

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
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KENYA: COUNTRY STRATEGY PAPER 1998

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A. SUMMARY

A1. Kenya is a low-income country in which most people are poor and where the numbers of poor people are increasing. Women continue to suffer impoverishment disproportionately. At present, little or no progress is being made towards meeting the international development goals. Some trends are negative. Britain has joined the donor community in encouraging the Government of Kenya to adopt and implement wide-ranging reforms across all areas of governance in order to bring the country on to a path of sustained, pro-poor growth.

A2. If a stronger development partnership can be achieved, Britain will seek to increase significantly the size of its development assistance programme to Kenya. Conversely, if such progress cannot be made, there will be a significant reduction in levels of assistance.

A3. Although collective national and donor efforts have not reduced poverty at an aggregate level, British development assistance has had important national and local impacts, for example by contributing to increased access to quality reproductive health services. Britain will continue to work, where it can do so effectively, to meet the needs of the poor. The purpose of British development assistance over the next five years will be to achieve sustainable improvements in the livelihoods of poor people. Where progress is possible, Britain will contribute to efforts to make a measurable impact in six areas:

- improved governance and economic policy reform
- improved productive opportunities and living conditions for the rural poor
- improved productive opportunities and living conditions for the urban poor
- improved education, especially for the poor
- improvements in health outcomes, especially for the poor, and
- a strengthened contribution by civil society to peaceful social progress.

A4. The level and distribution of resources, and the amount of progress that will be possible, will depend on the nature of Britain's development partnership with the Government of Kenya. In the course of implementing this strategy, the Department for International Development (DFID) will ensure that environmental concerns are integrated into DFID-supported programmes. In addition, DFID will consider further whether to adopt a seventh impact area relating to the development and implementation of specific strategies for sustainable development, depending on the Kenyan Government's commitment.

A5. Britain has developed strong partnerships with organisations in civil society, and increasingly, in the private sector. In 1997/98, 24% of DFID's programme was delivered through these partnerships. They provide a valuable base for further efforts to help the poor and Britain will further deepen and expand such partnerships over the next five years.

B. THE CHALLENGE

MAIN INDICATORS AND PROGRESS TOWARDS INTERNATIONAL DEVELOPMENT GOALS

B1. Although historically the most stable and prosperous of the East African economies, Kenya is the twenty-second poorest country in the world, with per capita GNP of US\$280. Between 1985 and 1995, with population growth of 2.7% and weak production growth, there was no rise in per capita GNP and the numbers of poor people increased, as income disparities widened.

B2. Of the low-income economies for which data are available, Kenya has the third most skewed distribution of income: 50% of the population, or approximately 14 million people, exist on less than US\$1 a day (1985 prices). About half this number are very poor, at the margins of subsistence: 47% of rural Kenyans (10 million people) are food poor. In the arid and semi-arid lands, up to 80% of the population is food poor, as are 29% of urban Kenyans (1.5 million people). The extent of poverty, measured in formal quantitative ways, has recently been corroborated by participatory poverty assessments.

B3. Although progress towards some of the international development goals¹ has been made, including increased access to reproductive health services and declines in infant, child and maternal mortality, further progress will be, at best, uneven in the absence of improved policy formulation and implementation. Indeed, some current trends are negative. In primary education, the rates of enrolment and completion have been falling, especially for girls, because the high cost structure has resulted in charges which are unaffordable to poor parents. There is also concern that mortality rates are now static or increasing, partly attributable to the increasing incidence of HIV infection. Fourteen million rural and over two million urban Kenyans do not have access to an adequate water supply.

B4. Women continue to suffer impoverishment disproportionately. Cultural practices and the legal system, in particular, discriminate against equal access to resources, including land, thus contributing to the much higher incidence of poverty in female-headed households. The low status of women impacts heavily on vulnerability of children,

for whom women are the primary providers and carers. Women continue to be under-represented as leaders and in decision-making fora in Kenya.

B5. Population pressure and weak policy implementation are causing degradation of Kenya's natural resources (soil fertility, rangelands, open water and the already small and fragmented natural forests). Whilst the uncontrolled commercial wildlife poaching of the past has been largely stopped, the integrity of protected areas (8% of land) is critically dependant on reducing resource use conflict in adjacent areas.

POLITICAL SITUATION AND HUMAN RIGHTS

B6. Kenya has been a multi-party democracy since 1992, governed by the Kenyan African National Union (KANU), which won both the 1992 and 1997 elections. Following last minute reforms agreed by an inter-party group, the conduct of the December 1997 elections represented a significant advance on those in 1992, in terms of the freedom of political parties to campaign and of individuals to vote, and much reduced violence. An independent non-government observer group concluded that the result did reflect the will of the electorate. Nevertheless, the process fell short of normal democratic standards in several respects. Since the elections, negotiations have resumed on a process of fundamental constitutional review. This needs to be as open, inclusive and consultative as possible to ensure its widespread support.

B7. Despite some advances in recent years, Kenya's human rights record is still marred by abuses by law enforcement agencies and failings in the administration of justice. Banditry, cattle-rustling and periodic violent ethnic clashes are serious problems, which the Government seems unable or unwilling to bring consistently under control. Poverty and illiteracy are further impediments to the full enjoyment of civil and political rights.

B8. The Constitution has only just been amended to include protection against discrimination on grounds of gender, but customary law continues to impinge on women's rights, particularly in property and family matters. Kenya has ratified

¹ These international goals for sustainable development are based on UN conventions and resolutions. They are set out in full in panel 4 on page 21 of the British Government's White Paper on International Development "Eliminating World Poverty: A Challenge for the 21st Century" (The Stationery Office Limited 1997).

B. THE CHALLENGE

CONTINUED

the UN Convention on the Rights of the Child and a Children's Bill is in preparation in response to these obligations. However, children living outside the protection of responsible adults, especially the growing number of street children, are particularly at risk from physical and sexual abuse. There are some 3-4 million children engaged in child labour.

