AN APPRAISAL OF THE AID PROGRAM IN KENYA

Operations Appraisal Staff

Bureau for Program and Policy Coordination

April 1979

AN APPRAISAL OF THE AID PROGRAM IN KENYA

TABLE OF CONTENTS

I. INTRODUCTION AND BACKGROUND

A. Introduction

Several factors underlay the decision to have the Operations Appraisal Staff undertake an appraisal of the AID program in Kenya in early 1979:

-- First, the Agency was initiating a new program strategy system - the Country Development Strategy Statement (CDSS) - and the review of USAID/Kenya's submission was to be among a small number chaired by the Administrator/Deputy Administrator. It was felt that an independent perspective might contribute to the process.

-- Second, Kenya has become one of the largest AID recipients in Africa, and already important U.S. interests in Kenya's growth and stability are sure to continue.

-- Third, most of the USAID's senior personnel were less than half way into their first tour; experience has shown that it is often most helpful for OAS to conduct an appraisal when the leadership of a Mission has its feet on the ground but not yet in concrete.

When the OAS team arrived in Nairobi, USAID was nearing completion of a second draft of the CDSS. The OAS team was invited to comment and did, but we were satisfied that the major analytical and programmatic conclusions of the CDSS were sound. The draft subsequently underwent a third refinement before being sent to Washington.

One important idea that took shape late in the OAS visit, and after the CDSS had been transmitted, was the possibility of non-project assistance. Some of the factors which led OAS to think about non-project aid were similar to those that led the Mission to recommend a PL 480 Title I program in the CDSS. But other factors were new, including the views of IBRD staff in Nairobi. Speaking for themselves, and not IBRD headquarters, they saw a strong case for program lending. A proper mix of program and project aid, they believed, could help Kenya reduce current balance of payments difficulties, while maintaining important growth-with-equity programs planned for the next Five-Year Plan (1979 - 1983). IBRD staff hoped this approach would be discussed at the upcoming Consultative Group meeting of major Kenyan donors in mid-May.

After the OAS team left Kenya, the program lending idea gathered further momentum within IBRD. In March, USAID representatives discussed non-project aid at the CDSS review in Washington as an approach which AID, too, should consider seriously, in combination with project aid, and in cooperation with IBRD and other donors Considerations for and against program or sector lending were aired at the CDSS review. The factors which turned OAS towards the possibility are discussed in pages 35 - 39.

B. Background

Kenya has demonstrated notable political stability and economic growth during its 15 years of independence. Politically, change has been evolutionary. Not long after independence Kenya switched from a federal to central form of government. Today, with tribal tendencies apparently less dominating, the Government is gradually extending to localities a larger voice in their affairs, building on the momentum and success of the harambee movement, which encourages citizens to help one another in overcoming common problems.

Political change in Kenya has thus been pragmatic and generally peaceable. Political activity is lively and relatively open, elections are essentially honest and judicial procedures fair. Internal security laws have sometimes been invoked to arrest and detain citizens for political reasons, but the incidence of politically motivated arrests since independence has been relatively low. No political prisoners are being held at the present time. Kenya's acceptance of constitutionalism and democratic processes was recently demonstrated when leadership passed smoothly to Vice President Moi, a member of the small Kalenji tribe, following the death in August 1978 of President Kenyatta, Kenya's "founding father" and a member of the large and powerful Kikuyu tribe.

Economically, annual growth has averaged 5.8 percent, offset by a population growth rate that has increased, because of better health, to 3.5 percent from 3 percent at independence. Both the private and public sectors have expanded, with the private sector comprising a steady three-quarters of the total economy. Income distribution remains skewed, though less so than a decade ago. The richest 10 percent receive about one-third of Kenya's income today compared to over half in the late sixties. In current prices, per capita income climbed from $102 at independence to $275 by 1977. Government policies have increasingly emphasized improving incomes and opportunities among the rural poor. The share of GOK agricultural expenditures directly affecting the rural poor nearly doubled between 1974 and 1978. Still, eighty percent of the rural population subsist on incomes below the IBRD's standard of absolute rural poverty of $93 per year.

The United States clearly wishes Kenya to succeed with a system based on political, economic and developmental values that parallel our own. Politically, U.S. interests also extend to the occasional use of Kenya's sea and airports by American defense forces and the moderating influence which Kenya exercises in African politics. Economically, U.S. exports to Kenya have been increasing and U.S. private investments in Kenya rank third among African countries.

The language of Kenya's Fourth Development Plan, covering the five-year 1979-1983 period, harmonizes closely with the New Directions mandate of Congress. In the opening section, it states: "In this plan, the efforts of the Government to deal with emerging problems and to take advantage of new opportunities will be organized around the theme of the alleviation of poverty throughout the nation." In discussing target groups, the Plan says that the Government "will accelerate development in those districts that have so far been lagging behind. In particular special efforts will be directed to improving the opportunities and services available to (people) living on arid and semi-arid lands." It is Government policy to improve access of the poor to "employment opportunities, land, water, markets, credit, modern technological innovations, power, quality education, and medical care."

