled, 16 successfully 1 equipped as of 3/1980; 34 pumps and 30 engine sets supplied
	d) Grazing blocks: 13 planned for Livestock II		d) Substantial development on 8 of which 3 had been started under Livestock I.
	2. Isiolo District Rangelands (CIDA)		
	Details to have been prepared under project.	Not applicable	Implementation terminated early; very little achieved. Government subsequently continued program at low level.

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PHYSICAL IMPLEMENTATION (contd.)

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
3. LIVESTOCK MARKETING (O.D.A. FUNDED)			
Development of livestock marketing by means of infrastructural improvements and provision of vehicles.	1. Establishment of 5 large (capacity 500 head/day) and 26 small (capacity 200 head/day) cattle markets and 3 small markets for sheep and goats.	1. Weighbridge/buying center improvement at 33 locations.	1. Weighbridge/buying center improvements at 33 locations.
	2. Development of 30 new holding grounds with a total area of about 200,000 ha.	2. Water supplies installed/improved 14 boreholes.	2. Development on 47 holding grounds: Water supply installed/improved: 5 dams 1 wells 9 boreholes 1 pipeline connection 7 river sources 28 spray races Staff houses at 28 locations Offices and 3 locations.
	3. Establishment of two veterinary laboratories.	3. Unchanged.	3. Not implemented.
	4. Construction of two boat jetties.	4. Unchanged.	4. Not implemented.
	5. Provision of 5 cattle trailers (72 head each), 10 cattle trucks (32 head each) and 12 pickup trucks.	5. Unchanged.	5. Implemented as planned

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PHYSICAL IMPLEMENTATION (contd.)

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
4. WILDLIFE (IDA, CIDA FUNDED)			
Development of 3 wildlife areas and improvement of monitoring.	1. Following establishment of Amboseli National Reserve as a Park, to compensate neighbouring pastoralists for lost dry season water supplies by provision of a pipeline and water tanks. Government to provide financial compensation for lost grazing.	1. No change. Pipeline complete by time of review report.	1. Pipeline completed 1976. Operated satisfactorily until 1981 drought when design weaknesses and fuel shortages disrupted operation. GOK has not paid compensation since 1981.
	2. Water development in the vicinity of the Maasai Mara. Government to provide compensation payments.	2. No change.	2. No agreement reached on grazing rights. Project never completed.
	3. Provision of facilities in support of the expansion of Nairobi National Park by 350 km² from 144 km².	3. No change.	Not implemented.
	4. Establishment of a census and monitoring unit.	4. No change.	KREMU established and operating satisfactorily.

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SECOND LIVESTOCK DEVELOPMENT PROJECT
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PHYSICAL IMPLEMENTATION (contd.)

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
5. TECHNICAL SERVICES (ALL DONORS) Strengthening services in support of the livestock program.	1. Livestock Marketing Division Supporting staff: Senior Buyer Transport Officer 5 Maintenance Supervisors Accountant 3 Operating Expenses for 3 years	1. Minor modification only.	1. Implemented as planned.
	2. Agricultural Finance Corporation. Supporting staff: Assistant to head of ranch section 3 Accountants 14 Livestock/Credit Officers Office equipment, vehicles operating costs.	2. Minor modification only.	2. Implemented as planned.
	3. Meat Processing Study	3. No change.	3. Study completed 1977 with TOR's broadened to cover beef subsector.
	4. Veterinary Services Mobile CBPP testing unit Housing Vehicles & Equipment Operating Expenses Supporting Staff: 3 veterinarians	4. Minor modifications.	4. Mobile testing unit supplies. Staff salaries and operating costs believed not to have been reclaimed from IDA.
	5. Training 4 overseas fellowships & study tours.	5. No change.	5. (a) In country ranch management course established (10 in training by 1980). (b) USAID funded 100 overseas

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PHYSICAL IMPLEMENTATION (contd.)

APPRAISAL OBJECTIVE	APPRAISAL DETAILS	1976 REVISION	ACTUAL ACHIEVED
(cont'd) 5. TECHNICAL SERVICES (ALL DONORS)			
	6. Project Coordination Unit Staff: Project Coordinator Assistant Project Coordinator Financial Analyst Supporting Staff Operating Expenses	6. Minor modification only.	6. Implementation as planned.
	7. Ministry of Water Development No provision made.	7. Four planning/survey teams (equipped) One construction team (equipped) One borehole maintenance unit.	7. IDA provided equipment and consultancy services valued at US$1.9 million.

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SECOND LIVESTOCK DEVELOPMENT PROJECT
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AFC LOANS UNDER PROJECT AND STATUS AS AT DECEMBER 31, 1982

(KSh)

RANCH TYPE	TOTAL OUTSTANDING LOANS	TOTAL DISBURSEMENTS 1/	LOAN FUNDS COMMITTED	LOAN BALANCES	ARREARS	BORROWERS TOTAL NUMBER	NUMBER IN ARREARS	% IN ARREARS
Group	4,628,785	6,353,459	25,845,541	4,537,971	90,814	27	6	22%
Company	50,434,731	40,512,428	22,424,107	42,403,582	8,031,148	19	10	52%
Commercial (traditional areas)	52,426,783	51,939,460	1,039,633	47,937,955	4,488,828	55	22	40%
Baringo	8,727,318	8,479,645	878,222	8,166,916	560,402	485	301	62%
Commercial (new areas)	35,397,992	39,925,316	3,138,331	34,246,333	1,151,659	303	75	25%
TOTALS	151,615,609	147,210,307	53,325,834	137,292,757	14,322,821	889	414	47%

1/ Disbursements plus loan funds committed equal loan approvals.
Source: AFC.

LIVESTOCK I

CREDIT 129-KE

Group	3,567,624	1,771,947	-	3,407,724	159,900	14	5	36%
Company	26,248,628	12,158,717	-	12,201,698	14,046,930	12	7	58%
Commercial	6,816,094	4,178,612	-	6,090,045	726,049	27	5	19%
Commercial (new areas)	5,341,114	4,767,567	-	4,418,210	922,904	49	17	35%
TOTALS	41,973,460	24,876,843	-	26,117,677	15,855,783	102	34	33%

1/ Disbursements plus loan funds committed equal loan approvals.
Source : AFC.

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PROJECT COMPLETION REPORT

Estimates of Actual Project Costs (US$ million and KSh million) by Category and Source of Funds

	GOK Ksh.	GOK US$	IDA Ksh.	IDA US$	USAID Ksh.	USAID US$	CIDA Ksh.	CIDA US$	ODA Ksh.	ODA US$	N.Y. Zoo Ksh.	N.Y. Zoo US$	Proj. Benef. Ksh.	Proj. Benef. US$	Total Project Cost Ksh.	Total Project Cost US$
Ranch Development																
Fixed investment	26.4	3.1	20.7	2.3	--	--	--	--	--	--	--	--	17.0	1.9	64.1	7.3
Working capital	44.1	5.1	50.4	5.6	22.9	2.6	--	--	--	--	--	--	41.6	4.6	159.0	17.9
Total	70.5	8.2	71.1	7.9	22.9	2.6	--	--	--	--	--	--	58.6	6.5	223.1	25.2
Range Water Development																
Isiolo	5.2	0.6	--	--	--	--	19.4	2.4	--	--	--	--	--	--	24.6	3.0
North-East Province	9.7	1.3	--	--	71.5	7.9	--	--	--	--	--	--	--	--	81.2	9.2
Total	14.9	1.9	--	--	71.5	7.9	19.4	2.4	--	--	--	--	--	--	105.8	12.2
Livestock Marketing																
Investment and Operating Costs	50.1	6.4	--	--	--	--	--	--	19.9	2.4	--	--	--	--	70.0	8.8
Technical Assistance	--	--	--	--	--	--	--	--	9.1	1.1	--	--	--	--	9.1	1.1
Total	50.1	6.4	--	--	--	--	--	--	29.0	3.5	--	--	--	--	79.1	9.9
Wildlife																
Amboseli	3.4	0.4	1.3	0.2	--	--	--	--	--	--	1.2	0.2	--	--	5.9	0.8
Masai Mara	0.8	0.1	--	--	--	--	--	--	--	--	--	--	--	--	0.8	0.1
Nairobi National Park	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
KREMU	25.6	3.3	4.1	0.5	--	--	27.2	3.4	--	--	--	--	--	--	56.9	7.2
Total	29.8	3.8	5.4	0.7	--	--	27.2	3.4	--	--	1.2	0.2	--	--	63.6	8.1
Technical Services																
Ministry of Livestock Devlopment	12.9	1.5	5.7	0.6	25.3	3.2	--	--	--	--	--	--	--	--	43.9	5.3
Ministry of Water Development	25.0	2.8	19.3	1.9	--	--	--	--	--	--	--	--	--	--	44.3	4.7
Agricultural Finance Corporation	6.8	1.1	9.1	1.0	--	--	--	--	--	--	--	--	--	--	15.9	2.1
ILCA	--	--	0.9	0.1	--	-	--	--	--	--	--	--	--	--	0.9	0.1
Consultants, research & training	--	--	1.2	0.1	16.1	2.0	--	--	--	--	--	--	--	--	17.3	2.1
Unallocated technical services	--	--	0.9	0.1	--	--	--	--	--	--	--	--	--	--	0.9	0.1
Total	44.7	5.4	37.1	3.8	41.4	5.2	--	--	--	--	--	--	--	--	123.2	14.4
TOTAL PROJECT COST	210.0	25.7	113.6	12.4	135.8	15.7	46.6	5.8	29.0	3.5	1.2	0.2	58.6	6.5	594.8	69.8

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Table 4. Project Financing By Source of Funds

Source of Funds	APPRAISAL Kshs. Million	APPRAISAL US$ Million	APPRAISAL %	REVIEW 1976 Kshs Million	REVIEW 1976 US$ Million	REVIEW 1976 %	ACTUAL AS AT DECEMBER 31, 1982 KShs Million	ACTUAL AS AT DECEMBER 31, 1982 US$ Million	ACTUAL AS AT DECEMBER 31, 1982 %
IDA	153.4	21.5	36.0	122.8	15.0	20.1	113.6	12.4	17.8
USAID	54.2	7.3	12.2	105.4	12.9	17.3	135.8	15.7	22.5
CIDA	9.3	2.4	4.0	54.8	6.7	9.0	46.6	5.8	8.3
N.Y. ZOO SOCIETY	—	—	—	1.1	0.1	0.2	1.2	0.2	0.3
ODA (U.K.)	26.4	3.7	6.2	22.0	2.7	3.6	29.0	3.5	5.0
BENEFICIARIES	61.4	8.6	14.4	134.8	16.4	22.1	58.6	6.5	9.3
GOVERNMENT	120.6	17.0	27.2	169.2	20.6	27.7	210.0	25.7	36.8
TOTAL	426.3	59.7	100	610.1	74.4	100	594.8	69.8	100

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Table 5. IDA disbursements by Category

(US$ MILLION)

		Appraisal		Actual		Balance
		US$	%	US$	%	US$
I.	Ranch Development	16.0	88.8	7.9	63.7	+8.1
II.	Wildlife	0.8	4.4	0.2	1.6	+0.6
III.	Consultants & Technical Services	0.4	2.2	3.1	25.0	-2.7
IV.	Project-related MOA/MLD Costs	0.4	2.2	0.6	4.8	-0.2
V.	Project-related AFC costs	0.4	2.2	0.6	4.8	-0.2
	Unallocated	3.5	-	-	-	(+3.5)
	TOTAL	21.5	100	12.4	100	+9.1

Balance of $ 9.1 million cancelled [$4.0 million of 31/12/80 and US$5.1 million as of the Closing Date (31/12/82)].

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Table 6. Schedule of Disbursements

Fiscal Year 1/ Appraisal and Semester	Accumulated Disbursements (US$m) Appraisal Estimate	1980 Supervision Estimate	Actual	Actual as % of Estimate
FY75				
December 31	0.8	–	–	–
June 30	4.4		–	–
FY76				
December 31	7.8	–	0.3	4
June 30	12.0	–	0.3	2.5
FY77				
December 31	15.7	–	1.5	10
June 30	17.7	–	2.3	13
FY78				
December 31	20.1	–	2.4	12
June 30	20.5	–	2.5	13.
FY79				
December 31	20.9	–	3.6	17
June 30	21.3	–	4.2	20
FY80				
December 31	21.5	–	4.6	21
June 30	–	–	4.8	22
FY81				
December 31	–	7.2	7.1	33
June 30	–	10.5	7.8	36
FY82				
December 31	–	13.3	8.1	38
June 30	–	15.4	10.6	49
FY83				
December 31		17.5 2/	11.3	53
June 30			12.4 3/	58

1/ FY75 covers July 1, 1974 to June 30, 1975, etc.
2/ US$ 4 million of the US$21.5 million IDA credit was cancelled.
3/ A further US$5.1 million was cancelled.

ANNEX 1
Table 4

Indices of Real Producer Prices and Income Terms of Trade, Livestock Sector, 1972-82

	Index of real official producer prices	Income terms of trade, livestock sector
1972	100	100
1973	90	90
1974	77	70
1975	74	67
1976	79	57
1977	78	75
1978	87	95
1979	83	80
1980	77	69
1981	71	67
1982	66	73

Source: Sharpley, 1984 - "Kenya: Macro-Economic Policies and Agricultural Performance".

ANNEX 1
Table 6

Official Producer Prices for Beef, by Grade (KSh Kg cdw)

	Grade			
	Choice	FAQ	Standard	Commercial
Price in 1972		4.95	3.42	2.95
Price at September 1976	open	7.75	5.35	4.75
Real change on 1972 (%) 1/		-12	-12	-10
Price recommended by Review Mission 1976	open	8.35	7.25	4.25
Real change on 1972 (%) 1/		-9	+19	-19
Price at February 1978	open	8.25	6.95	5.45
Real change on 1972 (%) 1/		-20	-3	-12
Price in 1982	open	14.50	11.00	8.00
Real change on 1982 (%) 1/	open	-15	-9	-24

1/ Deflated by index of consumer and import prices paid by the agricultural sector.

Source: Sharpley, 1984 - "Kenya: Macro-Economic Policies and Agricultural Performance".