GOVERNANCE

B9. Much improved governance is increasingly recognised by all sections of society as a prerequisite for development and for effective use of aid. The Kenyan Government has acknowledged that problems include widespread corruption and lack of integrity in public life; mismanagement of public resources; declining levels and quality of public services and erosion of the rule of law. This is partly the result of fundamental weaknesses in key institutions including the civil service, police and the judiciary. The civil service is one of the largest in the region (215,000), with very low levels of pay and productivity. Lack of progress in addressing governance problems resulted in July 1997 in the lapse of the Enhanced Structural Adjustment Facility (ESAF) agreed with the International Monetary Fund (IMF) in 1996.

B10. Priority actions to improve governance include making anti-corruption measures operational and effective; improving the management of public expenditure and strengthening financial management systems; re-launching the civil service reform programme with a renewed emphasis on reducing the size of the public service; enhancing the role of parliamentary watchdogs such as the Audit Office and addressing shortcomings in the administration of justice. More co-operation between the Government and civil society and greater freedom for the media would also promote government accountability and legitimacy.

ECONOMIC SITUATION AND PERFORMANCE

B11. Significant progress in addressing these governance issues will provide a framework for Kenya to exploit better its economic potential and to create a more conducive environment for increased investment. Kenya's main economic assets are agricultural (coffee, tea, maize and more recently horticulture and fish); the relatively developed

manufacturing sector; and the tourism industry. However, since 1996, extreme weather conditions have reduced agricultural output, and ethnic clashes in 1997/98 have had a severe impact on tourism earnings.

B12. Kenya's external debt stands at US\$6.2 billion. About half is owed to multilateral creditors, 38% to official bilateral creditors, and 10% to commercial creditors. In present value terms, the debt stock is US\$4.4 billion; and the ratio of this to exports is 148%, well below the threshold of "heavy indebtedness" - 200-250% - adopted for the heavily indebted poor countries (HIPC). There is currently no ECGD² cover for export credits for Kenya; but this could be restored, given sound policies, including a renewal of IMF support, in the light of the favourable debt outlook.

B13. Macro-economic management has, until recently, been good. The highly unsustainable deficits of the early 1990s were corrected, and the fiscal deficit maintained at 2% or less since 1994/95. Previous economic reforms have succeeded in raising revenues to a high level of 28% of GDP, well above the Sub-Saharan African average. Government expenditure runs at about 30% of GDP. However, due to the previous accumulation of too large a stock of short-term domestic government debt, interest rates remain in the range of 25-30%, severely inhibiting investment while keeping the exchange rate high at a cost to trade competitiveness. Domestic and external debt service absorb about 20% of government spending. This, together with recent public sector pay increases, will further reduce the scant resources available for all non-salary recurrent and development expenditures. Without corrective action, payroll costs alone could rise to between 15% and 19% of GDP.

B14. Economic policy reforms have been made, although at a slow pace. In recent years these have included removal of foreign exchange controls; removal of import licensing; simplification of the tariff structure; removal of price controls; gradual liberalisation of crop marketing; gradual privatisation of state enterprises; a reduction of 17% in the civil service, achieved by voluntary departures; and the 1997 Central Banking Act, which establishes the independence of the Central Bank of Kenya and tightly restricts government borrowing from it.

² Export Credits Guarantee Department

B. THE CHALLENGE

CONTINUED

B15. Further action is now urgently required on a range of economic reform issues, including on the slow and imperfect process of privatisation and the introduction of private capital into the energy and telecommunication sectors.

REQUIREMENTS FOR PRO-POOR GROWTH

B16. Given the current 2.7% population growth rate, economic growth of at least 8% each year over five years is needed to raise average incomes to US\$1 a day. Because of the depth of poverty, the goal of halving the proportion of people on incomes of less than US\$1 per day will require maintenance of a rate of growth of 6% over 20 years, unless Kenya can also achieve an improvement in its highly skewed income distribution. In the last five years, actual growth in Kenya has averaged 2.6%.

B17. Poverty in Kenya is driven by a lack of resources and economic opportunity. The poorest people in Kenya inhabit the marginal (arid and semi-arid) lands; but the largest numbers of the poor inhabit the higher-potential land, covering only 20% of the country, which is characterised by excessively small and scattered land holdings due to subdivision and problems of land title and inheritance. Increased agricultural productivity is still achievable under these conditions, but a rapid increase in off-farm employment opportunities is essential for pro-poor growth.

B18. The chief asset of poor people is their own labour although multiple demands on women's time and energy, and inequitable access to other assets, means that reducing gender inequalities is required for them to benefit, along with men, from employment growth. Employment growth requires better education; more training opportunities; development of markets which are competitive in both the internal and external senses (i.e. dismantling the pervasive domestic monopolisation); and above all, an increase in the investment rate to the range of 25-30% of GDP (compared with the current range of 18-20%), through the attraction of foreign and domestic investment and a reduction in interest rates.

B19. Targeted initiatives are needed to improve the productivity of smallholder farmers; to give the poor access to and security of productive assets; to improve access by the poor to the limited opportunities which currently exist for employment and small-scale enterprise; and to improve livelihood security for vulnerable minorities, such as pastoralists.

B20. Kenya's growth is also dependent on wider economic policy issues: implementation of the World Trade Organisation (WTO) agreement, access to markets (especially in Europe) and to private external capital, the Multilateral Agreement on Investment, global environmental protection and further integration through East African co-operation. These issues will be resolved in a multilateral rather than bilateral framework (notably the successor to the Lomé Convention) and Britain stands ready to offer Kenya assistance with negotiations where the Kenyan Government feels it would be helpful.