The difficult task of alleviating poverty is made doubly difficult, the Plan states, because "The era of soft options is now over." Relatively "easy" tasks, such as the Kenyanization of employment, the transfer of lands to Kenyans, and even the building of schools, hospitals, highways, airports, and dams must now give way to emphasis on harder tasks. It was easier to protect infant industries than it will be to decrease those protections and promote industrial efficiency and export to world markets. It was easier to build urban infrastructure and large capital projects than it will be to construct "rural infrastructure and institutions and the dispersion of economic activity more widely and through smaller projects."

Another concern of the Kenyans is whether they will have enough resources for the job. They are depending importantly on foreign assistance but mainly they must depend on keeping their economy strong as they seek to reduce their balance of payments gap by increasing exports and tourism and decreasing imports not essential for agricultural and industrial production.

In a well-conceived and analytically strong Country Development Strategy Statement, the USAID has outlined a set of programs that would entail a substantial increase in U.S. assistance over the next five years. It would concentrate U.S. agricultural and rural development assistance in the arid and semi-arid lands and parts of western Kenya, where together 60 percent of the population live, support health and nutrition activities benefitting the rural poor, and lend U.S. influence and support to a stronger and more broadly based Kenyan effort to reduce birth rates.

To pursue these and other parts of its strategy, the Mission would supplement bilateral aid with selective use of centrally funded resources, assistance to PVOs, and a PL 480 Title I program of $10-15 million a year (possibly augmented or replaced by a program or sector loan, as a result of developments since the CDSS was written). The Mission would also seek to strengthen arrangements and understandings involving other donors - a highly important consideration since donors abound in Kenya. Three currently rank ahead of the U.S. in the magnitude of commitments, and the Kenyans correctly view the United States as something of a newcomer to the ranks of major donors.

II. SUMMARY FINDINGS AND RECOMMENDATIONS

Summarized below are principal conclusions of this report together with recommendations for follow-up action. Not all of the issues discussed in the report are reflected in these Findings and Recommendations. In some cases, issues are not summarized because the findings and conclusions as discussed in the body of the report are relatively brief, e.g., women in development, participant training, and cooperation with PVOs and the Peace Corps. In other cases, issues are left out of the summary because the examination did not lead to any actionable conclusions, e.g., the increase in GOK defense expenditures. Finally, it may be worth noting that OAS sought to take stock of some program and management issues which are taken up neither in this section or in the body of the report but have been discussed informally with appropriate people in Washington or the field.

Levels of Aid

Finding: The last three years have seen a substantial increase in the size and complexity of U.S. economic assistance to Kenya. From a 15 year average of $8 million through FY 1976, U.S. bilateral and PL 480 Title II assistance averaged triple this level in FYs 1977-79. The program has moved from a fairly modest technical assistance effort, supplemented by an occasional loan, to a more ambitious and complex effort involving both loan and grant investments in an expanding range of sectors and sub-sectors.

In its CDSS, USAID/Kenya proposes holding more or less steady at the higher plateau in FYs 1980 and 1981 (with levels of $20 million and

$24 million, respectively), and then moving progressively upward to $35 million in FY 1982, $50 million in FY 1983, $64 million in FY 1984, and $80 million in FY 1985. Adding PL 480, including USAID's proposal to introduce an annual Title I program in Kenya from FY 1981 onwards, the AID totals would increase by $13 million to $19 million annually through FY 1985. The levels would be higher still if two projected Housing Guarantees, totalling $45 million, are averaged into the yearly totals.

Given Kenya's needs - three-quarters of the population have incomes below the IBRD's definition of absolute poverty; its record - Kenya has managed outside aid comparatively well and achieved tangible progress in pursuit of growth-with-equity objectives; and its commitment - poverty alleviation is now the central theme of Kenya's development strategy, the case for an expanded U.S. assistance program is strong. If Kenya maintains its allegiance to democratic values and USAID maintains in Nairobi a relatively large staff, with the skills to develop attractive packages for AID funding, then the prospects for a large and growing program are strengthened even further.

However, decisions on the magnitude of future aid to Kenya should also take into account the competing needs in other countries for limited U.S. funds. Kenya is immensely popular with other donors, including the IBRD. Several European countries maintain large aid flows, both for the reasons that appeal to the U.S. and because of historic ties that have continued since independence. Consequently, U.S. assistance represents only six percent of total committments for ongoing projects and the U.S. is the fourth largest outside donor in Kenya. USAID speculates in its CDSS that "even at the rising levels proposed, the USAID program in Kenya would probably rank about the same among the donors as it does now."