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Summary from PCR on First Kenya Livestock Development Project (Cr. 129-KE), 1976

4.01 The project is part of a long term program of range development and determination of its full value both in respect of its overall value and the individual ranch improvement cannot yet be made. Taken overall however the first livestock project has so far been successful in furthering the program of range development in Kenya. The physical achievements, although different from those estimated at appraisal, are positive and are the result of applying a flexible approach to problems and concentrating on those aspects that were likely to gain immediate response. Thus in the ranch and land development program development was commenced, but not completed, on 108 ranches compared with an appraisal estimate of 60 completely developed ranches. In the North East pastoral areas only 3,900 square miles were developed instead of the 20,000 sq. miles planned at appraisal because a more intensive form of development was chosen. Within the ranching sector development concentrated on Commercial, Company and Individual ranches. Relatively little money was disbursed to group ranches due to delays suffered in setting up the necessary governmental organization to deal with them. These delays allowed overstocking to overtake the group ranching areas and seriously hindered further progress. The following summarizes the disbursement of the IDA credit and the ranches and area tackled.

	Appraisal Estimate				Actual Disbursement			
Ranch Type	$(000)	% of Loans	No. of Ranches	Acres (000)	$(000)	% of Loans	No. of Ranches	Acres (000)
Commercial	708	37	20	600	1,086	54	42	417
Individual	47	2	10	20	109	5	41	62
Company	415	21	10	640	607	30	10	637
Group	560	29	20	700	84	4	15	545
TOTAL	1,730	(91)	60	1,960	1,885	(94)	108	1,661
AFC Ranch Div.	160	9	-	-	105	5	-	-
TOTAL AFC	1,890	100	-	-	1,990	100	-	-
NE Development	400	-	-	12,800	597	-	-	2,520
Livestock Marketing	540	-	-	-	611	-	-	-
Government Services	410	-	-	-	401	-	-	-
Unallocated	360	-	-	-	-	-	-	-
TOTAL	3,600	-	-	-	3,600	-	-	-

4.02 Within ranch loans 71% of the credit issued was for working capital compared with an estimate of 36% at appraisal of which a higher proportion than expected went into purchase of steers. Investment in long term capital improvements was proportionately less. Main items of development expenditure on ranches were expected to be water 35%, bush clearing 30%, 9% for breeding bulls, in practice it amounted to water supplies 39%, heifers 22%, machinery 11% and improved bulls 11%; a higher percentage of dips and buildings were constructed.

4.03 Due to problems in meeting terms of effectiveness and an initially cautious lending approach by AFC, the program did not really get underway until January 1971, four years after appraisal, and 20 months after the effective date. Despite this the project was fully disbursed by July 1974 only seven months after the original closing date; this rapid disbursement which was beyond appraisal estimates has caused its own problems.

4.04 The achievements and problems might be summarized as follows. The project has:

(a) Undertaken further testing and development of suitable ranch organizational structures adapted for different social requirements.

(b) Assisted established commercial ranchers develop their ranches.

(c) Aided individual Kenyans and peoples cooperatives to take over and manage existing commercial rances - over 28 out of 42 ranches in this component. The need for this type of financing was not apparent at appraisal. Some management success has been achieved, especially when compared with similarly transferred ranches not obtaining assistance, but considerable attention in future will have to be paid to teaching management and preventing future overstocking to assure the investment.

(d) Assisted with progress towards the gradual stratification of the beef industry through the financing of 4 of Kenya's 12 new feedlots with an annual capacity of 60,000 cattle. The first ones started in 1971, after initial built-up to an output of over 19,000 head in 1974 since then feedlots not supplying the Swiss or similarly priced export markets (i.e. AFC financed feedlots) have run into serious problems because the increase in feed and feeder cattle prices is greater than the increases in prices offered by KMC for the products (para 14.16).

(e) Helped Kenyan entrepreneurs through company ranches to open up and successfully manage previously unoccupied land. As stocking intensifies and management requirements become more sophisticated it is evident that further and more intensified management training will be required, and more attention will have to be paid to maintaining the correct level of stocking in relation to development.

(f) Assisted individual ranchers in Maasai develop small ranches. A number are overstocked and grazing cattle in neighboring group ranches. The ranches have had innovative effects in Maasailand through pioneering of various improvements, but trespass on neighboring groups by relatively wealthy individuals diminishes the value of the land registration program and prevents others undertaking development. RMD, AFC and the Group Registrar should bring pressure to bear on such individuals.

(g) Brought about adjudication and registration of land in Maasailand into group (usually 20,000 - 200,000 acres) and individual ranches (2,000 acres) and provided a framework for development. The exercise has exposed many social problems previously obscured, including "landlessness" which must be solved if Maasai grazing is to be preserved and developed. The first 15 groups registered are in the project area (over 50 are now registered in Kajiado and Narok) and have committees of Group Representatives who meet and manage group affairs in accordance with the constitution laid down under the Land (Group Representatives) Act 1968 and subsidiary legislation LN204/1969. The degree of authority and the vigor of application of legislation by the Representatives is generally in proportion to the amount of physical improvements so far introduced into the ranch. Starting in 1971, 14 groups have received some credit of which 5 or 6 are on the way to full development of planned physical improvements. In terms of AFC loans, disbursement has been very disappointing (4% of AFC loan funds instead of an anticipated 29%) since the deteriorating overstocking and grazing situation dissuaded the Maasai from overcommitting themselves. The problem has, however, had a major impact on Maasai social thinking, of making them realize the serious economic problems they face and opened discussions on various solutions. It has helped government unravel the problems in Maasai and reinforce the view that development will be dependent on the application on a variety of programs and services designed to meet Maasai's changing needs. An important outcome has been that on ranches where some improvements have been provided, the Maasai demonstrated before the recent drought and overstocking situation that they want to ranch and manage stock properly and that they believe that a mixture of group and individual ranches are for the moment the most viable propositions. On the first group developed some impressive changes in attitudes have been recorded. For them groups are no longer concepts but realities which have to be faced. Two factors have worked against greater progress. While Government decided on appropriate registration and organizational measures (8 years ago) the cattle population inevitably grew (brought about by intrinsic problems of achieving stock limitation under the traditional system) and has far exceeded the stocking capacity so giving rise to the real danger of a major stock loss disaster and making it extremely difficult to implement the program. The second restraint was inadequate staffing of the Registrar of Group Ranches office which prevented it from undertaking the social, organizational and supervisory roles delegated to it. In fact there is a case for examining a different division of responsibilities for the latter's functions to be divided between the Ministries of Lands and Agriculture. Group ranches provided entirely new legislative and governmental responsibilities and it is evident that government and IDA underestimated the requirements and complexities. Subsequently, they have failed to respond adequately to the difficulties the various groups are experiencing in organizing themselves and in particular to deal with the socially difficult problem of stock rights; for full and lasting implementation this will need government understanding, support and possibly changes in the land legislation equating "land rights" for an individual with his stock rights at adjudication (rights, which like land under individual tenure can be marketed or transferred). The issues now are not so much the acceptability of groups (although rejection could occur if problems are not solved) but how government and Groups deal with the stock rights problem and the Government action necessary, over a period of time, to alleviate the position of the large number of Maasai "landless", i.e. those who own no stock and others whose sub-economic stock holdings will become more obvious by the proper applications of stock rights. Maasai generally are now more receptive to discussion on this issue than they were previously and are conscious that some tough decisions will have to be made by themselves and government. There are some technical problems on sizes of group ranches (too big/too small) but these are insignificant in importance to the basic issue of achieving a working framework for the administration of stock rights. By applying sound range practices and stock control the majority of ranches chosen by the people can operate within their confines.

(h) Demonstrated some important social benefits from group ranches that have been in operation for some time principally in the areas of school attendance, housing, hygiene, clothing, engaging in cultivation, owning goods like bicycles, more cash oriented, greater awareness and questioning of traditions like nomadism, warrior training etc.

(i) Made arrangements for ranches to benefit from game cropping and contracts with hunting and safari firms.

(j) Against original Government and appraisal proposals introduced a too intensive water development program in the North East so reducing the area benefitting. Carrying capacity has been increased in the area, and some progress has been made in introducing a grazing program. However, the people are still not fully involved and more discussion is required on organization arrangements, management, user rights, limitation of stock, and the development of a sound system of running and maintenance of Water supplies paid for by the people.

(k) Created an effective Livestock Marketing Division with the designed capacity to move 50-60,000 animals. Improvements, which were as appraised, have not, however, been sufficient to eliminate all seasonal movement problems or to counter serious droughts; further improvements are being made in the second project. LMD still runs at a loss principally because of stock losses and because the margin between buying and selling price is too narrow. This latter aspect needs attention as it affects the economic viability of the measures and affects other sections of the beef industry (para. 19.12 to 19.14).

(l) Prompted some examination of and attention to the pricing and marketing structure for beef. The effect, however, has been insufficient and price changes have not kept pace with inflation while KMC's investment policies and refusal to alter sufficiently its pricing (also a Government responsibility) and marketing policies has resulted in a decline in beef deliveries and a major KMC financial crisis in 1975.

(m) Had major institutional benefits:

(i) Provided invaluable experience for the new trained Kenyan staffed RMD (whose members have also moved to AFC and ranch management posts). For the first time in Kenya's history there is a core of men (Kenyans) specialized in range management who are building knowledge of their area and instituting change, albeit not yet to the level they hope to achieve. Inadequate project directional structure has hindered RMD in taking a more decisive and stronger role in meeting project objectives. While this has been a serious error, the Division could and should take a more prominent position in improving management and reducing overstocking on commercial and company ranches and must intensify its efforts to achieve a satisfactory solution to the Maasai problems.

(iii) AFC now has a nucleus of good local staff (mostly ex-RMD) to undertake its ranch lending program.

(iii) After a slow start, the Range Water Division performed satisfactorily but its present siting in another Ministry makes it more difficult to work closely with RMD staff.

RECOMMENDATIONS FOR FUTURE ACTION

5.01 There are several points of a general nature to be borne in mind when considering future action. Firstly, it is important to concentrate the development effort on specific objectives and do the job thoroughly. Generally Kenya's range areas are a problem "en masse" and it is easy to diffuse effort and to generalize. The untried and often complex nature of any ranch or scheme organizational problems make it unlikely that the ideal will be achieved and that a careful balancing of the good with the bad will be required, together with a careful identification and analysis of the latter without preconceived notions. Some problems like Maasai overstocking are not going to be solved quickly and catastrophes are going to occur. The only solution is likely to be the application, over a relatively long period, of a sound but flexible policy administered with a willingeness to listen and understand and a degree of firmness when it is evident that the policy has majority support. Secondly, the project is part of, and is taking place during, historical changes in Kenya's land tenure systems when all portions of land are gradually coming under state backed private ownership. Such periods in a country's history are characterized by a greater interest in land per se rather than in its use. In the early stages, therefore, the basic motives of the land owner and the range manager will not always be the same; here again while technicians may strive for the ideal their achievement during this period may not be as great as at other times.

5.02 A second phase of the project has commenced and it is recommended that the following action be undertaken in respect of both this and the second phase project. (more detailed recommendations follow the sections dealing with each component of the project).

(a) Continued supervision by the Bank and Government of all Phase I project entities.

(b) Kenya Government should ensure proper staffing for the continuation of the project (para. 21.3).

(c) AFC and RMD must tackle the overstocking problems on the company ranches. (para. 15.11).

(d) RMD should pay more attention to the commercial ranches.

(e) RMD must develop further the Government's program for giving advice to and training of ranch staff and committees.

(f) RMD must help the Maasai implement their stock quotas. It should re-examine the adequacy of the services to these ranches and make recommendations for any necessary changes in legislation (para.17.7). The desirability of forging ahead with development in new areas before solutions have been found to the pilot areas should be carefully assessed. Some development might be warranted and funds should be readily available if a breakthrough is made. One of the reasons for failures in the first project was time taken to get money to start development. On the other hand, while the first project will have increased environmental hazards somewhat because of inadequate grazing control, widespread distribution of water throughout Maasai without control would be disastrous and remove the remaining weapon government has to induce change. During this development stage it will be important for Government to regulate the pace of development in relation to the cooperation it is getting from the Maasai farmers in their own efforts to truly overcome their stock problem. The Government must not be so naive as to think that they can expect to get immediate whole hearted support for their programs in Maasai since there are too many political vested interests involved to ensure plain sailing.

(g) RMD to pay more attention to N.E. Range Management organization and increase its dialogue with the pastoralists (para. 18.21).

(h) Central Direction for the Range Management Program should be placed in a specially constituted Range Development Project Unit under the Head of the Range Management Division. His salary level would be upgraded to that of other senior Division Chiefs in the Ministry and made commensurate with the responsibilities associated with overseeing Government policies of the major enterprise affecting 80% of Kenya's land area. The Unit would be capable of: surveying, planning, organizing and supervising function of cooperatives, groups and companies as well as monitoring and evaluating the various schemes. Closer working arrangements with RWD would be forged. AFC would still retain its present function of helping ranchers prepare applications, lending and supervising the loans as appropriate (para 24.23). In consultation with them, RMD would define clearly the responsibilities and objective of the participating agencies in the range program. It would monitor progress (para. 24.23).

(i) In particular RMD, in consultation with others would draw up detailed programs for training of ranch personnel and be responsible for their implementation (para. 24.23).

(j) RMD, perhaps in association with research and education institutions, would implement a program of range monitoring using a simple transact system, particularly in the N.E. and on Company ranches (para. 18.21).

(k) The Economic and Planning Unit of the Ministry of Agriculture should be strengthened in the livestock field to undertake coordinating and policy control of the beef industry as a whole examining from time to time the progress of the range component (also recommendations 13, 14, 15) (para. 24.24.)

(l) The project would rely essentially on Kenya personnel.

(m) In an innovative project of this kind, Government and IDA's need to maintain disbursement schedules should not override technical and social problems where solution is essential for long term success. More emphasis would be placed on achieving sound ranching organizations and solving the various constraints caused by social needs and customs. Kenya has gone further than most countries in this quest and it is evident that as well as money, time, patience and understanding will be important ingredients.

(n) In order that pastoralists become less dependent on rangeland for subsistence and income Government and IDA must consider the financing of associated improvements, schools, community and health centers, roads, development of cultivation, milk collection, etc.

(o) Government should pay greater attention to producer/consumer beef pricing policies, and KMC policies (para. 25).

(p) The subsidy policies to LMD should be reviewed (para. 19).