C. PARTNERSHIPS

PARTNERSHIP WITH GOVERNMENT

C1. The prospects for a partnership between Britain and Kenya, in the terms set out in Britain's White Paper on International Development (see Box 1), are currently uncertain. It will be necessary for the Kenyan Government to show sufficient sustained commitment to address governance and economic reform issues in order to put Kenya on a secure path of long-term growth which includes and benefits the poor. Policies and strategies for addressing these issues have to be put in place and taken forward by the Government as a prerequisite for increased and more effective development assistance from the donor community. An essential first step, not yet taken, is full compliance with the commitments made to the IMF to enable re-opening of negotiations on ESAF lending.

C2. There are a number of positive features which need to be built on. Government policy documents have consistently put poverty reduction at the centre of development policy

and planning. Policy in health and education gives implicit commitment to the international development goals. Kenya has signed and ratified most of the major environmental agreements and has created laws and institutions to address environmental issues. Economic reform measures have been taken, albeit slowly.

C3. The considerable political reforms in the 1990s have resulted in some improvement in respect for civil and political rights. The Kenyan Government has been prepared to discuss development policy issues openly and constructively with Britain and other donors. Recent government statements have stressed again a commitment to the elimination of poverty, as well as to creating a more efficient and effective public service and to the prevention of corruption. A Poverty Eradication Action Plan is being drawn up by the Office of the President. It is now of critical importance that such statements and policy commitments are translated into actions.

BOX 1

DEVELOPMENT PARTNERSHIPS: FROM THE BRITISH GOVERNMENT'S 1997 WHITE PAPER ON INTERNATIONAL DEVELOPMENT

"Countries with which we are prepared in principle to embark on a deeper, long-term partnership, involving all forms of assistance, will be low-income, containing a large proportion of poor people.

They will also be countries where the UK is wanted as a partner, has the influence to play a positive role, and a comparative advantage in being able to make a strategic contribution to poverty reduction.

We would expect partner governments to:

- have a commitment to the principles of the agreed international development targets and be pursuing policies designed to achieve these and other UN targets which they have agreed
- be committed to pro-poor economic growth and conservation of the environment, and be pursuing appropriate policies
- wish to engage with us and with the donor community to this end
- pursue policies which promote responsiveness and accountable government, recognising that governments have obligations to all their people; promote the enjoyment of civil, cultural, economic, political and social rights; and which encourage transparency and bear down on corruption in the conduct of both the public service and the business sector"

Source: Eliminating World Poverty: A Challenge for the 21st Century (The Stationery Office Limited, 1997)

C. PARTNERSHIPS

CONTINUED

OTHER PARTNERSHIPS

C4. Within the current development assistance programme, Britain has established strong partnerships with non-governmental organisations (NGOs) involved with development work, civil rights organisations, and the private sector. The prospects for maintaining and building on these partnerships are very good, and it will also be possible to build new partnerships with other elements of civil society and the private sector in order to take forward Britain's international development policies.

C5. Several DFID-funded projects in rural areas involve multiple partnerships with NGOs, communities and local government. These projects are engaging local government in development issues and may, over time, contribute to more appropriate and better-targeted support by local government to the poor. In addition to scaling up this approach, there are also opportunities to develop similar partnerships involving urban local government.

OTHER DONORS

C6. Although evidence is incomplete, aid flows to Kenya appear to be declining sharply. The most recent estimate for Net Official Development Assistance is US\$ 677 million in 1994.

C7. Most bilateral donors have sought to address poverty by supporting both government and non-government developmental activities, and there is wide support from European donors and the United States Agency for International Development (USAID) for NGO-run civil and

political rights projects. The European Community has sought to reach the poor directly by channelling a proportion of European Development Fund (EDF) resources outside normal government channels. Donor support to Government programmes is project-based, since there has been inadequate commitment to reform and transparency to permit sector-based approaches. The largest bilateral donors are Japan, Germany, Britain and The Netherlands. Kenya has substantial concessional resources available from the World Bank, but rates of commitment and disbursement are slow, attributable in large part to the weak policy framework and inadequate government systems for financial management.

C8. DFID Eastern Africa has excellent relations with the Delegation of the European Commission in Nairobi. There is close co-ordination in all sectors of common interest and collaborative approaches in some areas, including reproductive health, where DFID and the Commission are parallel funding a £23 million project. The quality of the Commission's staff and programmes is comparable to those of the main bilateral donors. However, efficient commitment and disbursement of funds is impeded by the same factors which affect the World Bank's programme.

C9. Donor co-ordination is good, due to strong commitment by the United Nations Development Programme (UNDP) and the World Bank which has successfully engaged donor agencies in a formal system which cascades from regular overall co-ordination events to sectoral and subsectoral processes. Britain has played a significant role at various levels, including in the group set up to take forward governance issues.

D. CURRENT UK DEVELOPMENT PORTFOLIO

D1. About 42% (£11.9 million) of the programme (£28.4 million in 1997/98) is project-based assistance in support of government programmes and institutions (including semi-autonomous ones). The main sectoral spending is in health, basic education and agricultural research. In all cases, support was preceded by, and includes, dialogue and advice on strategic issues, conducted in co-ordination with other bilateral and multilateral donors. Support for basic education, for example, includes both substantial finance for learning materials, and a component aimed at improving key policies, such as those for the recruitment and deployment of teachers.

D2. As well as providing technical assistance to address specifically sectoral efficiency constraints, DFID support for economic reform in the last year has included inputs to the Public Expenditure Review and for the development of the Civil Service Reform Programme. In June 1997, £6 million (21% of the 1997/98 programme) was given, fulfilling a commitment made in 1995, to part-finance the Civil Service Voluntary Early Retirement Scheme, which has achieved a 17% reduction in staff numbers. However, further policy-related programme aid has been held back since then, awaiting government action on governance and economic policy measures.