In these circumstances, it is likely that additional resources from other donors would become available for Kenya to the extent that the U.S. decided to reduce its own aid in the interest of helping other countries where the case for assistance is also strong but the donor outlook less munificent. Thus, in development terms, Kenya would probably suffer little from a reduction of U.S. economic aid.

USAID's analysis for increased assistance covers some program initiatives in which the U.S. has special credentials among donors, e.g., know-how in development of drylands agriculture. However, neither in the CDSS or other AID documents is there a framework or set of criteria for determining what a suitable level of U.S. assistance to Kenya ought to be. Nor, to the best of our knowledge, is there any coherent rationale which helps explain why the U.S. aid level to Kenya since FY 1977 has been triple what it was during the preceeding 15 years.

Recommendation: The U.S. Government has struggled for years with the difficult problem of setting aid levels within and among countries. No single USAID or Washington bureau can be expected to devise and apply a complete and self-contained formula for solving this problem. But a useful step would be for the USAID and AID/W to reach an understanding on a coherent framework for deciding an appropriate level of U.S. assistance to Kenya. The framework needs to improve on present arrangements in factoring in both an analysis of potential commitments from other donors and an assessment of U.S. interests with regard to Kenya.

Donor Coordination

Finding: With thirty-one bilateral and multilateral donors active in the country plus scores of private organizations with foreign connections, Kenya poses a special problem for donor coordination. Total external commitments for on-going projects approximated $2 billion at the end of 1978, and in FY 1978 alone Kenya benefited from $625 million in foreign donor commitments. The IBRD, the United Kingdom and the Federal Republic of Germany all exceed the U.S. in total commitments. As stated earlier, U.S. commitments represent six percent of total obligations for ongoing projects.

Although the problem of coordination is complex, some effective - though partial - arrangements for dealing with it are already in place. The IBRD chairs a consultative group for Kenya, which meets approximately every two years. The office of the UNDP Resident Representative publishes an annual "Compendium of Donor Assistance to Kenya" and sponsors periodic dinner meetings of senior bilateral and multilateral representatives. The government has hosted quarterly meetings featuring presentations from a development ministry and a selected donor. On the other hand, several major donors have resisted any attempt by the UNDP, or other donor, to undertake any coordination role going beyond the exchange of information. In the final analysis, the various donors negotiate individually with the government regarding the size and composition of their programs and coordination of their respective inputs rests essentially with the GOK - as it should.

There have been examples of well-coordinated multi-donor activities such as the rural access roads program of the government. There have also been cases in which coordination worked much less effectively. The record suggests that the more difficult and complex the activity, the more important it is that the government be committed, organized and staffed to coordinate it. This conclusion is immediately relevant for the proposed USAID support for development of Kenya's arid and semi-arid lands.

Recommendation: In the context of specific programs, such as Arid and Semi-Arid Lands Development, the USAID should attempt to build into its projects provision for strengthening the GOK's capacity to manage and coordinate multi-donor activities. In addition, to the extent it proves feasible, the USAID should encourage greater donor and government coordination at the technical level so that the coordination process engages the continuing attention of persons with direct responsibility for the content of projects and is not limited solely to those responsible for overall management.

Non-Project Aid

Finding: A combination of factors prompts consideration of some form of non-project aid to Kenya. These include the GOK's strong support for programs directed toward the alleviation of rural poverty; Kenya's emerging serious balance of payments problems; the growing strain on the GOK's capacity to finance local and recurring costs of development projects; the heavy demands imposed by project assistance on Kenya's technical and managerial talent; and the continuing constraints on the USAID's personnel levels.

Non-project aid in the form of sector or program loans or grants would be linked to GOK program or policy actions which would assure that the benefits of the assistance would go to the same rural populations which constitute the primary target of the Mission's current efforts. A PL-480 Title I program, as proposed in the USAID's 1981-85 CDSS, could be fashioned to accomplish some of the purposes of program or sector aid, but raises a series of separate issues that would need to be resolved.

The IBRD is also considering the provision of program loans to Kenya and may recommend that other donors do the same at the forthcoming Consultative Group meeting.

Non-project forms of assistance have not been used widely in Africa, partly because most country programs have been modest in size and focussed on training and institutional development. In addition, many African governments lack the institutional and managerial capabilities to utilize some forms of non-project aid. However, the institutional structure of the GOK is relatively complete and Kenya's capacity to manage programs of the sort AID would support is greater than in most African countries.

While there has been a tendency in the Agency to regard sector or program loans and grants as falling outside the New Directions framework, the AID policy paper governing development assistance endorses the use of non-project assistance in countries where there is a strong commitment to equitable development in support of basic human needs objectives.

Recommendation:

USAID/Kenya and AID/W should examine the possibility of providing non-project assistance in support of GOK policies and programs with demonstrable human needs objectives.