(q) The role of stratification of the industry should be reviewed. The importance of moving young cattle out of the North East determined (para. 18.20) and the possibility of developing new company and commercial ranches for fattening only examined (para. 15.11). The role of feedlots should similarly be examined in relation to fattening ranches and as alternatives to intensive and expensive range improvements in the North East.

(r) Because of its complexity and need for continuity Kenya must develop the capability to formulate its own beef sector policy using Kenyans rather than using transitory experts or intermittant studies neither of which can grasp the general problem of the country - although of course they can advise on specific aspects of technology. A beef market and price study is recommended (para. 19).

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PROJECT COORDINATION UNIT

TERMS OF REFERENCE[1]

A. Location - Range Management Branch, Livestock Production Division, Ministry of Agriculture.

B. Head of the Unit - The Unit will be headed by a Livestock Project Coordinator who will be:

(1) Chairman of the Livestock Project Coordination Committee;

(2) responsible for the supervision of the Unit;

(3) subject to a maximum degree of autonomy and responsibility to perform his functions;

(4) the AIE holder for the finances of the Unit.

C. Responsibility of the Unit - will be responsible :

(1) to the Permanent Secretary of Agriculture for supervision through the Head of Range Management Branch, the Chief of Livestock Production Division and the Director of Agriculture;

1/ Source: PS, MOA, September 1974.

(2) for the coordination of the activities of the livestock project (IDA, USAID, CIDA, and ODM Projects) across ministries, agencies and donors. Specifically :

(a) to monitor and be aware of: progress in project implementation by each project agency; procurement of equipment, machines and vehicles; disbursement and reimbursement under the project; problems and issues which constrain project progress etc;

(b) to collate all material and information supplied by project agencies for quarterly report, which is to include:

(i) progress in each component;

(ii) procurement;

(iii) expenditure and reimbursement of expenditure by service agencies;

(iv) major issues affecting the project;

(c) to arrange for supervision missions and visits by donor agencies activities;

(d) to organise activities of the Project Coordination Committee;

(e) to organise training activities under the project;

(f) to arrange consultancies, studies and research activities relating to the project

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USAID: PROJECT ASSISTANCE COMPLETION REPORT

NOTE: Highlights extracted by PCR mission from full report dated June 1983 and reproduced by courtesy of USAID.

Project Purpose

The project purpose was "to increase the quantity and quality of livestock production to meet gro-ing domestic demand and to earn foreign exchange through exports of livestock and livestock products".

Project Status at Closing Date

Mission support for these projects has terminated. The larger National Kenyan Livestock II Project is approaching the original completion date and the GOK is negotiating with the World Bank for continued financial assistance for a National Livestock III Project.

With the exception of the participant training element of these projects all other elements fell short, by varying degrees, of obtaining the desired goal.

The Mission in 1981 designed a study to review project activities and develop lessons learned from this project. This study was not undertaken due to the security situation in the NEP which prevented any field visitations.

Summary of Contributions and Project Outputs

USAID Contributions

The Livestock Development Project (Loan) authorized (as amended) funds for two components; (1) $3.2 million for reimbursing the Agricultural Finance Corporation (AFC) for livestock loans; and (2) $9.5 million for the procurement and operation of heavy earthmoving equipment. The loan total was therefore $12.8 million of which the GOK utilized $10.18 million.

The NRRD Project (Grant) authorized $8.172 million for technical assistance, training and commodity procurement. As of March 31, 1983 total expenditures were $5.488 million.

This amount was expended as follows :

Technical Assistance	$ 3,161,000
Equipment and Supplies	$ 312,000
Training	$ 2,015,000
Total	$ 5,488,000

The reasons why project funds were underutilized are detailed in the Lessons Learned Section.

GOK Contributions

The GOK agreed to provide the Kenya Shilling equivalent of US$3.7 million to finance local costs such as the Wajir Workshop, Warehouse and Staff Housing Construction, local staff salaries and maintenance of reservoirs and boreholes. In general, the GOK contributions were provided as required throughout the project.

Project Outputs

- A qualified and trained cadre of Kenyans to conduct ranch planning and implementation.

- Establishment of effectively functioning credit system for the timely provision of credit and credit-related services to ranches or their development and operation.

- Improvement of Kenyan range management training institutions offering programs applicable to grazing block and ranch management.

- Development of Grazing Blocks.
- Establishment of service and maintenance facilities for project equipment.
- A study of the meat industry in Kenya.
- Development of livestock ranches in the Narok and Taita Taveta areas.

Project Accomplishments

Although the project fell far short of meeting the original objectives there were several accomplishments:

- The participant training of 100 GOK personnel (i.e. academic 76, non-academic 24) increased the skilled manpower of the Range Management Division and the Hydrology Engineering capabilities of the MOLD's Rural Water Development Division.

- Completion of an analysis by Chemonics of the "Meat Industry in Kenya". This study was designed to assist the GOK in preparing a long term program for the development of policy guidelines and course of action that will assure the continued growth of this industry.

- Completion by Utah State University of a "Range Monitoring and Range Trends Study". In addition a USDA Range Scientist updated a long ongoing study (range site readings which are taken every 3 to 5 years) on range utilization, productiveness and plant growth in numerous locations throughout Kenya.

Unforeseen Implementation Problems

- Difficulty in maintaining US Technical Assistance Team in the N.E.P. due to extreme and difficult working conditions.
- Lack of support from the participating ministries and incapability of these ministries to work and coordinate with one another especially at the field level.
- Mechanical problems in maintaining vehicles in the N.E.P.

Post Project Activities

All AID support .... ended as of their PACD. No additional project reviews, redirection or evaluation will be carried out. This PACR is the final project action.

Summary of Lessons Learned

The major lessons learned for the GOK, AID and other donors involved in this project are:

- Large national projects which are supported by multi-donors require the establishment of an effective project coordinating committee. Such a project coordinating committee should be supported by one or more of the donors and not left to the responsibility of the host government.
- The project design was faulty in that it mistakenly assumed that pastoralists of north-east Kenya were meat producers when in fact they are milk producers. Therefore, the whole livestock production system was quite different from that which the project designers had anticipated.
- The project greatly underestimated the complexity of the problems faced when dealing with pastoralists. It appears the cultural base of the pastoralists was not fully understood during project design.
- When the implementing Ministry, for the project, was split into additional new Ministries, steps should have been taken by the donors to specifically clarify the responsibilities of the new Ministries and to develop any appropriate redirection of the project. The low priority given to this project by the Ministry of Water Development (MOWD) greatly constrained success of the project.
- The pastoralists should have been more involved in project design operation and decision making during implementation.

- Grazing block committees were established but were less effective than planned because pastoralists from settlements were selected to represent the nomadic pastoralists. Very few of the GOK participants in these meetings spoke the language of the pastoralists, and minutes of these meetings were taken in English. All these factors effectively eliminated any meaningful participation by members of the target group as most neither speak nor read English.

- Most of the GOK employees working in the NEP are not from pastoral backgrounds, have not been range livestock producers, and generally do not speak the local language.

- More emphasis should have been placed by the Government and donors in identifying individuals from the NEP for job assignments in that location and more of the same individuals should have been selected to participate in the various training programs within the project.

- The pastoralists should have been more involved in the development of the geographic boundaries for the grazing blocks. The grazing block concept would have been more successful if the establishment of these boundaries had taken into consideration the historical grazing patterns of the various pastoral clans as was intended by the original designers of this project.

- There is ample evidence the pastoralists would have accepted more responsibility in the operation and maintenance of boreholes and water catchment pans if the project design had provided for this type of participation. At present the pastoralists feel that the maintenance of the borehole equipment and pans is the responsibility of the GOK.

- Resources provided by the project (i.e. technical assistance personnel, equipment and financial resources) greatly exceeded the participating GOK Ministries' administrative, coordinating and maintenance capacity. These excessive project resources overwhelmed the GOK and led to less than effective use of donor provided project inputs.

- A major constraint to the success of this project was the ineffective livestock marketing system which relied on the Livestock Marketing Division of MOLD. During the project design phase, inadequate attention was given to the constraints created by government price controls, distances from the NEP to livestock markets, road conditions and other factors.

- The unwillingness of U.S. long term technicians to live in the isolated harsh conditions of the N.E.P., prior to long term commitments individuals should be allowed a short TDY to ascertain their ability and willingness to work and live under such conditions.

- U.S. technicians should not be placed in "line positions" within participating GOK Ministries.

- Project provided vehicles for U.S. technicians should be under their control.

- The project over-emphasized the development and utilization of the range by cattle and ignored the important role that camels, sheep, goats and donkeys have in the pastoral production system.

- The water pan siltration rate was much greater than anticipated and the maintenance skill level and or interest of the pastoralist in maintaining these pans was over-estimated. Both these factors directly affected the amount of water available and resultant overgrazing.

- There were accusations by USDA technicians and others that the project was producing a negative effect on the ecological balance within the NEP and was enhancing the desertification of the area. It would appear that these allegations were never adequately investigated by the GOK or participating donors.

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KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CP. 477-KE)

PROJECT COMPLETION REPORT

Adherance to Major Legal Covenants 1/

DEVELOPMENT CREDIT AGREEMENT

Section	Covenants	Comments
Section 2.03	Contracts exceeding $30,000 in value to be financed out of the Credit to be awarded on the basis of international competition under procedures consistent with World Bank Guidelines and in accordance with Schedule 5 of the DCA.	Generally complied with. However, in the case of the Amboseli pipeline, Bank guidelines were not followed; after investigation the Bank concluded that this had been due to the fact that (i) initiation of the process had preceded credit effectiveness, and (ii) local officials had not been fully aware of the Bank's requirements. Disbursement on this item was therefore approved.
Section 3.01	Establishment and funding of a Project Coordination Unit in MOA with responsibilities is set out in Schedule 3 to the DCA. Adequate staffing. The qualifications and experience of the Project Coordinator and of the Assistant Project Coordinator to be satisfactory to IDA. The Government to provide adequate and suitable staff and equipment for AFC.	PCU established and IDA consulted in respect of appointment of Project Coordinators. Staffing levels generally satisfactory. Lack of finance from the Treasury became a major constraint on project implementation especially in the years 1980/81-1982/83.

1/ Relevant covenants are contained in the Development Credit Agreement (DCA) and Project Agreement (PA).

	LMD, the Range Management Division, the Range Water Unit and the Veterinary Department in MOA. In particular, Government employ staff to fill positions specified in Schedule 4 to the DCA.	
Section 3.02(a)	Government to relend the proceeds of the Credit allocated to Part A of the project to AFC under a subsidiary loan agreement, to be entered into between the Borrower and AFC, upon terms and conditions approved by IDA, including a repayment period of 20 years, a grace period of 5 years, and an interest rate of 3% per annum.	Complied with.
Section 3.04(a)	Government to provide to IDA plans, specifications, contract documents and construction and procurement schedules for the project items.	Complied with.
Section 3.04(b)	Government to: (i) maintain records and on the progress of the Project (including costs) and to identify the goods and services financed out of the Credit; (ii) enable the IDA to examine the Project, the goods financed out of the Credit and any relevant records and documents; and (iii) furnish to IDA all relevant information on the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.	AFC's recording systems for ranch lending were the subject of criticism by supervision missons and were modified in response. Weakness in monitoring project implementation resulted in data gaps within the PRC (e.g. operating performance of water systems and dips).
Section 4.03(b)	Within three years of the Credit effectiveness, Government to phase out all price controls on the production, processing and marketing of beef and beef cattle with the objectives of ensuring (i) the encouragement of production and export of beef	Not complied with, IDA accepted instead a revised price structure after two years of intensive debate.

	and beef products; (ii) the financial viability of cattle production; and (iii) a reasonable allocation of investment resources in beef cattle and other sectors.	
Section 4.04	LMD to (i) set up a satisfactory accounting system under an experienced accountant who shall establish financial procedures and introduce cost accounting and control systems; (ii) conduct its operations (including setting its scale of fees and charges at an adequate level) to ensure that it covers its total cost of operations.	LMD accounting system acceptable. LMD incurred an operating loss in each year of the project.
Section 4.05	Within one year of Credit effectiveness (or an earlier date to be agreed between the Government and IDA) employ consultants to carry out a study for a future strategy for the meat processing industry, the qualifications and experience of such consultants and the terms and conditions of their employment to be satisfactory to the Association.	Complied with. Study published 1977.
Section 4.06(b)	Prior to making any investment under Part E of the Project Government provide written confirmation to IDA that agreements have been reached with cattle owners in the Amboseli and Masai Mara dispersal areas and the Nairobi Park area (i) for the exclusion of livestock from the reserve areas; (ii) for the entry of wildlife to graze on ranch land; and (iii) for the compensation of the cattle owners commensurate with their loss of potential ranching income.	Complied with in a manner satisfactory to the Bank in respect of Amboseli. In Masai Mara, IDA agreed to finance the design contract out of Category 3 (consultants) funds on the understanding that no finance for construction would be made available until this covenant had been fulfilled. In the event, no formal agreement was reached

		with cattle owners, although ranch boundaries were extended at the expense of the Reserve. No compensation has been paid to cattle owners by Government. At Nairobi National Park, no agreement was reached and the project component was not implemented.

Project Agreement

Section 2.06	AFC shall cause the Beneficiaries to take action necessary to acquire land required for the construction and operation of the facilities included in the Ranching Project.	Delays in the issue of title deeds hindered loan approvals. In 1980, Government agreed to guarantee loans issued on the basis of letters of allotment.
Section 3.02	AFC to (i) have its account and financial statements (including those of the AFC Ranch Section) for each fiscal year audited, by independent auditors acceptable to IDA; (ii) furnish to IDA as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for the year as audited and (B) the auditors' report; and (iii) other information concerning the accounts and financial statements of Beneficiaries and the audit as the IDA reasonably requests.	Complied with up to 1979/80. However, AFC's accounts for FY80/81 and FY81/82 have not yet been audited. This is a source of serious concern to IDA under the AFC IV Project (Cr. 1143-KE).

Annex: Onlending Terms

(a) AFC to onlend to ranchers and feedlot operators charging at least 8% per annum for ten years including 3 years of grace during which interest only to be paid.

Actual: Complied with.

(b) Ranchers and feedlot operators required to contribute a minimum of 20% of their investment costs.