D3. Within government-to-government projects, DFID has also sought to encourage partnerships between the Kenyan Government and voluntary organisations, the private sector and communities. Bilateral reproductive and sexual health projects depend extensively on NGOs and the private sector for service delivery, in line with government policy. One of the Government's DFID-supported basic education projects has a component which is seeking to involve very poor communities in schools activities and schools management.

D4. About 24% (£6.9 million) of the programme (1997/98) involves direct partnerships with non-governmental organisations, and some private sector ones. Most of these resources are managed within one of four frameworks. The Direct Funding Initiative (DFI) is a local partnership between DFID Eastern Africa and development NGOs involving activities aimed at benefiting the poor directly. The Civil Society Umbrella Project partners local organisations promoting civil and political rights. The British Partnership

for Enterprise Development (BPED) programme promotes micro and small enterprise development in partnership with NGOs, the private sector and the Kenyan Government (which has an important role to play in improving the enabling environment for business). The Post-Beijing Portfolio comprises actions to promote the status of women, complementing other support DFID has provided to the United Nations Development Fund for Women (UNIFEM) for strategic and grassroots programmes to take forward the implementation of the Beijing Platform for Action.

D5. During 1997 and 1998, Britain has provided over £8 million for emergency relief operations to save lives, especially among pastoralists in the north of Kenya, following drought in 1996/97, and then severe flooding in 1997/98.

D6. Other British development assistance includes a major Commonwealth Development Corporation (CDC) investment portfolio, a large Voluntary Service Overseas (VSO) programme, and projects with NGOs and other civil society organisations supported through the Joint Funding Scheme and the DFID Small Grants Scheme, which is administered by the High Commission.

IMPACT, EFFICIENCY AND EFFECTIVENESS

D7. Collective donor and national efforts to tackle poverty in Kenya have not reduced poverty at an aggregate level. Nevertheless, British assistance, often alongside that of other donors, has had important national and local impacts, examples of which are described in Box 2 overleaf.

BOX 2

RESULTS OF RECENT BRITISH DEVELOPMENT ASSISTANCE IN KENYA

Access to family planning (FP) services has increased significantly, leading to a decline in the total fertility rate (TFR) from 6.7 to 5.4 between 1984 and 1993. The next Demographic and Health Survey, due in 1998, is likely to report a further decline.

Reviews of other DFID-supported health projects have demonstrated success at local levels, including improvement in the quality of treatment for sexually-transmitted infections.

DFID support has helped national research institutions to adopt participatory, demand-led approaches and has improved farmer productivity through new technologies.

A recent economic impact study of a DFID-supported Oxfam project working with pastoralist communities in Wajir demonstrated improved welfare among project beneficiaries.

Other DFID-supported projects under the Direct Funding Initiative are demonstrating measurable benefits to rural farming households through increased productivity, e.g. through conservation farming and the application of rural technologies. A review of the British Partnership for Enterprise Development programme in 1997 concluded that it was making a significant and imaginative contribution to micro and small enterprise development, with important benefits in terms of improved employment and income opportunities for the poor.

UN and NGO drought relief operations in north and east Kenya in 1997 (partly funded by DFID) are believed to have been highly successful in saving lives and livelihoods (confirmation through formal evaluation is required).

D8. The presence of an appropriately-staffed DFID regional office in Nairobi (DFID Eastern Africa) has enabled DFID staff to participate fully in discussions and negotiations, involving the Kenyan Government, donors and other groups, in areas of importance to DFID country strategy, and to respond quickly to opportunities as they emerge. Co-location with the High Commission and the move in 1996 to an integrated BHC Development Section/DFID Programme Management structure has ensured sound co-ordination between development and broader foreign policy objectives.

D9. DFID has largely drawn back from placing long-term technical assistance in individual projects and now uses such staff in sector field management roles, located in a single office close to DFID Eastern Africa, and supervised by professional DFID advisers. Project management functions

are mostly contracted out. Significant use is made of expertise available from companies and other organisations based in Nairobi.

D10. This aid management configuration works well, allowing efficient delivery of development assistance and the use of advice and influence in a timely way.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. As a low-income country with a high proportion of poor people, Kenya meets the first criterion for increased British development assistance (see Box 1). Furthermore, some underlying conditions are favourable to the development of a strong and long-term partnership with the Kenyan Government aimed at poverty elimination. These include the Government's willingness to engage in policy dialogue with donors, recent policy statements and the existence of groups in civil society able to play an active and constructive role in building national commitment to poverty elimination.

E2. Britain will continue to work towards a stronger development partnership with the Kenyan Government, participating fully in the collective effort of the donor community to help the Government move Kenya onto a path of sustained pro-poor growth. DFID will be ready to deploy significantly increased levels of resources, once it is clear that these can be used effectively, based on the achievement of a stronger development partnership with the Government. This is the high case scenario. A large proportion of the increased resources would be provided in the form of support to sector-wide approaches.

Goal: To reduce the proportion of Kenyans living in extreme poverty by 2015

Purpose: To contribute to sustainable improvements in the livelihoods of poor people in Kenya in the next 5 years

E3. In the absence of such a partnership with the Kenyan Government, DFID will increasingly channel its resources direct to NGOs, the private sector and other civil society organisations. This will help sustain basic services to the poor whilst enhancing the capacity of civil society and empowering the poor through raising awareness of their civil, political and social rights. Under these circumstances, Britain would continue to work to build commitment within Government to better governance and pro-poor policies, including through provision of targeted technical assistance. The resources available under DFID's Kenya programme would be well below recent levels of British development assistance to the country. This is the low case scenario.

E4. Under both scenarios, the goal and purpose of British development strategy in Kenya will be the same (see above).

E5. Britain will seek, through development partnerships, to make a measurable difference in the following six impact areas³:

- improved governance and economic policy reform
- improved productive opportunities and living conditions for the rural poor
- improved productive opportunities and living conditions for the urban poor
- improved education especially for the poor
- improvements in health outcomes, especially for the poor, and
- a strengthened contribution by civil society to peaceful social progress.