Arid and Semi-Arid Lands

Finding: Kenya is laying plans for a program to develop its semi-arid and arid lands and hopes the United States will be able to play a special role in the effort in view of extensive U.S. experience and skills in drylands agriculture. Semi-arid and arid lands make up 80 percent of Kenya's land mass, covering most of the northern and eastern sections of the country. While 20 percent of Kenya's people live in these marginally productive areas today, population pressures will increasingly lead to migration out of good and medium lands into areas where soil conditions are poorer and water less plentiful. The GOK wants to guide this process and to prevent or minimize the ecological deterioration that could result from uncontrolled exploitation of the marginal areas.

The government has decided to proceed carefully, putting off major additional investments in the arid and semi-arid areas until probably the latter half of the 1980s and concentrating for the next few years on agricultural research and pre-investment analyses needed to design and finance a successful program. An AID-funded study, completed in 1978, helped to bring home to the government and donors the immensity of required preparatory work, including the need for area-by-area study of appropriate crops and farming systems for the great diversity of growing conditions and economic constraints found in the four-fifths of the country loosely referred to as the arid and semi-arid areas. Senior Kenyan officials have informally indicated their desire for the United States to play a leading role among donors in this multi-year effort, without defining what such a role might entail. Nor has the government yet developed a coherent set of policies or the internal organizational arrangements essential as a framework for guiding their own efforts and the contributions of outside donors. In the meantime most of Kenya's donors already support activities of one kind or another located in the semi-arid or arid areas, and several are gearing up to support the marginal lands development program, including the U.S.,IBRD, UNDP, EEC, and the UK.

Recommendation: The USAID has made a sound case in its CDSS for an important U.S. contribution to Kenya's efforts to develop its marginal lands. However, AID may not be able to obligate wisely the entire $7.3 million programmed in FY 1979 for Arid and Semi-Arid Lands (ASAL). The Mission and AID/W should resist the temptation to press ahead on activities for which the GOK needs first to get its policy and institutional framework in place.

Health

Finding: Having decided three years ago to try to develop a rural health assistance program, the Mission recently passed a difficult milestone in the process by deciding not to concentrate for the present on improving the Government's rural primary health care delivery system. This will require a departure from the project as described in the FY 1980 Congressional Presentation which proposed building and equiping government clinics and other support for the GOK's health delivery infrastructure. The USAID agonized over this decision, finally concluding that other donors would continue supporting the Government's delivery network and that limited AID funds could better be spent on other initiatives. The Mission has chosen for early assistance three of the four areas suggested in the Agency's health policy guidelines as most promising for U.S. assistance. These are basic water and sanitation; selective disease control; and health planning. The Mission would like to move later into the fourth - primary health care - if adequate funds are available and if the health planning effort and related low-cost experimentation open promising opportunities.

Recommendation: The Mission's decision to refine further its anticipated health assistance program, to start in FY 1979 or 1980, reflects considered analysis. Taken together, the elements of the Mission's health assistance strategy represent an attractive blend of planning, experimentation, and direct impact initiatives. An important attribute of the health planning element is the Kenyan government's keen interest in improving its capacity to plan better use of resources in behalf of rural health objectives. The Mission's program also permits considerable funding latitude, depending, in particular, on the number of community-based potable water activities targeted for AID support. AID/W should support the Mission's approach.

Population

Finding: Kenya has been ahead of most African countries in taking steps to curb population growth. It adopted family planning as national policy in 1966 and began offering family planning with maternal and child health services in 1974. Concerned by recent findings that less than three percent of couples are using contraceptives and that population growth has climbed to at least 3.5 percent a year - among the highest rates in the world - there are signs that Kenya's new government may become more active and open than the government of the late President Kenyatta in trying to encourage smaller families.

In a decision consonant with its program intentions in the health sector, USAID has decided not to continue focussing its assistance on the GOK's MCH/family planning program when AID's current project concludes this year. IBRD has been playing a lead role among donors in supporting this program and hopes to continue this task if understandings can be reached with the government on a new "masterplan" for the 1980-85 period. In leaving to the GOK, IBRD and other donors support for establishing, supplying and staffing the fledgling MCH/family planning network, the USAID wants to redirect AID's program to supplementary initiatives. The Mission envisions a program embracing operations research and experimentation in new approaches to delivering services, involving both the government and private organizations; analysis of fertility-influencing policies and programs besides family planning; and assistance in strengthening technical capacity in such areas as demographic research, population data systems, communications and education, and voluntary surgical contraception.