Actual: Not complied with. Most company ranches have unfavorable capital structures as a result of equity contributions of much less than 20%.

ANNEX 6

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CR. 477-KE)

PROJECT COMPLETION REPORT

List of References

1. J. M. White and S. J. Meadows, MLD, "Evaluation of the Contribution of Group and Individual Ranches in Kajiado District, Kenya, to Economic Development and Pastoral Production Strategies," 1981.

2. ILCA, "Impact Evaluation Report - Kenya: First Livestock Development Project", 1981 (in draft). Subsequently published by the World Bank for which the draft had been prepared as Report No. 3622, September 22, 1981.

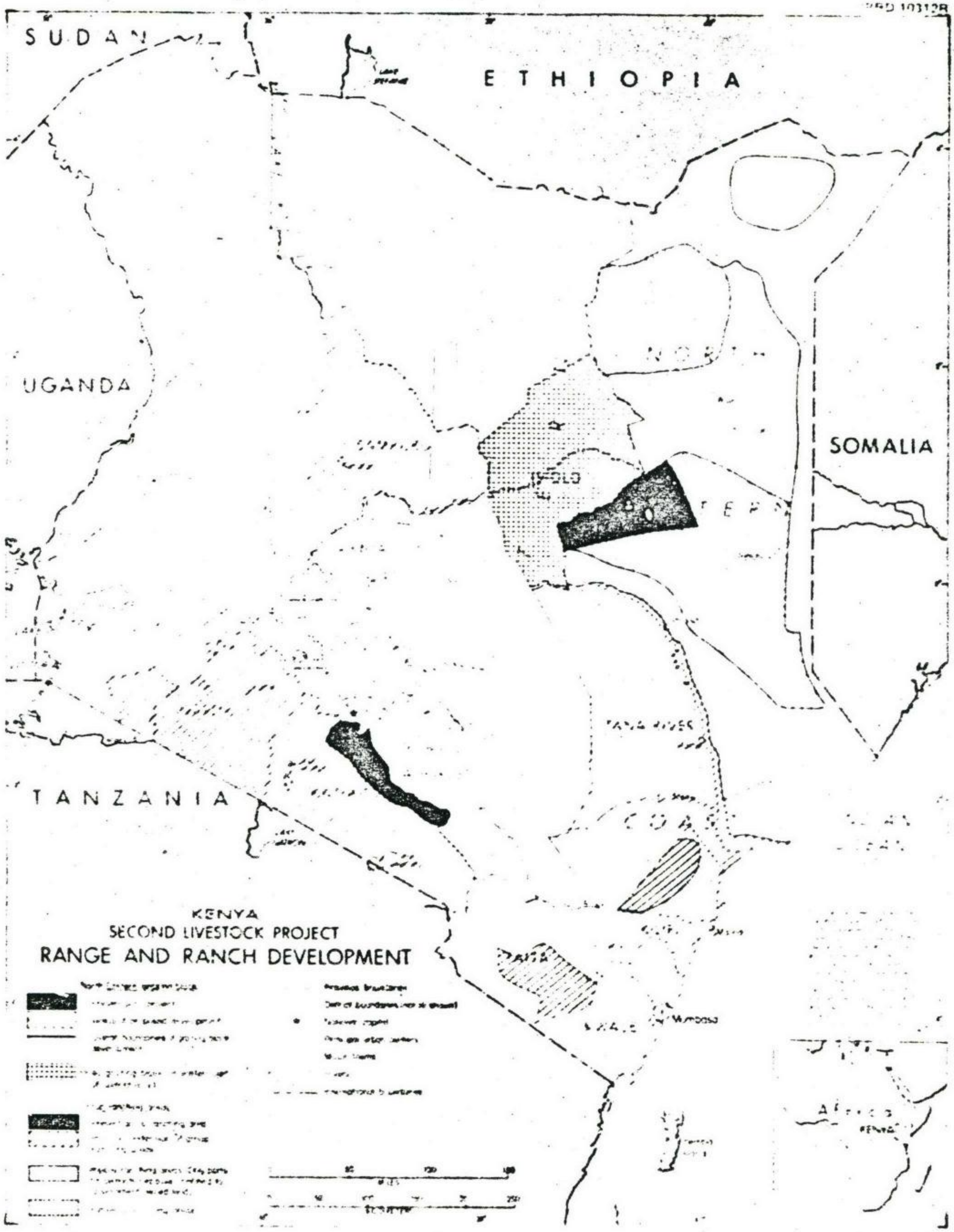
3. "Kenya: Second Livestock Development Report - Report of joint GOK/IDA evaluation mission. April 5-May 7, 1982," June 1982.

4. DEVRES, Ltd. "Evaluation of the AID-Kenya National Range and Ranch Development Project," 1979.

5. CIDA, "Evaluation of the Kenya Rangeland Ecological Monitoring Unit," 1981.

6. J. C. Bille and F. M. Anderson, "A Synthesis of Observations on Elangata Wuas Group Ranch in Kajiado District", ILCA Working Document 20, 1980.

7. Marketing Development Project, UNDP/FAO "Policy Issues for Livestock Marketing: Discussion Paper", November 1979.



SUDAN
ETHIOPIA
UGANDA
SOMALIA
TANZANIA
KENYA
SECOND LIVESTOCK PROJECT
RANGE AND RANCH DEVELOPMENT

May 16, 1986

Mr. David Andere
Project Manager
Kenya Rangeland Ecological
Monitoring Unit
PO Box 47146
Nairobi, Kenya

Dear Mr. Andere:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

The earlier version has been revised in light of comments received from the Kenya Rangeland Ecological Monitoring Unit and the Office of the President as well as from Bank staff concerned with the project, and was subsequently distributed to our Executive Directors on April 28, 1986.

Sincerely,

Graham Donaldson
Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

RClough:[illegible]/hw

OFFICIAL FILE COPY

May 16, 1986

Mr. J. Kiti
Permanent Secretary
Ministry of Water Development
PO Box 49270
Nairobi, Kenya

Dear Mr. Kiti:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

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Sincerely,

Graham Donaldson
Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

RClough:GDonaldson:hw

May 16, 1986

Mr. James Kamunge
Permanent Secretary
Ministry of Agriculture and
Livestock Development
PO Box 30028
Nairobi, Kenya

Dear Mr. Kamunge:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

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Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

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May 16, 1986

Mr. John Githuku
Permanent Secretary
Ministry of Planning and
National Development
PO Box 30007
Nairobi, Kenya

Dear Mr. Githuku:

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Second Livestock Project (Credit 477-KE)

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Chief
Agriculture and Human Resources Division
Operations Evaluation Department

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RClough:GDonaldson:hw

May 16, 1986

Mr. Andrew Ligale
Permanent Secretary
Ministry of Tourism and Wildlife
PO Box 30027
Nairobi, Kenya

Dear Mr. Ligale:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

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Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

RClough:GDonaldson:hw

May 16, 1986

Mr. Harris Mule
Permanent Secretary
Ministry of Finance
PO Box 30007
Nairobi, Kenya

Dear Mr. Mule:

Re: Project Performance Audit Report on Kenya
<u>Second Livestock Project (Credit 477-KE)</u>

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

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Graham Donaldson
Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

RClough:GDonaldson:hw

OFFICIAL FILE COPY

May 16, 1986

Mr. J. K. Ndoto
Permanent Secretary
Ministry of Lands
PO Box 30510
Nairobi, Kenya

Dear Mr. Ndoto:

Re: Project Performance Audit Report on Kenya
<u>Second Livestock Project (Credit 477-KE)</u>

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

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Sincerely,

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Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

RClough:GDonaldson:hw

May 16, 1986

Mr. Simeon Nyachae
Chief Secretary
Office of the President
PO Box 30510
Nairobi, Kenya

Dear Mr. Nyachae:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

Further to our letter of January 10, 1986 transmitting a copy of the draft Project Performance Audit Report on the above-mentioned project, which is supported by Credit 477, I am now pleased to send you the final version of the report for information.

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Sincerely,

Graham Donaldson
Chief
Agriculture and Human Resources Division
Operations Evaluation Department

Enclosure

RClough:GDonaldson:hw

May 16, 1986

Mr. Brody Anderson
Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec
Canada, K1A0 64

Dear Mr. Anderson:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

On January 13, 1986, we forwarded to you a copy of the draft report on the above-mentioned project. The final version of this report has now been distributed to the Bank's Board of Directors and it is my pleasure to send you a copy for your information.

Sincerely,

Graham Donaldson
Chief
Agriculture and Human Resources Division
Operations Evaluation Department

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OFFICIAL FILE COPY

May 16, 1986

Mr. John Bolton
United States Agency for
International Development
320 21st Street, N. W.
Washington, D. C.

Dear Mr. Bolton:

Re: Project Performance Audit Report on Kenya
<u>Second Livestock Project (Credit 477-KE)</u>

On January 13, 1986, we forwarded to you a copy of the draft report on the above-mentioned project. The final version of this report has now been distributed to the Bank's Board of Directors and it is my pleasure to send you a copy for your information.

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Agriculture and Human Resources Division
Operations Evaluation Department

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May 16, 1986

Mr. Brian Grieveson
Overseas Development Administration
Eland House
Stag Place
London SW1E 5DH England

Dear Mr. Grieveson:

Re: Project Performance Audit Report on Kenya
Second Livestock Project (Credit 477-KE)

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January 13, 1986

Mr. Brody Anderson
Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec
Canada, K1A0 64

Re: Project Performance Audit Report on KENYA
Second Livestock Project (Credit 477-KE)

Dear Mr. Anderson:

The Operations Evaluation Department is an independently constituted unit within the World Bank Group. The functions of the Department include a review, shortly after completion of loan/credit disbursements, of the experience and results of all projects assisted by the Bank and the International Development Association. These performance audits are intended to evaluate the extent of achievement of project objectives, reasons for shortfalls or outstanding achievements, and the general effectiveness of the World Bank support for the lending operation. The audit focuses particularly on what can be learned from past experience.

I attach a copy of the first draft of the project performance audit report on Kenya: Second Livestock Project, jointly supported by World Bank Credit 477-KE and your contribution of US$2.4 million. Since co-financing for the project was provided by the Canadian International Development Agency, I would like to invite any comments that you may wish to make on the draft by March 25, 1986. We consider the comments of co-financiers as important to our purpose of reaching objective conclusions on the project experience and would like to take your comments into consideration in formulating our final conclusions before distributing the report to the Bank's Executive Directors. A copy of the final report will also be sent to you for your information.

The comments of various authorities in the borrowing country have been requested separately.

Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment
cc: Mr. Girukwigomba, ED

RClough/GDonaldson:no:hw

R.

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January 13, 1986

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United States Agency for
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320 21st Street N.W.
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I attach a copy of the first draft of the project performance audit report on Kenya: Second Livestock Project, jointly supported by World Bank Credit 477-KE and your contribution of US$7.3 million. Since co-financing for the project was provided by the United States Agency for International Development, I would like to invite any comments that you may wish to make on the draft by March 25, 1986. We consider the comments of co-financiers as important to our purpose of reaching objective conclusions on the project experience and would like to take your comments into consideration in formulating our final conclusions before distributing the report to the Bank's Executive Directors. A copy of the final report will also be sent to you for your information.

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Eland House
Stag Place
London
SW1E 5DH England

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I attach a copy of the first draft of the project performance audit report on Kenya: Second Livestock Project, jointly supported by World Bank Credit 477-KE and your contribution of US$3.7 million. Since co-financing for the project was provided by the Overseas Development Administration, I would like to invite any comments that you may wish to make on the draft by March 25, 1986. We consider the comments of co-financiers as important to our purpose of reaching objective conclusions on the project experience and would like to take your comments into consideration in formulating our final conclusions before distributing the report to the Bank's Executive Directors. A copy of the final report will also be sent to you for your information.

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I attach a copy of the first draft of the Performance Audit Report on the Kenya Second Livestock Project, supported by Credit 477-KE. I would appreciate receiving any comments that you may have on the draft by March 18, 1986, so that we can take them into consideration in formulating our final conclusions before distributing the report to the Bank's Executive Directors.

We consider your views and comments as of crucial importance to reaching balanced conclusions concerning this project experience. In addition to reflecting them in the conclusions of the performance audit, we also propose to fully reproduce your views and comments in the final report. Should you find the present draft of this project performance audit report satisfactory and have no comments to make, I shall be grateful if you can inform me accordingly, preferably by cable. A copy of the final report, as distributed to the Executive Directors, will be sent to you for your information.

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RClough/GDonaldson:no:hw

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Ministry of Planning and
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Nairobi, Kenya

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Director
Operations Evaluation Department

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Permanent Secretary
Ministry of Agriculture and
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Operations Evaluation Department

Attachment

RClough/GDonaldson:no:hw

January 10 1986

Mr. J. Kiti
Permanent Secretary
Ministry of Water Development
P.O. Box 49270
Nairobi, Kenya

Dear Mr. Kiti:

Re: Project Performance Audit Report:
Kenya Second Livestock Project (Credit 477-KE)

The Operations Evaluation Department is an independently constituted unit within the World Bank Group. The functions of the Department include a review, shortly after completion of Loan disbursements, of the experience and results of all projects assisted by the Bank and the International Development Association. These performance audits are intended to evaluate the extent of achievements of project objectives, reasons for shortfalls or outstanding achievements, and the general effectiveness of the World Bank support for the lending operation. The audit focuses particularly on what the organization can learn from past experience.

I attach a copy of the first draft of the Performance Audit Report on the Kenya Second Livestock Project, supported by Credit 477-KE. I would appreciate receiving any comments that you may have on the draft by March 18, 1986, so that we can take them into consideration in formulating our final conclusions before distributing the report to the Bank's Executive Directors.

We consider your views and comments as of crucial importance to reaching balanced conclusions concerning this project experience. In addition to reflecting them in the conclusions of the performance audit, we also propose to fully reproduce your views and comments in the final report. Should you find the present draft of this project performance audit report satisfactory and have no comments to make, I shall be grateful if you can inform me accordingly, preferably by cable. A copy of the final report, as distributed to the Executive Directors, will be sent to you for your information.

I am also sending a copy of the present draft report to the Office of the President, the Ministry of Finance, the Ministry of Planning and National Development, the Ministry of Agriculture and Livestock Development, the Ministry of Tourism and Wildlife, the Ministry of Lands and the Agricultural Finance Corporation.

Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

RClough/GDonaldson:no:hw

January 10, 1986

Mr. Andrew Ligale
Permanent Secretary
Ministry of Tourism and Wildlife
P.O. Box 30027
Nairobi, Kenya

Dear Mr. Ligale:

Re: Project Performance Audit Report:
Kenya Second Livestock Project (Credit 477-KE)

The Operations Evaluation Department is an independently constituted unit within the World Bank Group. The functions of the Department include a review, shortly after completion of Loan disbursements, of the experience and results of all projects assisted by the Bank and the International Development Association. These performance audits are intended to evaluate the extent of achievements of project objectives, reasons for shortfalls or outstanding achievements, and the general effectiveness of the World Bank support for the lending operation. The audit focuses particularly on what the organization can learn from past experience.

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Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

RClough/GDonaldson:no:hw

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January 10, 1986

Dr. E.J. M'Rabu
General Manager
The Agricultural Finance
Corporation
P.O. Box 30367
Nairobi, Kenya

Dear Dr. M'Rabu:

Re: Project Performance Audit Report:
Kenya Second Livestock Project (Credit 477-KE)

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Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

RClough/GDonaldson:no:hw

January 10 1986

Mr. Harris Mule
Permanent Secretary
Ministry of Finance
P.O. Box 30007
Nairobi, Kenya

Dear Mr. Mule:

Re: Project Performance Audit Report:
Kenya Second Livestock Project (Credit 477-KE)

The Operations Evaluation Department is an independently constituted unit within the World Bank Group. The functions of the Department include a review, shortly after completion of Loan disbursements, of the experience and results of all projects assisted by the Bank and the International Development Association. These performance audits are intended to evaluate the extent of achievements of project objectives, reasons for shortfalls or outstanding achievements, and the general effectiveness of the World Bank support for the lending operation. The audit focuses particularly on what the organization can learn from past experience.

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Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

R.tte.

RClough/GDonaldson:no:hw

January 10 1986

Mr. J.K. Ndoto
Permanent Secretary
Ministry of Lands
P.O. Box 30510
Nairobi, Kenya

Dear Mr. Ndoto:

Re: Project Performance Audit Report:
Kenya Second Livestock Project (Credit 477-KE)

The Operations Evaluation Department is an independently constituted unit within the World Bank Group. The functions of the Department include a review, shortly after completion of Loan disbursements, of the experience and results of all projects assisted by the Bank and the International Development Association. These performance audits are intended to evaluate the extent of achievements of project objectives, reasons for shortfalls or outstanding achievements, and the general effectiveness of the World Bank support for the lending operation. The audit focuses particularly on what the organization can learn from past experience.

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Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

RClough/GDonaldson:no:hw

OFFICIAL FILE COPY

January 10, 1986

Mr. Simeon Nyachae
Chief Secretary
Office of the President
P.O. Box 30510
Nairobi, Kenya

Dear Mr. Nyachae:

Re: Project Performance Audit Report:
Kenya Second Livestock Project (Credit 477-KE)

The Operations Evaluation Department is an independently constituted unit within the World Bank Group. The functions of the Department include a review, shortly after completion of Loan disbursements, of the experience and results of all projects assisted by the Bank and the International Development Association. These performance audits are intended to evaluate the extent of achievements of project objectives, reasons for shortfalls or outstanding achievements, and the general effectiveness of the World Bank support for the lending operation. The audit focuses particularly on what the organization can learn from past experience.

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Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

RClough/GDonaldson:no:hw

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PROJECT PERFORMANCE AUDIT REPORT

KENYA SECOND LIVESTOCK DEVELOPMENT PROJECT
(CREDIT 477-KE)

BASIC DATA SHEET

KEY PROJECT DATA

	Appraisal Estimate	Actual or Estimated Actual	Actual as % of Appraisal Estimate
Total Project Cost (US$ million)	59.7	69.8	117
Credit Amount (US$ million)	21.5	12.4	58
Amount Cancelled (US$ million)	-	9.1	
Board Approval Date	-	05/28/74	
Effectiveness Date	08/30/74	12/02/74	
Date Physical Components Completed	12/31/80	12/31/82	
Proportion then completed (%)	100	40-50	
Closing Date	12/31/80	12/31/82	
Economic Rate of Return (%)	25	Close to 0	

CUMULATIVE DISBURSEMENTS

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83
Appraisal estimate (US$ million)	4.4	12.0	17.7	20.5	21.5	-	- -	-	-
Actual (US$ million)	-	0.3	2.3	2.5	4.2	4.8	7.8	10.6	12.4
Actual as % of Estimate	0	3	13	12	20	22	36	49	58

Date of Final Disbursement: May 1983

MISSION DATA

Mission	Date (Mo./Yr.)	No. of Persons	Mandays in Field	Specializations Represented /a	Performance Rating /b	Trend /c	Types of Problems /d
Appraisal							
Supervision I	06/74	3	21	a,d,	2	n.a.	F,T
Supervision II	04-05/75	2	38	a,c	3	n.a.	F,T
Supervision III	10-11/75	1	23	a	3	2	F,M,P /e
Supervision IV /f	02-03/76	5	170	a,b,c,d,e,	-	-	-
Supervision V /g	10-11/76	2	32	a,b	3	2	F,P,M
Supervision VI	05-06/77	2	24	a	3	2	F,P,M
Supervision VII	01-02/78	2	34	a	3	1	P,M
Supervision VIII	06-07/78	3	48	a,	2	2	M,O
Supervision IX	01/79 /h	2	10	a	2	2	M
Supervision X	03/79	2	28	a	2	2	M,P /i
Supervision XI	08/79	1	10		3	2	M,P
Supervision XII	03-04/80	3	86	a,f	3	1	M,P
Supervision XIII	11/80	1	11		3	1	M /j
Supervision XIV	06-10/81 /j	1	22	a	3	3	F,M,T
Supervision XV	04-05/82 /l	1	15	a	3	3	F,M,T
Total			572 mandays or 36 manweeks/e				

OTHER PROJECT DATA

Borrower	Government of Kenya
Executing Agency	Project Coordination Unit in Ministry of Agriculture and several Government agencies
Fiscal Year of Borrower	July 1 - June 30

Name of Currency (abbreviation) Kenya Shillings (KSh) Kenya Pound (K£1 = 20 KSh)

Currency Exchange Rates:

Appraisal Year (1972)	US$1 = KSh 7.14
1976	US$1 = KSh 8.30
1977	US$1 = KSh 7.59
1978	US$1 = KSh 7.40
1979	US$1 = KSh 7.33
1980	US$1 = KSh 7.57
1981	US$1 = KSh 10.23
1982	US$1 = KSh 12.72

Follow-on Project None

/a a = Livestock Specialist; d = Meat Processing Specialist
b = Economist e = Farm Management Economist
c = Financial Analyst f = Socioeconomist-Agriculturalist
/b 1 = problem free or minor problems; 2 = moderate problems; 3 = major problems.
/c 1 = improving; 2 = stationary; 3 = deteriorating.
/d F = Financial; M = Managerial; T = Technical; P = Political; O = Other.
/e Refers to the serious problem of scarcity of supply of immature cattle.
/f Review Mission.
/g Follow-up Review Mission.
/h Partial supervision mission.
/i Indicates current problem of obtaining registered ranch leases in company ranch component.
/j This mission extended over three periods of field work in the period from June 22-July 3,
/k Mission was discontinuous involving field work and meetings with implementing agencies in Nairobi during April/May, 1982. Further field visits were subsequently made to individual subprojects in July, 1982.

FORM NO. 27 - OCR
(3/82)

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file

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PAGE 1 OF 2

OFFICIAL DEPT/DIV ABBREVIATION: OEDD1

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

BOOK OF TWO

MR. BRIAN GRIEVESON
OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE
LONDON
SWLE 5DH ENGLAND
TELEX - 263907

MR. BRODY ANDERSON
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY
200 PROMENADE DU PORTAGE
HULL, QUEBEC
CANADA
K1A0 G4
TELEX - 0534140

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX
TELEX NO.: SEE ABOVE
DATE: 9/19/85
SUBJECT: Kenya 2nd Livestock CR 477
DRAFTED BY: RClough
EXTENSION: 32895
CLEARANCES AND COPY DISTRIBUTION
AUTHORIZED BY (Name and Signature): GDonaldson
DEPARTMENT: OED
SECTION BELOW FOR USE OF CABLE SECTION
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WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

IMPORTANT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

OFFICIAL DEPT/DIV ABBREVIATION: OEDD1

MESSAGE NUMBER:

TEST NUMBER (FOR CASHIER'S USE ONLY):

START HERE

RE: KENYA SECOND LIVESTOCK DEVELOPMENT PROJECT (CREDIT 477-KE) AAA THE OPERATIONS EVALUATION DEPARTMENT IS AN INDEPENDENT DEPARTMENT WITHIN THE WORLD BANK GROUP ESTABLISHED TO REVIEW ALL BANK LENDING OPERATIONS AFTER PROJECT COMPLETION AND ASSESS THEIR CONTRIBUTION TO THE DEVELOPMENT PROCESS IN MEMBER COUNTRIES. THE BASIC PURPOSE OF THIS REVIEW IS TO LEARN FROM EXPERIENCE, DEMONSTRATE ACCOUNTABILITY FOR FUNDS DISBURSED AND CONTRIBUTE TO THE BANK'S CONTINUING EFFORTS TO IMPROVE THE QUALITY OF ITS LENDING AND TECHNICAL ASSISTANCE ACTIVITIES. BBB THE KENYA SECOND LIVESTOCK DEVELOPMENT PROJECT, FOR WHICH YOUR AGENCY ALSO PROVIDED FINANCIAL SUPPORT, WAS COMPLETED RECENTLY. IN ORDER TO CARRY OUT A REVIEW OF THIS PROJECT (AND TWO OTHERS) MR. RICHARD CLOUGH, SENIOR EVALUATION OFFICER IN THIS DEPARTMENT, IS PLANNING TO VISIT KENYA FROM OCTOBER 1-25. FOLLOWING HIS RETURN WE WILL SEND YOU A COPY OF HIS DRAFT PROJECT PERFORMANCE AUDIT REPORT IN ORDER THAT YOU HAVE AN OPPORTUNITY TO COMMENT ON THIS BEFORE IT IS FINALIZED AND SUBMITTED TO OUR BOARD OF DIRECTORS. IF YOUR AGENCY HAS UNDERTAKEN ANY EVALUATION OF THIS PROJECT WE WOULD BE VERY GRATEFUL IF YOU COULD PROVIDE US WITH ANY RELEVANT REPORTS. REGARDS, YUKINORI WATANABE, DIRECTOR, OPERATIONS EVALUATION DEPARTMENT, INTBAFRAD.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

DATE: 9/19/85

SUBJECT: Kenya 2nd Livestock CR 477

DRAFTED BY: RClough:hw

EXTENSION: 32895

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AUTHORIZED BY (Name and Signature): GDonaldson

DEPARTMENT: OED

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September 23, 1985

Mr. John Bolton
United States Agency for
International Development
320 21st Street, N. W.
Washington, D.C.

Dear Mr. Bolton:

Re: Kenya Second Livestock Development Project (Credit 477-KE)

The Operations Evaluation Department is an independent department within the World Bank group established to review all Bank lending operations after project completion and assess their contribution to the development process in member countries. The basic purpose of this review is to learn from experience, demonstrate accountability for funds disbursed and contribute to the Bank's continuing efforts to improve the quality of its lending and technical assistance activities.

The Kenya Second Livestock Development Project, for which your agency also provided financial support, was completed recently. In order to carry out a review of this project (and two others) Mr. Richard Clough, senior evalution officer in this department, is planning to visit Kenya from October 1-25. Following his return we will send you a copy of his draft project performance audit report in order that you have an opportunity to comment on this before it is finalized and submitted to our Board of Directors. If your agency has undertaken any evaluation of this project we would be very grateful if you could provide us with any relevant reports.

Sincerely,

Yukinori Watanabe
Director
Operations Evaluation Department

R.H.C.
RClough:CDonaldson:hw

OFFICIAL FILE COPY

Attachment I

MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT

Telegrams: "KREMU", Nairobi
Telephone: Nairobi 502223/4
If calling or telephoning ask for
....
When replying please quote
Ref. No. KREMU/CONF/2/1/14 Vol.II/(2)
and date

KENYA RANGELAND ECOLOGICAL
MONITORING UNIT
P.O. Box 47146
NAIROBI, KENYA

January 24, 1985

CONFIDENTIAL

Mr. Yukinori Watanabe
Director
Operations Evaluation Department
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

PROJECT PERFORMANCE AUDIT REPORT
KENYA SECOND LIVESTOCK PROJECT (CREDIT 477-KE)

This is to thank you for your letter dated January 10, 1986 with an attachment of the project performance audit report on the second livestock project Credit 477-KE for which KREMU was a beneficiary. In this connection, I have read and analysed the report with keen interest and I found the report very clear and comprehensive. The report is a useful reference material for future planned projects.

In this connection however, I would like to express my thanks to you for the positive comments made on KREMU and I hope with the continued support from the World Bank, KREMU will even do a much better job to achieve the desired goal of generating data for Government planning requirements. Indeed as indicated in the report our operations have expanded tremendously and this is due to the fact that we have taken advantage of the changing technological inputs to data gathering which has included the applications of satellite imagery and aerial photography and the implementation of the GIS. The GIS as you will appreciate is a very innovative programme and should launch KREMU to much more interactive challenging tasks of resource data as a contribution to Government policy of rural development planning programme. Apart from this positive comment on KREMU and general observation of clarity and comprehensiveness in the report, I do not have any further comment to make.

(D.K. Andere)
PROJECT MANAGER

c.c. The Permanent Secretary
Ministry of Planning and
National Development
THE TREASURY
P.O. Box 30005
NAIROBI

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Done

Date: January 17, 1986

TO: Graham Donaldson, Chief, OEDD1

FROM: Katherine Marshall, Chief, EAPCA

Ext.: 73881

SUBJECT: KENYA - Second Livestock Development Project (Cr. 477-KE) Project Performance Audit Report

1. We have reviewed the PPAR for Kenya Livestock II and find it an interesting, fair account of the project.

2. Our main comment concerns the issue of price controls and price covenants. Our experience with use of price covenants has generally been disappointing in Kenya, and in this context, it might be useful to refer to the PCRs/PPARs for the IADP I, Group Farms, and SONY projects (PPAR, p. viii). Concerning the effect of price controls (PPAR, p 14, para. 33), it would be relevant to note that since the latter part of the 1970s, unofficial market channels increased in importance and most beef was no longer sold at the official price. Consumer price controls, long more observed in the breach than in fact, were officially removed in October 1985, except for the lowest grade of beef. Thus, although prices appear to have had an important impact on ranch and project viability, this impact had been mitigated by the 1980s.