However, the balance of resource allocation between these areas, and the results which can be expected, will be significantly different, depending on which partnership scenario exists.

E6. The choice of impact areas is based on three sets of considerations: (a) the needs of the poor, as identified in formal, quantitative ways and through participatory poverty assessments; (b) Kenyan Government policy and priorities for British development assistance, Britain's Denver commitments⁴ and the international development goals; (c) British comparative advantage in terms of resource availability, UK expertise, DFID expertise and experience, and what other donors are doing. Under a high case scenario, DFID would consider adding a further impact area relating to environmental protection and development of a national strategy for sustainable development. However, on current plans, DFID will largely limit involvement in this area to implementing a final phase of support to the Kenya Wildlife Service to consolidate the impact of a previous project, and to integrating environmental concerns into DFID-supported programmes.

³ These impact areas are outputs in logical framework terms.

⁴ At the Denver Summit in mid-1997, the British Prime Minister made a specific commitment to raise by 50% Britain's bilateral support for basic health care, basic education and clean water in Africa.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E7. The main cross-cutting issues which DFID will address across all impact areas are equality between women and men and collaboration with multilateral development institutions (MDIs). By the end of 1998, DFID Eastern Africa will have adopted a new strategy for addressing gender inequality in Kenya through the impact areas described below. MDI collaboration will be important in all impact areas, but especially 1, 2, 4, and 5.

E8. There are signs that Kenya, Uganda and Tanzania may be about to attempt to work together more closely through the umbrella organisation East African Co-operation (EAC). We are already providing some basic support to the establishment of more effective office systems for the organisation. We shall continue to maintain contact with the EAC secretariat and have already suggested that knowledge generation and utilisation, and contracting and procurement procedures could be areas where co-operation might prove productive.

Impact area 1: Improved governance and economic policy reform

E9. This impact area comprises actions which will help build the wider framework of improved governance and economic policy reform necessary for sustained pro-poor growth. Britain will continue to engage in a dialogue with the Kenyan Government, alongside the international financial institutions, to develop policy changes which will improve governance, accelerate incomes growth and reduce poverty. Given the importance of a resumption of the Enhanced Structural Adjustment Facility (ESAF) programme to the possibility of a high case scenario, it will be particularly important to keep in close touch with the IMF (in both Nairobi and Washington) on the question of ESAF conditionality. Resources will be offered to help collect basic data required to underpin policy reform (including for the 1999 population census); to examine policy options; improve government mechanisms for managing expenditure and delivering better public services, including to the poor; and to tackle corruption.

E10. In the area of governance, Britain will promote reforms to secure greater autonomy for key public institutions such as

the judiciary and the Audit Office, whilst strengthening accountability to Parliament. We will also seek to assist the Government in the implementation of the second phase of the civil service reform programme, essential to efforts to improve delivery of public services. Given clear government commitment to policy changes which command wide donor support, and in the context of a "high case" development assistance programme, we will offer resources to restructure public spending and improve performance, including technical assistance for capacity-building, as well as financial support to help restructure the public service workforce.

E11. With other donor countries and the international financial institutions, Britain will continue to urge the Government to prevent and punish corruption. This may involve support to improve financial management and reporting to Parliament, as well as more direct anti-corruption measures and support for public education campaigns and advocacy by civil society organisations.

E12. The Public Expenditure Review process is a key economic policy activity where Britain will engage with the Government, and the international financial institutions. The dialogue in pursuit of a viable medium-term public expenditure framework will address the fiscal adjustment needed to bring down interest rates; reduction in taxation and more equitable collection; and changes in resource use to allow more effective delivery of the services that are essential to growth and poverty reduction - budgetary provision in respect of social sectors is healthy by African standards. It will also cover the acceleration of the privatisation programme and the introduction of private capital and competition in power and telecommunications.

E13. As part of the British Partnership for Enterprise Development (BPED) programme, DFID will work with the Government and the private sector to identify and address regulatory and policy constraints affecting enterprise development, especially the transition of informal sector businesses into the formal private sector. This will include examining options for strengthening the advocacy capacity of local business associations.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

Impact area 2: Improved productive opportunities and living conditions for the rural poor

Ei4. Participatory poverty assessments show that the two main strategies which rural people have to escape poverty are borrowing for enterprise and developing and cultivating land. Provision of water, for irrigation and domestic use, is also rated a high priority.

Ei5. Under a high case scenario, Britain would support a range of activities to tackle the constraints faced by the rural poor. We would:

- A)** participate in agriculture sector programmes to improve access by poor rural women and men to knowledge, information and technology services;
- B)** provide complementary inputs, mainly through the Direct-Funding Initiative (DFI), but also through specific assistance to the Kenyan Government, which will seek to develop and implement innovative approaches in areas such as sustainable agriculture, literacy, ethical trading, village transport and travel, environmental resource management and livelihood security among pastoralists;
- C)** seek ways to improve security of access by poor people to environmental resources, including land;
- D)** invest substantial resources to help rehabilitate the rural road network to a point where increasing government budgetary allocations for maintenance and improved management arrangements keep the network in a sound condition without major new donor assistance;
- E)** invest substantial resources in the development and rehabilitation of rural water supplies;
- F)** work with the private sector (which will have to be the main generator of growth) and a wide range of non-government organisations to increase access to and use of rural business and financial services, especially by women (through the BPED programme).

Ei6. Under the low case scenario, Britain will not provide financial aid to central government, but will continue to be

engaged in policy dialogue and will provide specific assistance to help strengthen government commitment to reform. Subject to appraisal, further support to the semi-autonomous Kenya Agricultural Research Institute (KARI) might be provided under the low case scenario. In the low case scenario, funding would also be provided for mainly poverty-focused actions under b) innovative approaches, d) roads, e) water and f) business and financial services, with NGOs and communities as our main partners. Britain will endeavour to develop partnerships with government at lower levels, in conjunction with community-based and non-government organisations.