Recommendation: With its extensive experience in population assistance, and the ability to draw upon a resevoir of expertise and resources inside and outside the Agency, AID is probably better positioned than any donor to assist Kenya with activities that would supplement the on-going GOK effort to improve and expand integrated MCH/family planning delivery services. Preparatory to designing such a program, AID should consider proposing to the Kenyans a Multi-Year Population Strategy effort, in which appropriate units from USAID, AID/W and the Government of Kenya would participate. Second, since Kenyan participation in both the design and implementation of projects is vital - all the more so when new approaches to the population problem are envisioned - AID should be prepared to sacrifice a degree of precision in project description for a greater degree of flexibility when an approved project is readied for implementation with Kenyan counterparts. Finally, while it is reasonable to look to the IBRD and other donors for needed assistance to the MCH/family planning program, coherence and coordination will be better served if AID's assistance can be brought under the broad umbrella of the GOK's total population planning program. To make this possible, the Mission might want to explore broadening the terms of reference of the "masterplan" which IBRD is helping the government prepare for the 1980-85 period.

USAID Staffing, Management and Support

Finding: With a full-time staff ceiling of 37 Americans and 50 local employees, USAID/Kenya is nominally the largest AID Mission in Africa. However, USAID/K is responsible for providing administrative support to REDSO/East and the regional Auditor General and Housing Offices located in Nairobi. It also incorporates the staff of the East African Accounting Center. Consequently, we estimate that the USAID includes approximately six American and twenty-two local positions devoted to activities falling outside the bilateral program in Kenya.

The USAID is barely keeping breast of the on-going activities in the Mission. The substantial increase in implementation requirements growing primarily out of the very large and complex Agricultural Systems Support Project approved last year, coupled with the planning for several new projects, will place demands upon the Mission in the coming year greater than the existing staff can manage. Consequently, unless the Agency alters its standards of project design and accountability, the Mission will require an increase in the size of its staff.

The Mission could meet its increased requirements partially or possibly even largely through the greater use of professional local employees. However, it is not clear whether the necessary ceilings, American or local, are available. In any event, the overall Agency employment limitation does not distinguish between local and American staff numbers despite the enormous differences in cost to the U.S. Government between the two. The staffing constraints of USAID/Kenya, and possibly of AID generally, could be substantially alleviated if some formula acceptable to OMB could be found making it possible to employ larger numbers of local professional employees without incurring a one-for-one charge against the Agency's employment limitation.

Recommendations

AID/W should agree to an increase in personnel ceilings for USAID/K, largely for local professional positions, to accommodate the anticipated increase in workload. At the same time, AID/W should approach OMB and attempt to work out an agreed formula for increasing the number of foreign nationals employed by AID without a one-for-one charge against the Agency's employment limitation. (For further background, see OAS's appriasal report on Use of Foreign Nationals in USAIDs, January, 1979.)

Employment Opportunities for AID Dependents

Finding: Nairobi has the largest concentration of AID employees in Africa, with direct hire American ceilings totalling approximately eighty. Many of the dependents of these employees - plus those of the Embassy and other U.S. government agencies - have good qualifications and would like to work part or full time. However, because of GOK limitations on non-Kenyan employment, it is very difficult to find jobs.

One step which might be taken which would not run afoul of either Kenyan or U.S. regulations would be to issue a modest number of part-time ceilings to USAID/K and/or the other AID offices located in Nairobi. Part-time ceilings are used extensively in AID/W but only very small numbers have been allocated to overseas posts. This use of part-time personnel would ease the workload problem of the Mission and make a small contribution to improved morale without increasing the number of Americans already at post.

Recommendation:

AID/W should be prepared to issue a modest number of part-time ceilings to USAID/K, based on an adequate description of needs which the Mission should be invited to submit. AID/W should also develop a policy on the more widespread use of part-time ceilings overseas.

III. DETAILED FINDINGS

A. Strategic Issues

1. Levels of Aid

For the period FY 1962 through FY 1976, obligations for U.S. economic aid to Kenya (including PL-480 and one $15 million housing guarantee but excluding the Peace Corps) averaged $8.7 million per year. During the latter half of this period -- i.e., FY 1970 through FY 1976, the average was $10.7 million. However, these averages tend to obscure the rather wide variation among years. In FY 1972, the economic aid level was only $2.6 million, while in FY 1974, the year of the housing guarantee, it was more than ten times that amount at $27.2 million. From the FY 1976 level of $6 million, the program experienced a five-fold increase in the following year to $32.4 million, and increased slightly to $33.2 million in FY 1978. Projections for the current fiscal year call for a decline to $21.6 million.

While it is difficult to draw many sweeping generalizations from these figures, a few do emerge. Prior to FY 1977, U.S. aid levels in Kenya averaged on the order of $10 million per year. Even that rather modest level was only achieved by an occasional sizable loan or, in one case, a $15 million housing investment guarantee. Annual program levels were much more likely to fall in the $3-6 million category than the much higher level they achieved in FY 1977 and FY 1978. While it is not entirely safe to generalize on the basis of those two years, it does appear that the program has shifted to a higher order of magnitude and has changed from a modest collection of technical assistance activities, supplemented by an occasional loan, to a more complex program with substantial inputs of both loan and grant assistance. What does not emerge from the figures, the projects themselves or the CDSS, is any coherent explanation for why the levels have changed in this manner or what is an appropriate level of U.S. assistance or how the Mission or the Agency can best arrive at a sensible judgement in this regard.