3. I attach a list of detailed comments, and a memorandum with comments from EARCA.

PMJCox:dm

cw: Cleaver
cc: Kenya Team, Loh, Güsten, Wijnand, Graves, Amoako

Page	Comment
i	The PCR was prepared by both the Bank's Regional office and EAPCA.
vi	The Government has now effectively phased out all price controls for beef, except for the very lowest grade.
vii	It would be useful to refer to the Bank's experience with price covenants under other projects in Kenya, as described in the PCRs for IADP I, Group Farms, and South Nyanza.
4, para. 12	We are now exploring the possibilities of another livestock project, although primarily focussing on producers in the high and medium potential areas, milk marketing, and animal health.
10, footnote 2	It would be useful to note that the Ministries of Agriculture and Livestock were separated in 1979 and rejoined in 1983.
14, para. 33	However, since the latter part of the 1970s, the unofficial market increased in importance and most beef was no longer marketed at the official price (given by KMC and the LMD). Although consumer prices controls remained, these appear only to have been enforced at the very lowest levels. Beef price controls were removed in 1985, except for the lowest grade. Thus, although prices appear to have had an important impact on project and ranch viability at the beginning, by the 1980s this impact had been mitigated. This should be reflected in this paragraph.
15, para. 34	Losses of the LMD were actually much greater than US$3.2, as the Kenya shilling has been substantially devalued over the last ten years.

D Ω

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: December 24, 1985

TO: Mr. Graham Donaldson, Chief OEDD1
Through: Mr. H. Wyss (EAPDR), Ms. K. Marshall, (EAPCA)

FROM: K. Cleaver, Chief, EARCA

SUBJECT: KENYA - Second Livestock Development Project (Cr. 477-KE)
Project Performance Audit Report

1. We have reviewed the above report and find it an interesting, fair account of a project which failed in most respects.

2. It is worth noting that agricultural policy and project management in Kenya are absorbing the lessons of past failures. Key factors which contributed to the difficulties incurred under the Second Livestock Development Project are being addressed through:

(i) a budget rationalization programme to assist the Government in confronting its budgetary crisis;

(ii) regular agricultural price reviews to adjust prices upwards in addition to partial withdrawal of Government beef price controls, and

(iii) simplified project management design, as exemplified by the National Extension Project and other projects being developed through field experiments.

3. Our future involvement in rangeland development remains nevertheless somewhat problematic in the absence of successes on which to build. Although there is some evidence that private commercial ranches out-performed the others, a more thorough assessment needs to be carried out to determine what would be the role, the possible scope and impact of concessional development financing in this area. With regard to pastoral development, proven technological packages are sadly few. Our pilot experience in the Baringo Project suggests that organization of cattle marketing and cheap watering devices are among the few activities which can be envisaged. The audit report would be more useful if it could provide more specific recommendations for future activities in addition to the lessons from failures.

File: Cr. 477-KE
AdeLaMontaye:sk

.0291
Mr Mauss

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

APR - 9 1986

DATE April 7, 1986

TO Mr. Yves Rovani, DGO

FROM D. Brian Argyle, Acting Director, AGR

EXTENSION 61751

SUBJECT Kenya - Second Livestock Development Project (Credit 477)
Project Performance Audit Report (PPAR)

Our comments on the initial draft are reflected in this revised draft.

cc: Messrs. Husain (OPSVP)
Rajagopalan (PPDDR)
Schuh (AGRDR)
Bertrand (AGREP
Walshe (AGRPT)

AGR Files

MWalshe/sm

APR 09 REC'D

P-1866

0270
APR 03 1986

RC

Attachment 1

OK G. 4/8

KENYA LIVESTOCK DEVELOPMENT PROJECT II - CREDIT 477-KE
SUMMARY OF COMMENTS ON THE AUDIT REPORT & THE PCR.

1.0 GENERAL OVERVIEW;

1.1 The Audit Report as a document is too brief for a project with so many components and sub-components. The report draws most of its conclusions from the Project Completion Report vis-a-vis the Project Appraisal Report and loses sight of the Project Review Report and the joint G.O.K/Bank Project Evaluation Report of 1976 and 1982 respectively.

1.2 The Project Review Report became the Project Paper and hence the basic document of reference in the project implementation (see page 10 of the PCR) while the joint G.O.K/Bank Project Evaluation (page 12 of the PCR) enlisted the "experiences and results" of the project performance as lessons to the project implementing agencies (both the G.O.K. and the Donor Agencies) in appreciating the extent of achievements of the project objectives, reasons for short-falls and/or outstanding achievements and the general effectiveness of the World Bank support for the Kenya Livestock Development Project.

1.3 Based on the Project Review Report and the joint G.O.K/Bank Project Evaluation Report, the conclusions on the project components, sub-components and accomplishments should have come out more clearly, otherwise the general conclusion statements in the Audit Report are not essentially applicable and subsequentially are lopsided putting unapproportionate blame on the project implementaion performance by the G.O.K.

2.0 Specific Issues

2.1 Planning and Objectives

The project was too Complex and it is therefore not surprising that it encountered Co-ordination problems both with the donors and the implementing agencies. It is evident that the Audit Report overlooked the problems encountered on donor Co-ordination during the project implementation. (see joint GOK/Bank Evaluation Report of 1982)

In spite of the initial size and complexity of the project at the proposal stage a wildlife component was included at the appraisal stage complicating the project even more.

Some of the objectives remained conflicting throughout the implementation period mainly because of the initial poor Project Conception:-

- While the main target output was on red meat production, a measure of success of the project, a number of ranching types (Group, Grazing Blocks) have had milk production as their traditional priority.

- The project insisted on production and Credit facilities that catered only for Cattle, ignoring other sources of red meat such as sheep, and goats. A holistic ranch approach would have reduced the effects of the recurrent drought since Small Stock are not as heavily affected by draught as Cattle.

- Like most Small-Scale farmers, the pastoralists are risk averters. The Social-Cultural nature of the target group should have been studied more adequately to understand the role and possible repercussion expected of the target group in the implementation of the project.

  During the planning stage oversights were made on the need to have some critical activities eg. Surveying, accomplished at the right time.

Although these are some of the major causes of the project failure, the report does not mention them.

In view of the above comments, the report Contains Sufficient evidence to show that the objectives and planning of this project was unsatisfactory.

2.2 Prickng (Page 30, Para. 7.03-7.09)

Although G.O.K agrees that low prices have affected the ranch profitability (see GOK/W-Bank Mission Report carried in 1982), the conclusion regarding the price issue puts unproportionate share of the blame to GOK for not decontrolling the prices. Price liberalisation has not been thought to be the only solution to guarantee project success. Given the Social Economic realities within the country, GOK was not able to comply with the convenant.

The declining agricultural terms of trade argument to the effect that this decline was caused by the Government for not allowing adequate price increases is not convincing.

Some of the major factors that contributed to the low rate of return of the Project were both external and internal to the Project e.g. recurrent drought, low throughput, Poor Management etc. In addition, rising prices inputs and depressed world Prices of Kenyas exports, devaluation and problems related to marketing and input supply, all contributed, directly or indirectly, to a decline in price in real terms.

2.3 Land Sub-division (Para. 15, 27-29)

It is true the sub-division process of Groups ranches and large scale farms/ranches has affected some areas of the project but certainly it is not to such an extent that one would say the sub-division is one of the major causes of the current lack of business on most of the ranches.

It must have been obvious that the main objective of the Kenyans that bought either the large scale farms or ranches in the former scheduled areas was to have a piece of individually owned land to settle. Possession of a group farm and the generation of income though the later organisation was only secondary. At no time were these groups informed that the sub-division was unviable proposition for ecological reasons. Such a policy would have allowed for an understanding that the ranches could only provide an income, if any, when run as a single entity and on commercial lines.

Para. 18 of the Audit Report indicates that AFC will be unable to recover significant amount of Outstanding loans, the main reason being that these loans are not secured. GOK is aware of the problem and measures have been taken to have the ranches surveyed, tittle deeds given and thereafter have security offered for the loans.

The Audit Report further states that AFC is no longer attempting to promote development but it is just concentrating on recovering the outstanding loans. It should however be noted that AFC is currently servicing the existing clients which is part of development objective. While loan recovery generally implies ranch liquidation. Servicing includes the improvement of ranch repayability through injection of more capital in viable ranches.

2.4 Ranch Lending.

Para. 7.13 while it is true that AFC records were not up-date at the beginning of the project there was no time when working capital was ever credited to Development Capital accounts to prevent their falling into arrears. Working Capital Account was an operational account where all the proceeds form ranch operations went and from where payments were made.

Para. 3.31 and Annex 1, Table 2 gives a misleading interpretation on the actual status of loan arrears for Baringo and other ranch types. The 62% refers to the number of ranchers in arreas but not the actual amount of money in arreas. The later would give a better picture as to how much money was in arreas. This percentage is much lower (7%) for Baringo compared to the reported 62%.

A column on "% Amount in Arrears" should add more meaning to Annex 1 table 2.

2.5 Overall project performance.

It is unfortunate that no actual IRR has been calculated or attempted to, for the Project. If one has to look at the actual performance (see Basic Data) as a percentage of the oppraisal project does not look all that disappointing as most components reached 100% performance. If the actual performance is based on the 1976 Review, which is actually project base, the actual performance is either 100% or above the expectations.

Notwithstanding, the Project has laid a strong base for future livestock development in Kenya if current infrastructures and institutions set by the project are not left idle for too long.

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Mr. Yukinori Watanabe,
Director,
Operations Evaluation Department,
World Bank,
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Washington, D.C. 20433,
U.S.A.

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PPAR UNIT COST SHEET

PROJECT: KENYA - SECOND LIVESTOCK DEVELOPMENT

~~LOAN~~/CREDIT NO. 477-KE

		MAN-DAYS
PREPARED BY:	R. Clough	16.75
APPROVED BY:	R. van der Lugt	-

TOTAL OED COST:

STAFF	16.75
CONSULTANT	-
TOTAL:	16.75

DATE: March 26, 1986

PCR ASSESSMENT:

The PPAM agrees with the conclusions of the PCR, which provides a thorough and accurate analysis of the experience with the project.

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Date: March 26, 1986

To: Mr. Edward V. K. Jaycox, ESAVP
Mr. S. Shahid Husain, OPSVP

From: Yukinori Watanabe, Acting DGO

Extension: 32924

Subject: Project Performance Audit Report on Kenya Second Livestock Development Project (Credit 477-KE)

I am attaching the Project Performance Audit Report on the Kenya Second Livestock Development Project (Credit 477-KE). The report has been revised in the light of comments received from the Regional office. Comments received from the Borrower are attached as Attachment I.

In Mr. Rovani's absence, please confirm to me that your earlier comments have been adequately reflected in this final draft. We intend to release the attached report to the EDs and the President on April 8, 1986.

Attachment

cc: Messrs. Stern, SVPOP
Shihata, LEGVP
Rovani, DGO o/r

P-1867

THE WORLD BANK

PROJECT PERFORMANCE AUDIT REPORT

KENYA

SECOND LIVESTOCK DEVELOPMENT PROJECT
(CREDIT 477-KE)

March 25, 1986

Operations Evaluation Department

Date: March 26, 1986

To: Mr. Edward V. K. Jaycox, ESAVP
Mr. S. Shahid Husain, OPSVP

From: Yukinori Watanabe, Acting DGO

Extension: 32924

Subject: Project Performance Audit Report on Kenya Second Livestock Development Project (Credit 477-KE)

I am attaching the Project Performance Audit Report on the Kenya Second Livestock Development Project (Credit 477-KE). The report has been revised in the light of comments received from the Regional office. Comments received from the Borrower are attached as Attachment I.

In Mr. Rovani's absence, please confirm to me that your earlier comments have been adequately reflected in this final draft. We intend to release the attached report to the EDs and the President on April 8, 1986.

Attachment

cc: Messrs. Stern, SVPOP
Shihata, LEGVP
Rovani, DGO o/r

RClough:RJMvanderLugt:GDonaldson:hw

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

file

DATE December 30, 1985

TO Mr. Graham Donaldson, Division Chief, OEDD1

FROM Donald C. Pickering, Assistant Director, AGR

EXTENSION 61751

SUBJECT **KENYA - Livestock II (Credit 477)-Project Performance Audit Report (PPAR) Draft dated December 13, 1985**

1. AGR has reviewed the above draft PPAR and has the following comments.

2. Although we agree that the project was deficient in many respects - poor management, technical and administrative performance etc. - we feel that inadequate attention and analysis may have been given to the impact of depressed prices, which were largely due to Government price controls. In fact, depressed prices may have been a sufficient cause, on their own account, for failure. One would expect them also to affect both management and technical performance. The magnitude of the depression in producer prices in real terms as stated in the PPAR (para. 33), is large; "the index of official producer prices for livestock declined in real terms from 100 in 1972 to only 66 in 1982". If the depressions in the "Index of real official producer prices" and "Income terms of trade" are averaged over the 10 year period 1973 to 1982 (PCR Annex 1 Table 7) they represent a reduction of 22% and 24% respectively. When the project was appraised in late 1972 the SAR (Para. 6.02) estimated that producer prices were depressed by about 25%. It would appear, therefore, that the 22% depression in the 1972 producer price index was estimated on a base price that was already considered 25% depressed by official price controls. This should be clarified because if true, the official real producer price was about 47% (25% +22%) less than the price assumed in the financial projections in the SAR. The SAR financial analysis assumed that price controls would be removed (paras 6.02 and 6.04) and therefore the implementation of the covenant to remove controls, agreed at negotiations (SAR para 6.02) was crucial. Although it is clear that at least some producers realized prices that were higher than the official ones because a parallel market existed, it is likely nevertheless, that controls reduced producer prices substantially.