Ei7. Under both scenarios, Britain will offer humanitarian assistance in the event that extreme weather conditions threaten lives and livelihoods of rural people. During 1998, there is a risk of serious food shortages and ill-health among pastoralist communities in northern and eastern Kenya, following massive livestock losses during floods in 1997/98. DFID will participate in efforts to safeguard health and lives. DFID has also drawn up a strategy to guide future responses to crises affecting pastoralist communities.

Impact area 3: Improved productive opportunities and living conditions for the urban poor

Ei8. Urban poverty is increasing fast and demands greater attention from the Government and other actors. There will be two components within this area.

Ei9. DFID has developed an urban poverty strategy which envisages partnerships with municipal councils, NGOs, community-based organisations and relevant central government departments. The strategy includes activities to benefit poor women and men living in informal settlements in at least four large towns and cities, using highly participatory approaches; and enabling actions, such as capacity-building in municipal councils, to replicate successful techniques. These interventions will be more easily replicated if delivered in the context of a strong development partnership with the Government, but will have positive impacts on the primary beneficiaries even if they are not delivered in that context. These interventions

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

will therefore be implemented under either high or low case scenarios and will include projects to improve living conditions in informal settlements in Kisumu, Meru, Mombasa and Nairobi. Projects will include water and sanitation components.

E20. Under both scenarios, targeted technical assistance will also be available to build capacity in central and local government to understand and address urban poverty, as a positive measure to promote a shared commitment to urban poverty reduction.

E21. The second component will be the continuation and expansion, under both high and low case scenarios, of the BPED programme. The private sector will be the main engine of growth and our support will enable more people, especially women, to access and use financial and business development services. Following a review in 1997, BPED strategy will be broadened to provide support to medium-sized and small formal enterprises that impact on urban livelihoods.

Impact area 4: Improved education, especially for the poor

E22. Given the vital contribution of literacy and basic education to overall well-being, Britain will continue to seek to help the Kenyan Government to arrest the current decline in participation in basic education by the poor and to make progress towards achievement of universal primary education. The outputs of the two large DFID-funded basic education projects will make a contribution to this, but to revitalise education, these will need to be matched by institutional and policy reforms which will pose a severe test for donors and Government alike, but particularly for the latter.

E23. As long as there is evidence of commitment within the Government to tackle these challenges, Britain will continue to offer targeted technical assistance, within and outside the major projects, to help the Government find and implement effective responses. With achievement of a strong partnership, Britain would consider engaging with other donors in a major sector support project, which would involve substantial DFID funding.

E24. If this approach does not succeed, Britain will reduce support for government programmes and increase direct support for non-government organisations to improve school governance within existing legal frameworks and so make the education system much more accountable to parents than is currently the case. Specific initiatives in literacy and girls' education would also be considered, possibly using multilateral as well as bilateral channels. Support would be focused on the poorest sections of society.

Impact area 5: Improvements in health outcomes, especially for the poor

E25. The growing burden of ill health in Kenya (high maternal mortality, morbidity and mortality associated with malaria and HIV/AIDS, and childhood illnesses) is undermining poor people's chances of escaping from poverty. Health infrastructure in Kenya is deteriorating and, although policy documents are sound, there has been limited practical commitment to implementing reforms which will improve poor people's access to health care. The demand for health care will continue to outstrip the Government's ability to provide quality basic health services and NGO and private sector service delivery points will continue to be essential elements of overall provision.

E26. Consistent with the extent of need in Kenya, White Paper commitments and DFID's health and population policies, Britain will seek to influence and support the Kenyan Government and groups outside government to strengthen their capacity to meet the essential health needs of the poor, with a focus on women and children. The highest priority is to define and implement reforms within an agreed sector-wide approach to health development in the country.

E27. Britain will also continue to seek to influence and support government efforts at a sub-sectoral level in areas of current DFID involvement - improving access to quality reproductive health care, including better sexual health - and will add to this a new focus on safer motherhood; on reducing the burden of communicable diseases such as malaria; and on improving child health.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E28. In pursuit of these objectives, Britain will offer technical assistance to the Kenyan Government and financial aid to groups outside government. Given a clear government commitment to a programme of policy changes that commands wide donor support, significant financial aid would also be available to the Government to implement reforms and help Kenya make progress towards achieving the relevant international development goals and other health objectives.

E29. During 1998 - 2000, and subject to appraisal, DFID will also fund a World Health Organisation-led effort to eradicate polio in Kenya (and other African countries), since sustainable benefits for poor people are achievable without any marked improvement in management of the sector.

E30. In support of the Denver commitments, DFID will expand support through the Direct Funding Initiative and urban projects (see impact areas 2 and 3) for water and sanitation projects for the poor, under both low and high case scenarios. Under a high case scenario, the Government might also be a major partner and larger-scale support would be considered.

Impact area 6: Strengthened contribution by civil society to peaceful social progress

E31. As well as working towards a stronger partnership with the Government, Britain will continue to foster the growth of a civil society which is capable of strengthening community-based action and of engaging central and local government effectively in order to address the civil, political and social rights deficiencies experienced by poor people. Britain will support a range of activities under both high and low scenarios, some of which are elements of broader projects. Resource allocations under this area will represent a much higher proportion of total country expenditure in a low case scenario. Specifically, Britain will work in partnerships with NGOs and other groups in civil society to promote:

- A)** equality between women and men (primarily as a cross-cutting issue in policy dialogue, projects and programmes, but supplemented by separate targeted actions, such an extension to the Post Beijing Portfolio);
- B)** more effective action by local government to help poor people;
- C)** conflict prevention and conflict resolution among communities vulnerable to insecurity;
- D)** political and civil rights of the poor, including children's rights (a new phase of the Civil Society Umbrella Project will be considered);
- E)** the emergence of indigenous NGOs and community-based organisations capable of representing effectively the needs of poor people (supported through the Direct Funding Initiative);
- F)** participation by civil society in the Government's economic and social reform agenda;
- G)** socially responsible business (including support for the development of social corporate responsibility initiatives and promotion of ethical trading).