The problem of setting aid levels for any program is a difficult matter and one the Agency has struggled with for years. In the past AID, in collaboration with the Department of State, has attempted to judge the nature and degree of U.S. interests in a given country as one basis for arriving at an order of magnitude for the aid level. This was taken into account along with other factors such as need, degree of self-help, availability of assistance from other donors, etc. The present system for allocating development assistance attempts to arrive at levels of economic aid by various measures of poverty and national commitment. In actual fact, however, aid levels are probably influenced more by the personality and abilities of the USAID Mission Director and his staff in interaction with their opposite numbers in the host government and the AID/W regional bureau, or by overriding political considerations, than by any set of "objective" criteria.

In any event, Kenya poses special opportunities and problems. There are few countries in the underdeveloped world which have as many active major aid donors as Kenya does. In FY 1977, Kenya received commitments of $308 million in foreign economic assistance, from thirty-one donors, including the $32.4 million from the United States. In the same year, the IBRD group committed $113.8 million, the largest amount from any single donor. However, among the international agencies the EEC also made commitments totalling $35 million. Among bilateral donors the British and German governments provided $28 million each and Sweden and

The Netherlands approximately $20 million each. Thus, the U.S. provided only 10 percent of the aid committed to Kenya in FY 1977. In FY 1978, total donor commitments more than doubled to $625 million, of which the U.S. share amounted to $33.2 million or 5.3 percent. Some of the donors would be willing to increase their aid to Kenya even further if solid projects could be identified. Indeed, there is a degree of competition among the donors for good projects.

In this situation there is little question that in purely development terms there would be few if any negative consequences for Kenya if U.S. assistance were reduced or even eliminated. The other donors would almost certainly increase their aid to cover any genuine requirements which emerged as a result of a U.S. reduction. By contrast there are, presumably, some development needs going unmet in other African countries or in other parts of the world in which AID is operating, for lack of funds. In these circumstances, then, how does the Agency determine what level of aid is appropriate in Kenya?

One approach would be to make a judgement regarding the nature and extent of U.S. interests in Kenya. Since economic development is so central to Kenya's political leadership it is difficult to conceive of a mutually beneficial U.S.-Kenyan relationship which did not include some focus on economic assistance. It might be possible to arrive at a reasonable judgement regarding the level of assistance or type of program which would meet this purpose -- although admittedly there are few objective bases for such a calculation.

Another alternative would be to focus on the merits of specific projects rather than on overall levels and agree to fund those projects or activities which fall in the areas of special U.S. expertise or interest - e.g., arid and semi-arid lands, agricultural education, or population planning. The overall level would simply be a function of the total number of project activities which can be carried out within whatever constraint is imposed by overall fund availabilities and country absorptive limitations. The difficulty with this approach is that an able and aggressive Mission might well build up a program that diverted AID funds from more "deserving" countries in which there were fewer donors to meet a shortfall or where there was a smaller AID staff to negotiate and develop projects which could compete for Agency funds.

The important fact is that at present neither the Mission nor AID/W has a coherent framework for determining what is a suitable level of AID assistance to Kenya. Both would benefit from establishing a common understanding on such a framework. It would not only avoid potential misunderstandings between AID/W and the Mission, it would also make the whole program development process more rational.

2. Defense vs. Development

Throughout most of Kenya's history as an independent nation defense expenditures have remained relatively low. From FY 1964 through FY 1976, they ranged mostly between one and two percent of GDP and between 5 and 6 percent of the GOK budget. Developments in the Horn region and elsewhere in East Africa have prompted considerable concern within the Kenyan government and led to a major military modernization program and a consequent increase in the defense budget. The modernization program has resulted in major equipment purchases abroad with potentially important balance of payments as well as budgetary implications. Defense expenditures, which constituted 1.6 percent of GDP in FY 1976, are estimated at 7 percent of GDP in FY 1979. Similarly, as a share of the government budget, defense expenditures are expected to rise from 5.5 percent in FY 1976 to 14 percent in FY 1979. The foreign purchases represent an immediate and medium term drain on foreign exchange reserves. The recurrent cost implications for the budget will also be substantial. However, the full implications of this military modernization effort are not entirely clear.

Nonetheless, estimates based on GOK purchases already entered into or firmly planned suggest that the increased defense burden can be sustained by the country's economy - at the cost of distortions both in balance of payments and budgetary terms. Indeed, the new development plan acknowledges that "the requirements for defense over the planning period will reduce the share of funds that the government can allocate to both social services and public enterprise activities."