3. If the above interpretation is correct, ranching, as represented by the performance levels in the SAR models probably was not financially viable in Kenya during the implementation period because financial rates of return for ranches estimated in the SAR ranged from 12 to 23%. This important perspective would have emerged if the models had been recalculated during implementation. It is most likely that this was done,

although it is not mentioned. Even though IDA was clearly concerned about price controls and the region tried hard to have them removed, it is not clear that the magnitude of their effect on project viability has been fully appreciated.

4. With hindsight, IDA should have insisted on the removal of price controls before Kenya was invited to negotiations.

5. It would probably be wrong to assume, however, that the range and ranching components would have been successful simply with better prices. IDA experience with similar types of projects which tried to introduce modern ranching methods or rangeland management techniques to traditional livestock owners has been at best dismal. The PPAR should refer to this experience and should mention that the project was one of a series which tried to use innovative institutional arrangements (group ranches etc.) to bring the benefits of modern range management and livestock production to traditional producers. Those benefits were clearly demonstrable in Kenya where the superior performance of private (colonial) ranches to traditional cattle production systems could be compared at first hand. Achieved production coefficients fell far short of those projected, mainly due to bad management and inadequate attention to milk production. In addition serious social problems were prevalent. Although the Bank/IDA became aware, at least since the mid seventies, that this project concept was seriously flawed and has stopped lending for this type of development (except in exceptional cases), a more effective alternative design has not been developed in the meantime.

cc: Messrs. Rajagopalan, Schuh, Fitchett, Walshe, Nelson
Kraske, Bronfman, Cox, Amaoko, McBride, Mills,
Adams, Coulter
Mesdames: Marshall, Adu

MWalshe/sm

DATE: December 16, 1985

TO: Mr. Hans Wyss, Director, EAP

FROM: Graham Donaldson, Chief, OEDD1

EXTENSION: 32893

SUBJECT: Project Performance Audit Report - Kenya Second Livestock Development Project (Credit 477-KE)

1. I attach, for your review and comments, the draft of a Project Performance Audit Report on the above project supported by Credit 477-KE.

2. I would appreciate receiving any comments you may have by December 31, 1985, when we expect to send the draft report to the Borrower for their comments. Any further comments you may wish to make are requested by January 20, 1986. They will then be reflected in the final draft report along with any comments received from the Borrower.

3. I would be grateful if you were to arrange for us to be provided with the names, titles and addresses of people in the Borrower country to whom the draft report should also be sent for comments.

Attachment

cc: Messrs. Kraske, EA1
Rajagopalan, PPR
Schuh, AGR (3)
Bronfman, EAP
Ms. Marshall, EAP
Cox, EAP
Messrs. Amoako, EA1
McBride, EA1
Ms. Adu, LEG
Messrs. Mills, LOA
Adams, Director, RMEA

RClough:clf

To: Mr. Graham Donaldson, Division Chief, OEDD1

Div. Circ.
file

From: R.H. Clough November 6, 1985

Back to Office Report on Mission to Kenya

a) Audits of the Tea Factory Project (Loan 993-KE), the South Nyanza Sugar Project (Loan 1389-KE), and the Second Livestock Project (Credit 477-KE), and

b) Preliminary Discussions concerning a possible Study of the Environmental Impact of Bank Lending in Kenya.

I visited Kenya from October 1 to October 26. While in Nairobi I held discussions with officials from the Ministry of Agriculture, the Office of the President, the Ministry of Tourism and Wildlife, the Kenya Sugar Authority (KSA), the Kenya Tea Development Authority (KTDA), the Agricultural Finance Corporation (AFC), the South Nyanza Sugar Company (SONY), the Kenya Rangeland Ecological Monitoring Unit (KREMU), and the United Nations Environment Program (UNEP). I made several field trips including visits to two tea factories in Central Province (Nyeri) and two near to Kericho in Western Kenya. I also visited several ranches in Nanyuki, Kajiado and Taita, and the South Nyanza Sugar Project.

The Tea Factory Project

This project provided for construction of 17 tea factories to process smallholder tea. It was cofinanced by the Commonwealth Development Corporation (CDC). Originally, the project was expected to include a component for further tea planting, but this was dropped by the Bank due to fears of world over supply of tea. The tea factories constructed under the project have been completed and are all operating satisfactorily at close to their designed capacity. They have consistently produced high quality teas which command premium prices. However, the project did take 10 years to complete, compared with five years expected originally. This delay contributed to a substantial cost overrun (52%). On account of the cost overrun the Bank was able to finance construction of only 12 factories. The remaining five were financed with a loan from the OPEC Fund and by CDC, the original cofinanciers. The delays in construction were aggravated by delays in Government reimbursing KTDA for expenditure incurred under the project, and some amounts which are long overdue are still outstanding.

Each factory is operated by a separate company. KTDA has the major shareholding, but tea growers are buying an increasing proportion of the shares. Growers are paid a fixed first payment every month for leaf delivered during the month, and a second payment at the end of the financial year. The second payment is based on the value of the tea produced, less processing and other costs. In 1983/84, due to the exceptionally high tea prices in the world market, growers were paid about twice as much as the highest price paid previously. However, for 1984/85 prices have declined somewhat. A small proportion of tea is sold on the local market at prices fixed by Government. The price received for this locally sold tea is sometimes only 50% of the world price.

Although smallholder tea production in Kenya has been very successful, yields from smallholders have been less than half of those obtained on the tea estates, and there is substantial scope for improvement of smallholder yields. Yields are lower from smallholders in part because KTDA has always emphasised production of high quality tea, whereas the estates have given more emphasis to maximizing production.

For a long time KTDA has been regarded as a fine example of a successful parastatal institution, and it still appears to function very effectively. However, present indications are that KTDA could encounter serious financial problems in a few years time and this may impair its effectiveness. KTDA's financial position has been adversely affected by the decline in the value of the Kenya Shilling, for it has borrowed from several overseas donors in foreign currency but has onlent funds to factory companies in local currency. KTDA was also established with very little equity and it does not have large reserves which it can draw on. Its financial position has improved recently due to the exceptionally high tea prices on the world market. However, during this period of high prices KTDA's board, which is dominated by producer representatives, would not permit it to accumulate any special reserves. KTDA's financial position may also be adversely affected by a recently announced program to plant tea around certain forest boundaries. KTDA has already been required to meet certain costs associated with this politically inspired and poorly planned project, and it is feared that KTDA may experience difficulty in obtaining reimbursement from Government.

Although a draft PCR was completed for this project in March this year, the PCR has still not been finalised and there may be some further delay.

The South Nyanza Sugar Project

This involved the establishment of a completely new sugar project in South Nyanza, a relatively underdeveloped but high potential area. The project included construction of a new 60,000 ton capacity factory, with about 30% of the cane supplied from a nucleus estate and the rest from smallholder outgrowers. The sugar was expected to substitute for imports. The project was cofinanced by the European Investment Bank, the African Development Bank, and the East African Development Bank.

The project was regarded as very important politically by Government, for it would be the only major development project in the area. However, prior to appraisal a survey of the sugar industry had suggested that first priority should be given to rehabilitation of existing sugar factories, most of which were operating at under 50% of capacity. It did not seem sensible to install additional capacity when existing capacity was seriously underutilized. Although the Bank staff generally shared this view, the Bank succumbed to Government pressure and agreed to support the project in South Nyanza. This seems to have been a mistake. However, the Bank agreed to support the project only on condition that the Government asked the Bank to support the rehabilitation project as well. Although the latter project was well conceived, implementation of this rehabilitation project was very unsatisfactory.

The sugar factory was completed on time and it appears to be a good factory. There was a cost overrun of only 6% in US$ terms, although it was significantly higher in local currency. However, throughput at the factory has been very low, while SONY has experienced very serious financial difficulties. At the present time the factory is operating at only about 40% of capacity. By mid-1983 SONY's accumulated losses amounted to about US$21 million, while the company had a negative net worth of about US$13 million. As a result of these financial problems SONY has not been able to replant cane on schedule, very little fertilizer has been used, and farm equipment is in poor condition. SONY's financial problems have been caused by a number of factors, including Government's failure to increase the price of sugar as agreed, low throughput, and losses caused by devaluation of the Kenya Shillling. SONY had very little equity to start with and the company was experiencing acute financial problems within one year of starting factory operations.

Government's failure to increase the price of sugar as agreed in the Loan Agreement caused some strain in relations between the Bank and Government. It was not entirely realistic to expect Government to increase the price for one factory and not for others, but apparently the operation was not financially viable without this increase.

There have been significant secondary benefits from the project, including improved roads, schools and health services. Despite the huge losses, it would probably not be feasible politically to close down SONY. Furthermore, with a relatively small injection of capital it may be possible to operate the factory successfully at close to its designed capacity. The factory is good, cane yields reasonably well if managed properly, and there is a waiting list of outgrowers wanting to grow cane, if finance were available. However, it seems inevitable that large losses will have to be written off and the company's finances be restructured. Government has not so far made a serious effort to get to grips with these problems, partly because it is in a difficult financial position itself.

The Second Livestock Project

This project, with a project cost of $60 million and a Credit of $21.5 million, was a rather large scale follow-on to the First Kenya Livestock Project. It was also a rather complicated project involving several different government agencies and several donors (IDA, USAID, Canada, Britain). The largest component of the project was for development of cattle ranches, primarily through AFC providing ranch development loans. There were several other smaller components, including livestock marketing, wildlife, and range water development. Experience with this project has generally been very unsatisfactory, and there has been no follow-on project. US$ 9.1 million of the US$21.5 million Credit were cancelled and the PCR suggests that the economic rate of return would be zero.

AFC has lent money for development of ranches in several areas, including commercial ranches in the old-established former European areas, for Group Ranches in Masailand and Samburu, and for newly established ranches in the Coast Province. Some loans have also been made for other areas, such as Baringo, which were not originally included under the project.

Commercial Ranches: Development loans provided to the new African owners of old-established ranches provided funds for purchase of livestock and development of physical facilities, especially water supplies and dips. Most of these ranches were purchased by groups of people, for very few individuals could afford to buy such expensive properties. In general these ranches have been very badly managed and have been plagued by dissension among the various owners. Most of the ranches look very neglected; for example, few of the fences have any wire left in them. AFC also has substantial arrears on its ranch loans. Over the course of time there has been increasing pressure to subdivide these ranches, so that each individual owner could have his own piece of land. Most of the ranches have in fact been subdivided informally, a few of them into very small plots. As most of the land in the area is not suitable for crop production, it is difficult to see how many of these people will be able to make a living from these small holdings. AFC is confident that it will recover all outstanding loans on ranches which are subdivided, for title deeds will not be issued for the new holdings unless this is done.

Group Ranches: Group ranches established in Masailand and Samburu were intended to encourage the pastoral people to live a more settled existence and increase the productivity of their livestock, while at the same time they were provided with title to their land. These ranches were set up as relatively large group ranches, rather than smaller individually owned ranches, primarily because it was felt that this was the best way to make use of the available water resources and grazing. Although there was considerable technical merit in this idea, most of the group ranches, like the group owned commercial ranches, have proved to be unmanageable because of disagreements among the members. Disagreements have been especially common concerning the issue of how to apportion AFC loan repayments between individual members, and concerning the policy relating to new members joining the groups. The latter apparently permits all sons of members to become members themselves when they become adults. Some people have been very upset because this policy appears to permit families with a large number of children to obtain more than their fair share of the membership or assets. Very little progress has also been made introducing improved livestock husbandry, although the project did succeed in establishing improved water supplies on many ranches. The idea of restricting stock numbers is anathema to most group ranch members; even the idea of counting numbers of stock is unacceptable to many of these people. Like the commercial ranches, pressures are now building up to subdivide the group ranches and some have already been subdivided informally, even though from a technical standpoint this may present serious problems. Individual people feel very strongly that they want their own piece of land, and they want to take decisions themselves about whether to borrow from AFC.

Company Ranches: Most of these ranches were established on land which had previously been unoccupied in Taita. Livestock production is feasible in these areas and the project did help to establish improved water supplies and other facilities. However, the project ranches have encountered severe financial difficulties, and AFC will probably not recover a significant amount of the money lent. Most of the ranches were set up with very little equity provided by the groups of people who operated them (they are on leased state land), while management has often been poor. The price of cattle has not been high enough to make ranching proftable in these circumstances, while inadequate immature stock have been available.

Livestock Marketing: Under this component the Livestock Marketing Division (LMD) of the Ministry of Agriculture aimed to buy stock from the drier pastoral areas, either for slaughter, or to provide immature stock for fattening on ranches in higher potential areas. Financial support for this component was provided by Britain. The physical development work of establishing holding grounds and stock routes and acquiring transportation was completed quite successfully. However, LMD incurred large financial deficits and eventually the Treasury refused to fund the operation any longer. At the present time most of the facilities are unused and LMD staff are not usefully employed. It was probably unrealistic from the beginning to expect that Government should involve itself in a trading operation of this type.

Range Water Development/Grazing Schemes: Under this component better water supplies were to be established and grazing management was to be improved in North Eastern Province (USAID supported) and Isiolo District (with Canadian support). Although a significant amount of physical development was achieved, especially in North East Province, subsequent maintenance has been poor, while grazing block committees have been ineffective.

Wildlife: Some progress was made under this component establishing a water pipeline which was designed to provide water on ranches adjoining Amboseli Park, thus obviating the need for the Masai to take their cattle into the park to obtain water. Even more important, a new Kenya Rangelanc Ecological Monitoring Unit (KREMU) was establised, and this may be the most successful component of the project, although it has not been without problems. The other parts of the wildlife component, which involved Nairobi Park and the Masai Mara Reserve had negligible success.

The Environmental Impact of Bank Lending

While in Nairobi I also discussed with staff from the Bank's Nairobi office, UNEP and KREMU, the idea of our carrying out a case study to assess the environmental impact of Bank lending in Kenya. Most people felt that it would be worthwhile to carry out an environmenmtal study, anc I think the idea of a country case study was generally acceptable, although other approaches are clearly possible, for example, through looking at a selection of specific types of project. There was some difference of opinion about which country to select. The person I met in UNEP, although not opposed to Kenya, thought it would be better to look at one of the Sahelian countries in West Africa, while someone in the Bank's Nairobi office thought Ethiopia would be a good candidate. The Bank staff were rather opposed to Kenya because so many other studies had been done in Kenya and the Government was getting unsympathetic. Personally, I still believe that a Kenya study has much to commend it; the environmental situation is interesting because of its diversity and because of the serious problems of population pressure and destruction of natural resources. There has also been considerable diversity in the Bank's lending program in Kenya, while KREMU has a considerable amount of data available on the natural resources of Kenya which would be invaluable for a study of this type. However, I do think this idea needs a considerable amount more researching before we make any very definite plans.