Impact area 7: Sustainable development strategies designed and implemented (High Case only)

E32. Currently, there is an absence of sufficient political support and capable institutions to formulate, implement and enforce environmental policies, laws and regulations. Under these conditions, it will not be possible for donors to contribute in a significant way to the development of a meaningful National Strategy for Sustainable Development.

E33. The World Bank has recently removed from its lending programme a planned US\$ 55m Environment Adjustment credit which aimed to support institutional and legal reforms relating to environmental protection, although it is continuing its dialogue with the Government on environmental issues.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E34. In the event that these conditions change and Britain adopts the high case scenario, DFID will consider how it might assist Kenya to further design and implement strategies for achieving sustainable development. This is most likely to include:

- A)** support to enhance Kenya's capacity to audit the existing range of development planning documents and institutions;
- B)** support to enhance capacity to formulate, monitor and implement development and environmental policies and laws, through training and targeted research aimed at generating knowledge and information for environmental policy and law reform;

- c)** contributing to legal and institutional reform e.g. of agriculture and forestry legislation to integrate environmental provisions and reduce conflicts between the various pieces of legislation.

The World Bank will reconsider an environmental adjustment credit if there is clearer evidence of Kenyan Government commitment to addressing priority environmental issues.

E35. DFID will monitor progress through participation in government/donor co-ordination processes, and environmental and development sustainability concerns will continue to be addressed under impact areas 1 to 6.

F. IMPLEMENTING THE NEW STRATEGY

F1. DFID Eastern Africa's current policy and resource plan sets out possible changes to its organisation and management to take forward Britain's new international development policies in Eastern Africa, including Kenya⁵. The plan highlights the need for increased effort to influence our partners and promote policy reform, and to co-ordinate our approach with other donors as well as with a range of other partners.

F2. The plan states that DFID EA will adopt a more focused strategic approach to country programme

management with identified senior advisers responsible for specific impact areas; this approach is reflected in the previous section of this Country Strategy Paper.

F3. In addition to some increase in sectoral advisory capacity (needed to support DFID's regional plans), DFID EA will undertake an organisation and efficiency review in 1998 prior to implementing any further major changes.

G. PROGRAMME RESOURCES

G1. If Britain is able to move quickly to a long-term development partnership with the Government, DFID will aim to increase the size of the development assistance programme rapidly over the next three years, towards a figure of about £50 million by 2000/2001, including programme aid (compared with £28 million in 1997/1998), with the prospect of further increases in 2002 and beyond. Indicative allocations to 2000/2001 are given in Annex 2a. In the event that such progress is not possible, allocations

will decline to about £20 million in 2000/2001. Indicative allocations are at Annex 2b. All financial requirements will be met from overall DFID Africa Division allocations.

G2. No forecasts are made for emergency aid beyond 1998/99. In the event that such resources are required, DFID EA will either find them from within its total available resources, or will seek access to DFID's contingency reserve.

⁵ The relevant section of the plan is available from DFID EA, e-mail M-MALLALIEU@DFID.GTNET.GOV.UK

SUMMARY OF PREPARATION PROCESS

TIME-FRAME

Preparatory work started in the first half of 1997, with a target completion date in late 1997. DFID subsequently decided to delay completion until after Kenyan elections in December 1997. This had the added advantage of enabling

DFID Eastern Africa (DFID EA) to take full account of the White Paper on International Development, which was published in November 1997.

PREPARATORY STUDIES, REVIEWS AND STRATEGY PAPERS

These included:

TITLE	BY ¹	DATE
Towards environmental sustainability in Kenya: overview of policy and institutional issues	LC	May 1997
Sectoral performance syntheses	DFID EA	1997
Sectoral think pieces	DFID EA	1997
Poverty Audit of DFID Kenya programme	UKC	September 1997
Good Government Assessment	UKC	September 1997
Review of British Partnership for Enterprise Development (BPED) programme	DFID/UKC	October 1997
The Environmental Health Situation in Kenya: An Exploratory Review	LC	December 1997
BPED Strategy 1998 - 2003	DFID EA	January 1998
Good Government: options paper	UKC	January 1998
CSP Logical Framework: Impact Area plans	DFID EA	February 1998
Gender equality: strategy planning	UKC	April 1998

DISCUSSIONS WITH LOCAL STAKEHOLDERS

Government of Kenya

The Secretary of State for International Development met President Moi in October 1997. During this meeting, she explained Britain's new international development policies. At official level, there is frequent discussion between DFID EA staff and ministries responsible for sectors where DFID is active. These discussions continued throughout the

preparation of the Country Strategy Paper, and were supplemented in April/May 1998 with meetings, mostly at Permanent Secretary level on the Kenyan side, at which DFID EA staff explained the approach being taken in the country strategy paper.

¹ LC = local consultant UKC = UK-based consultant

Business

DFID EA staff come into regular contact with British business people visiting or based in Kenya, and with the Kenyan business community. For example, visiting businessmen calling on the Commercial Section of the British High Commission will often meet DFID staff, and the British Partnership for Enterprise Development Programme (BPED) has good links with the business sector. Exchanges of information and views also take place in more informal settings, such as receptions for visiting British trade teams. As a result of these contacts, DFID therefore already had a reasonably good understanding of the concerns and interests of business prior to starting work on the CSP.