However, if the increase in defense expenditures is limited to the presently planned modernization, its negative impact on development will probably be reasonably short-lived and manageable. The real problem lies in the uncertainty over whether the growth in defense expenditures is, in fact, a short-term phenomenon or whether we are witnessing the beginning of a long-term trend which could be very detrimental to Kenya's development. The Mission and the Embassy are well aware of the economic dangers inherent in a military buildup and are hopeful it can be avoided or at least minimized. For the first thirteen years of Kenya's independence the government demonstrated a capacity to place development ahead of defense, so if history is any guide, there are grounds for optimism.

3. Agricultural vs. Industrial Development - an Alternative Development Strategy

The central theme of the GOK's current five-year development plan (FY 1979-83) is the alleviation of poverty. The plan identifies four areas of activity in which the government will focus its efforts: (1) creation of income-earning opportunities; (2) improvement of family expenditure patterns (e.g., better nutrition); (3) improved provision of basic services such as health care, basic education, water, housing, etc.; and (4) institution building. Among these four, greatest weight is being given to the creation of income-earning opportunities.

Eighty-seven percent of Kenya's population lives in rural areas and seventy-two percent of the labor force is engaged in agriculture or other rural pursuits. The government estimates that the working age population will increase by approximately 280,000 persons per year during the five-year plan period. The government also calculates that of this number only 50,000 can be absorbed by the modern sector of Kenya's dual economy. Additionally, a modest number will be employed in the so-called urban informal sector which totalled only 100,000 persons in 1977. Most of the remainder must find employment in small-scale agriculture. The government's logic is that the modern sector, while growing rapidly, cannot realistically expand fast enough to employ more than the estimated 50,000; consequently agriculture <u>must</u> absorb the largest share of the increase in the workforce. As a result rural development and rural employment form the central focus of the government's strategy.

While the validity of the government's strategy is not seriously questioned, particularly for the five-year plan period, it should be recognized that an alternative strategy might be put forward. It could be argued that with a rapidly growing work force and with the high-potential land already rather heavily settled, the government should place stronger emphasis on the creation of employment opportunities in the industrial sector. At present the industrial sector of Kenya's economy is largely made up of protected industries which were created under a strategy of import substitution. The continuation of an import substitution strategy will probably not provide an adequate stimulant for a rapidly expanding modern sector. Thus, the longer term future for Kenya's economic development may lie in a Korea-type industrial expansion directed to production for export.

Fortunately, for the present the GOK is not facing an either/or situation. There clearly are still opportunities for increases in productivity and employment in agricultural areas. Consequently, the emphasis on raising the productivity of small-scale farmers continues to make economic sense.

At the same time, the five year plan includes a statement of the government's intention to reduce gradually the protection afforded domestic industries to promote efficiency and make them more competitive in world markets. This combined with a combination of export subsidies, it is hoped, will contribute to Kenya's further industrial growth.

Thus, although the stress in the five year plan is primarily on agriculture, it does not ignore the potential for industrial exports. In the longer run, however, careful consideration should be given to placing much greater emphasis on export-oriented industrial expansion. An export strategy would require further changes in the GOK's economic policies and would presumably encounter the resistence of those who benefit from the present arrangements which protect inefficient domestic producers from foreign competition. Another difficulty is that the current emphasis among almost all donors, multilateral and bilateral alike, is very heavily on rural development themes. Industrial development strategies might not be viewed with great enthusiasm by most donors, so the GOK might have difficulty securing support for such a strategy.

As indicated above, this is not an issue of immediate importance, but both the Mission and AID/W should keep an open mind and be prepared to encourage and support the GOK in this direction if further analysis shows an industrial expansion to be essential to the creation of employment opportunities on an adequate scale.

B. Donor and Government Coordination

In discussions among widely experienced development professionals, Kenya is often mentioned as a country in which the presence of many outside donors raises important issues both for the Government and the donors. Since other donors are involved in all of AID's broad areas of program interest in Kenya, and since in some cases the multi-donor aspect raises important issues for AID, some general observations on donor relationships in Kenya are in order.

Many of the elements found in the donor scene in Kenya also prevail in other countries - most notably those countries which welcome outside aid and have established a record of at least reasonably good economic performance, absorptive capacity and management capability.

First, the volume of external aid is large and growing. Total donor commitments for on-going projects were approximately $2 billion as of the end of 1978. Commitments in 1978 alone totalled $625 million - double what they were in FY 1977 - as compared with a GNP of about $4 billion. With the usual time lag, disbursements have been tracking the upward trend of commitments, increasing from approximately $100 million in 1974 to $250 million in 1977. The high levels of commitments in 1977 and 1978 portend further increases in disbursements in the future. The largest donor is the IBRD, which also chairs a Consultative Group of donors to Kenya which convenes every two years (and is scheduled to meet in May 1979). The U.S. ranks fourth among donors, with a share totalling about 6 percent of total donor commitments.