FORM NO. 75
(6–83)

THE WORLD BANK/IFC

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~~Jack Kordik~~	
M. Clough	

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REMARKS:

FROM:	ROOM NO.:	EXTENSION:
Neil Walker		

MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT

Telegrams: "MINAG", Nairobi
Telephone: Nairobi 720030-9/720601-9
When replying please quote

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 30028, NAIROBI

Ref. No. MLD/RANGE/90/IA(4)
and date

29th March, 1985

CONFIDENTIAL

Rcd 4/17 NAW
via pouch

Dr. Niel Worker
The World Bank
Regional Mission in Eastern Africa
P.O. Box 30577
NAIROBI.

Dear Dr. Worker,

SECOND LIVESTOCK DEVELOPMENT PROJECT, CREDIT 477 KE

COMMENTS ON DRAFT PCR

This refers to your request of 19th March 1985. The PCR is well written and provides as much details as possible of the SLDP design, implementation, constraints, achievements and failures. I have only a few comments on it as follows:-

1. BASIC DATA (KEY INDICATORS)

At page (iv), the actual achievement in Amboseli Park development is not shown. This was 100% implemented as shown in paragraph (vii) of the "Highlights," Annex I page 5 and para. 3.38.

The term "close to Zero" used to describe the Economic Rate of Return (ERR), (p.(ii) of Basic Data and paragraphs 6.01, 1002 etc) gives an impression that ERR was calculated as this, in my opinion, is a mathematical term. Yet it is stated elsewhere in the report that no calculations were made. In paragraph ix of the "Highlight" a better guess term", unsatisfactory" is used. This should have been used throughout in the report.

The physical implementation of the project components is shown to be 40-50% on page (ii) of Basic Data sheet, yet when one looks at the actual figures it is much higher:-

(a) Ranch Development - Achievement in terms of ranch units exceeded the Appraisal or Review Estimates (184 Units at appraisal against the actual achievement of 990 units when new commercial ranches and Baringo ranches are put into consideration; OR 102 units achieved against 184 units when these new areas are not included). The new areas accounted for 33% of disbursement of funds in this component (see Para. 3;09, table).

(b) Grazing Schemes: - Achievement is 60% even when the Isiolo scheme is taken to have not been implemented. The Isiolo scheme was in fact about 40% implemented at the time CIDA pulled out.

c) Livestock Marketing: Close to 100 implemented.

d) Wildlife: Overall more than 60% implemented.

e) Technical Services: Overall more than 100% implemented.

f) Estimated direct beneficiaries: - 4,000 against original target of 5,000 gives 80% achievement (page (ii) of Basic Data Sheet).

None of these components had implementation less than 60% of the original target.

2. PROJECT PERFORMANCE

The statement in paragraph 3:10, that the establishment of group ranches represent an important component in this process and, as such, their success cannot be evaluated in the short term or according to solely financial creteria", would in my opinion apply to Grazing Blocks and in fact the whole range/ranch development is a long term process that is expected to show real impact much later. I would not term the performance of this project "disappointing", a term that seems preferred in the draft PCR (paragraphs 3.07, 8.01, 8.02, 9.04, 10.06 etc). This gives an impression of total failure.

3. PROJECT EXTENSION

The PCR mission would appear to have been guided only by the extent of developments of planned water supplies in concluding on the performance of the project during the extension period. It termed it "extremely disappointing" in paragraph 3:07. Other components seem to have been overlooked. If funds disbursement could be used as a measure, it was highest during this extension period (25% of original credit or 43% of total disbursements).

4. ALLIED RANCHERS (TAITA) LIMITED (3.20)

This company had good objectives but failed to meet the objectives. It failed to provide the services promised to the member ranches. The only service that was well catered for was accountancy and bookeeping which served the ranches till Allied was wound-up. It would not have been worth while forcing the ranchers to use the poor services provided by Allied when they could get better services e.g. vehicle repairs, elsewhere.

5. BARINGO AREA RANCHES (PARAGRAPH 3:31)

It would be worthwhile using revised AFC data in order to show the true rate of arrears in the Baringo Area Ranches.

6. INTEREST RATES ON LOANS

High interest rates on loans is considered a major constraint and cause of heavy arrears in project ranches. This was given emphasis in the joint Bank/Government Evaluation Report of 1982. The rate at which Givernment charged AFC remained the same at 3% while the AFC rates to subloanees started at 7½% and rose to 13% by the end of the project. This increased the spread/gain received by AFC from 4½% to 10%. Locally borrowed funds give a spread/gain of not more than 4%. Concessionary rate benefits of the I.D.A. funds was not passed on to beneficiaries.

This issue seems not to have been dealt with anywhere in the draft PCR.

I hope these few comments will be of some use to you (World Bank) in finalising the PCR.

Yours Sincerely

Robert K. Langat
HEAD PROJECT COORDINATION BRANCH/
RANGE MANAGEMENT DIVISION

MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT

Telegrams: "MINAG", Nairobi
Telephone: Nairobi 720030-9/720601-9
When replying please quote

Ref. No. MLD/RANGE/90 IA
and date

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 30028, NAIROBI

29th March, 1985

CONFIDENTIAL

Rcd 4/17 NAW
via pouch

Dr. Niel Worker
The World Bank
Regional Mission in Eastern Africa
P.O. Box 30577
NAIROBI.

Dear Dr. Worker,

SECOND LIVESTOCK DEVELOPMENT PROJECT, CREDIT 477 KE

COMMENTS ON DRAFT PCR

This refers to your request of 19th March 1985. The PCR is well written and provides as much details as possible of the SLDP design, implementation, constraints, achievements and failures. I have only a few comments on it as follows:-

1. BASIC DATA (KEY INDICATORS)

At page (iv), the actual achievement in Amboseli Park development is not shown. This was 100% implemented as shown in paragraph (vii) of the "Highlights," Annex I page 5 and para. 3.38.

The term "close to Zero" used to describe the Economic Rate of Return (ERR), (p.(ii) of Basic Data and paragraphs 6.01, 1002 etc) gives an impression that ERR was calculated as this, in my opinion, is a mathematical term. Yet it is stated elsewhere in the report that no calculations were made. In paragraph ix of the "Highlight" a better guess term", unsatisfactory", is used. This should have been used throughout in the report.

The physical implementation of the project components is shown to be 40-50% on page (ii) of Basic Data sheet, yet when one looks at the actual figures it is much higher:-

(a) Ranch Development - Achievement in terms of ranch units exceeded the Appraisal or Review Estimates (184 Units at appraisal against the actual achievement of 990 units when new commercial ranches and Baringo ranches are put into consideration; OR 102 units achieved against 184 units when these new areas are not included). The new areas accounted for 33% of disbursement of funds in this component (see Para. 3;09, table).

(b) Grazing Schemes: - Achievement is 60% even when the Isiolo scheme is taken to have not been implemented. The Isiolo scheme was in fact about 40% implemented at the time CIDA pulled out.

c) Livestock Marketing: Close to 100 implemented.

d) Wildlife: Overall more than 60% implemented.

e) Technical Services: Overall more than 100% implemented.

f) Estimated direct beneficiaries: - 4,000 against original target of 5,000 gives 80% achievement (page (ii) of Basic Data Sheet).

None of these components had implementation less than 60% of the original target.

2. PROJECT PERFORMANCE

The statement in paragraph 3:10, that the establishment of group ranches represent an important component in this process and, as such, their success cannot be evaluated in the short term or according to solely financial creteria", would in my opinion apply to Grazing Blocks and in fact the whole range/ranch development is a long term process that is expected to show real impact much later. I would not term the performance of this project "disappointing", a term that seems preferred in the draft PCR (paragraphs 3.07, 8.01, 8.02, 9.04, 10.06 etc). This gives an impression of total failure.

3. PROJECT EXTENSION

The PCR mission would appear to have been guided only by the extent of developments of planned water supplies in concluding on the performance of the project during the extension period. It termed it "extremely disappointing" in paragraph 3:07. Other components seem to have been overlooked. If funds disbursement could be used as a measure, it was highest during this extension period (25% of original credit or 43% of total disbursements).

4. ALLIED RANCHERS (TAITA) LIMITED (3.20)

This company had good objectives but failed to meet the objectives. It failed to provide the services promised to the member ranches. The only service that was well catered for was accountancy and bookeeping which served the ranches till Allied was wound-up. It would not have been worth while forcing the ranchers to use the poor services provided by Allied when they could get better services e.g. vehicle repairs, elsewhere.

5. BARINGO AREA RANCHES (PARAGRAPH 3:31)

It would be worthwhile using revised AFC data in order to show the true rate of arrears in the Baringo Area Ranches.

6. <u>INTEREST RATES ON LOANS</u>

High interest rates on loans is considered a major constraint and cause of heavy arrears in project ranches. This was given emphasis in the joint Bank/ Government Evaluation Report of 1982. The rate at which Givernment charged AFC remained the same at 3% while the AFC rates to subloanees started at 7½% and rose to 13% by the end of the project. This increased the spread/gain received by AFC from 4½% to 10%. Locally borrowed funds give a spread/gain of not more than 4%. Concessionary rate benefits of the I.D.A. funds was not passed on to beneficiaries.

This issue seems not to have been dealt with anywhere in the draft PCR.

I hope these few comments will be of some use to you (World Bank) in finalising the PCR.

Yours Sincerely

Robert K. Langat
HEAD PROJECT COORDINATION BRANCH/
RANGE MANAGEMENT DIVISION

Jack Koraih
files

ZCZC DIST5173 NAI1205
OEDD1
REF : IBRDNAI
INTBAFRAD NAIROBI,KENYA, MARCH 22, 1985

FOR DONALDSON, OED01.

RE. KENYA SECOND LIVESTOCK PROJECT (CREDIT 477-KE) AND FURTHER URTEL MARCH 15, 1985.

AAA) FOR YOUR INFORMATION, EYE AM IN CONTACT WITH MR. ROBERT LANGAT, FORMER PROJECT COORDINATOR OF THE PROJECT, AND AM CHECKING WITH HIM BASIC PROJECT DATA AND DISCUSSING SUBSTANCE OF THE PCR. THIS CONTACT IS INFORMAL BECAUSE, AS EYE EXPLAINED IN OUR TELCON LAST WEEK, FORMER PROJECT MANAGEMENT STAFF HAVE BEEN ASSIGNED TO OTHER TASKS WITHIN MOAL AND PROJECT NO LONGER EXISTS AS AN ENTITY. ALSO, AS GOK HAVE AS YET NOT RECEIVED PCR FOR REVIEW, IT IS DIFFICULT TO REQUEST RELEASE OF MR. LANGAT OR OTHER STAFF FROM PRESENT DUTIES TO REVIEW DOCUMENT FORMALLY.

BBB) BY TIME OF MY DEPARTURE FROM HERE 3/28, EYE EXPECT THAT LANGAT AND EYE WILL HAVE CHECKED BASIC PROJECT DATA AND HE WILL HAVE PROVIDED FEEDBACK ON TENTATIVE REACTION TO THE DOCUMENT. (FYI DRAFT UNDER DISCUSSION IS ONE RELEASED BY MARSHALL ON JANUARY 25, 1985 FOR FINAL CLEARANCE PRIOR TO TRANSMITAL TO GOK. IT WAS GIVEN UNDER CONFIDENTIAL COVER TO LANGAT MARCH 18 AFTER EYE HAD DIISCUD AND CLEARED WITH CL

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EACION WILL BY NO MEANS REPRESENT FINAL GOK POSITION BUT SHOULD GIVE AT LEAST INDICATION OF REPORT'S OVERALL ACCEPTABILITY. GIVEN CIRCUMSTANCES, THIS IS MOST THAT CAN BE ACHIEVED AT PRESENT AND EYE HOPE WILL BE ACCEPTABLE TO YOU.

DDD) ARRANGEMENTS FOR MY DEPARTURE NAIROBI ARE ON SCHEDULE AND EYE EXPECT TO BE IN OFFICE 4/1. EYE HAVE SENT SOME BOOKS AND FILES BY POUCH AND HAVE REQUESTED MAILROOM TO DIRECT MY MAIL CARE YOU. APPRECIATE IF YOU WOULD HOLD PENDING MY ARRIVAL.

THANKS AND REGARDS, WORKER,RMESA

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ALT RTD FROM:OE1M

NNNN

1 1 OEDD1

INTBAFRAD, NAIROBI, KENYA, FOR WORKER. TO BE SUBMITTED TO AUTHORITIES CONCERNED WITH LIVESTOCK TWO PROJECT CREDIT 477 KE. THE OPERATIONS EVALUATION DEPARTMENT IS AN INDEPENDENT DEPARTMENT WITHIN THE WORLD BANK GROUP ESTABLISHED TO REVIEW SYSTEMATICALLY AND COMPREHENSIVELY, AFTER PROJECT COMPLETION, ALL BANK LENDING OPERATIONS AND THEIR CONTRIBUTION TO DEVELOPMENT PROCESS IN MEMBER COUNTRIES. BASIC PURPOSE OF THIS REVIEW IS TO LEARN FROM EXPERIENCE, DEMONSTRATE ACCOUNTABILITY FOR FUNDS DISBURSED AND CONTRIBUTE TO BANKS CONTINUING EFFORT TO IMPROVE QUALITY OF ITS LENDING AND TECHNICAL ASSISTANCE ACTIVITIES. TO CARRY OUT THIS REVIEW OED HAS REQUESTED MR. WORKER TO START COLLECTING BASIC INFORMATION CONCERNING THIS PROJECT. THIS INFORMATION WILL GREATLY FACILITATE THE WORK OF THE EVALUATION MISSION PLANNED FOR SOMETIME DURING THE JUNE TO SEPTEMBER PERIOD. REGARDS, DONALDSON, OEDD1

telex 3/15/85

Cr 477-KE JKordik/vc 32887

GDonaldson, Chief, OEDD1

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