At the start of the preparatory process, in early 1997, DFID EA held a discussion with leading representatives of the British Businessmen's Association. At this DFID EA gave its analysis of Kenya's economic circumstances and prospects and the businessmen commented from their perspective about the role of British development assistance.

During the preparatory process, DFID EA reviewed and revised its strategy for supporting enterprise development in Kenya, resulting in a new strategic objective of supporting the "missing middle", medium-sized enterprise sector as well as strengthening BPED partnerships with local financial institutions and commercial banks.

A substantive briefing and discussion with leading members of the British and Kenyan business community took place in February 1998, during the visit of the Select Committee on International Development. A smaller meeting between senior British businessmen and DFID EA and DFID's Director-General Programmes took place in the same month.

Civil Society/NGOs

DFID EA staff have regular interaction with international and Kenyan NGOs at a sector and project level. For the CSP process, DFID EA hosted a discussion session with about 15 international and local NGO partners, including the Kenyan NGO Council, in July 1997. DFID outlined its thinking

about future strategy, leading into a good discussion about priorities, how to work with the Kenyan Government, and approaches to poverty reduction. DFID EA staff also joined discussions by NGOs reviewing their own Kenya programme strategies.

DFID HQ and other UK departments

The CSP was prepared in close consultation with the British High Commission in Nairobi. DFID EA was able to discuss CSP issues with a number of senior DFID staff who visited Nairobi after publication of the White Paper, including the Director-General Programmes, Chief Engineering Adviser, Chief Social Development Adviser, Chief Economist and Chief Education Adviser. Other discussions included a meeting with HM Customs and Excise drugs liaison staff in November 1997. A draft of the CSP was circulated within DFID HQ and Whitehall on 3 April.

KENYA "HIGH CASE" SCENARIO COUNTRY PROGRAMME EXPENDITURE PROFILE

	1997/98	1998/99	1999/00	2000/01
BINDING COMMITMENTS				
Education	2.40	6.93	4.97	3.57
Health and Population	4.50	6.03	3.48	2.03
Natural Resources	6.70	4.95	0.86	0.13
Transport Sector	0.20	0.45	0.03	0.00
Small Enterprise Development	2.40	1.98	1.28	0.42
Good Government	1.50	0.99	0.31	0.18
Water and Sanitation	0.20	0.17	0.17	0.00
Emergency	1.30	0.00	0.00	0.00
Others (including Programme Aid)	9.20	2.50	2.50	2.50
SUB TOTAL	28.40	24.00	13.60	8.83
CURRENT FIRM PLANS				
Education	0.00	0.10	0.10	0.10
Health and Population	0.00	0.59	0.26	0.36
Natural Resources	0.00	1.23	1.51	0.76
Transport Sector	0.00	0.00	0.00	0.00
Small Enterprise Development	0.00	0.36	0.85	1.68
Good Government	0.00	1.13	1.38	0.78
Water and Sanitation	0.00	0.00	0.00	0.00
Urban Poverty	0.00	0.45	0.71	0.70
SUB TOTAL	0.00	3.86	4.81	4.38
TOTAL COMMITMENTS	28.40	27.86	18.41	13.21
OTHER PROPOSALS				
Education	0.00	0.10	4.26	7.00
Health and Population	0.00	5.00	6.89	7.14
Natural Resources	0.00	0.18	4.18	4.31
Transport Sector	0.00	0.15	2.34	4.55
Small Enterprise Development	0.00	0.36	0.36	0.70
Good Government	0.00	0.10	7.49	11.20
Water and Sanitation	0.00	0.90	1.42	2.80
Urban Poverty	0.00	0.00	0.61	0.49
Emergency	0.00	1.98	0.00	0.00
SUB TOTAL	0.00	8.77	27.55	38.19
GRAND TOTAL	28.40	36.63	45.96	51.40

KENYA "LOW CASE" SCENARIO COUNTRY PROGRAMME EXPENDITURE PROFILE

	1997/98	1998/99	1999/00	2000/01
BINDING COMMITMENTS				
Education	2.40	5.54	4.34	2.96
Health and Population	4.50	4.82	3.04	1.68
Natural Resources	6.70	3.96	0.75	0.13
Transport Sector	0.20	0.36	0.03	0.00
Small Enterprise Development	2.40	1.58	1.12	0.35
Good Government	1.50	0.79	0.27	0.18
Water and Sanitation	0.20	0.17	0.17	0.00
Emergency	1.30	0.00	0.00	0.00
Others (including Programme Aid)	9.20	2.50	2.25	2.15
SUB TOTAL	28.40	19.72	11.97	7.45
CURRENT FIRM PLANS				
Education	0.00	0.10	0.10	0.10
Health and Population	0.00	0.16	0.06	0.06
Natural Resources	0.00	0.99	1.32	0.63
Transport Sector	0.00	0.00	0.00	0.00
Small Enterprise Development	0.00	0.28	0.74	1.39
Good Government	0.00	0.91	1.20	0.65
Water and Sanitation	0.00	0.00	0.00	0.00
Urban Poverty	0.00	0.36	0.62	0.58
SUB TOTAL	0.00	2.80	4.04	3.41
TOTAL COMMITMENTS	28.40	22.52	16.01	10.86
OTHER PROPOSALS				
Education	0.00	0.10	0.62	1.16
Health and Population	0.00	0.36	3.41	3.48
Natural Resources	0.00	0.18	1.79	1.83
Transport Sector	0.00	0.54	0.78	1.16
Small Enterprise Development	0.00	0.28	0.31	0.58
Good Government	0.00	0.00	0.00	0.00
Water and Sanitation	0.00	0.36	0.62	1.16
Urban Poverty	0.00	0.00	0.42	0.41
Emergency	0.00	1.80	0.00	0.00
SUB TOTAL	0.00	3.62	7.95	9.78
GRAND TOTAL	28.40	26.14	23.96	20.64