Second, like most aid recipients, Kenya objects to donors getting together without Government participation to formulate their own collective stands on development problems or programs. Consultation among donors is not discouraged, but Kenya prefers to be directly involved in any arrangements the donors devise which are likely to carry beyond the exchange of information and views.

Mixed with these elements are some less familiar features which together give the donor scene in Kenya its distinctive character. The number of donors is unusually large. Some 31 bilateral and multilateral organizations are active, plus scores of private organizations with a foreign connection. Attractive working and living conditions in Kenya foster a larger than normal physical presence in-country of donor staff. For example, IBRD stations 25 to 30 persons in Nairobi to manage its East African programs. The Swedish International Development Agency (SIDA), which in most countries relies on Embassy staff and visits from headquarters to manage programs, maintains a full-time SIDA staff of eight to oversee aid to Kenya. While not every donor maintains a sizable resident staff in Kenya, the presence of many foreigners engaged in development programming means that both large and small issues receive a good deal of informal airing among donors. This can help to solve problems, and on occasion may also tend to magnify them.

No two donors have identical geographical preferences for their activities in Kenya. The U.S. for instance, wants to emphasize dryland areas and Western Kenya in future programming; IBRD favors a mixed urban and rural focus; the Federal Republic of Germany looks for opportunities in the Coastal region. There are also differences in sectoral interests. Overall, however, there has been a tendency among donors in recent years to target their aid increasingly towards the rural areas and particularly towards projects benefitting the rural poor.

In terms of style, the many differences include attitudes towards working closely with other donors in developing projects with the Government. Sweden and Denmark illustrate the variety. The SIDA office in Nairobi, with considerable autonomy from Stockholm to approve projects, favors closer technical discussions in program areas where several donors are involved and believes a technically qualified party, ideally the Government, ought to be in charge of such cases. Safe drinking water is among the areas of multi-donor interest where SIDA would like to see improved consultations on planning and design involving donors and the Government.

The Danish aid agency (DANIDA), on the other hand, obliged to move sizable monies without the benefit of a large local staff, gives less priority to donor coordination. DANIDA recently agreed to fund 50 percent of an Extended Immunization Program covering 90 percent of pre-school children and later indicated it could not agree to a USAID overture to help fund the balance of the program. DANIDA also agreed to fund equipment, vehicles, housing and other capital costs of several rural health centers without awaiting the outcome of an IBRD-led effort to get the Government first to devise a plan for upgrading the operations and management of integrated rural health and family planning delivery services.

Interacting with the differences in style and interests among donors is the Government of Kenya's tendency to accept most assistance proffered by donors if it contributes to a broad development objective. This very receptive posture doubtlessly reflects many factors, perhaps including Kenya's undoctrinaire and highly pragmatic approach to problem-solving as well as the lack of a large and seasoned central bureaucracy to critique and orchestrate all offers of aid.

Most, if not all, key donors and the Government have for some years recognized the need in the Kenyan setting to communicate continuously with one another on development business. Notwithstanding a sense of competition among donors for good projects and widely heard laments that donor coordination leaves much to be desired, the fact is that coordination mechanisms have grown appreciably. Four years ago, there was only the Consultative Group that met every two years in Paris, plus an occasional donor luncheon. Additional mechanisms today include a dinner meeting every two months of top-ranking bilateral and multilateral representatives; a quarterly donors meeting hosted by the Government featuring descriptive presentations by a Ministry spokesman and a selected donor; and ad hoc meetings of technical people. Further, the UNDP annually publishes a "Compendium of Donor Assistance to Kenya," containing commitments and disbursements by donor, sector and project.

To the extent that foreign aid workers in the USAID and other agencies are still dissatisfied with the effectiveness of coordination arrangements, improvements do not seem feasible except within the framework of building on the present system of communication exchange, in which the lead role for coordination rests with the Government. Most bilateral and multilateral donors seem no more inclined than the GOK to see any single donor arrogate to itself a lead role in substantively coordinating donor programs. This assessment is borne out by recent experience involving the UNDP. In brief, UN Mission efforts to facilitate information exchanges have been accepted in areas where UNDP is itself perceived as an active and experienced donor. But major donors have resisted any notion that the UNDP has an automatic claim to coordinate. Feelings are generally strong that donors should avoid any semblance of forming a united front in dealing with the Government on problems.

There is also a prevailing view that no sustained, organized donor coordination in particular program areas should be attempted without Government participation.

It is difficult to establish the reasons why coordination works better in some cases than in others. Two examples help to illustrate this.

A dozen donors, including the United States, are supporting a major labor-intensive Government program to build rural access roads. The program involves local participation both in locating and constructing the roads. While the central Government sets uniform guidelines and specifications, each donor monitors progress on the construction it is funding according to its own rules and regulations. At the first week-long meeting of the Government and donors last spring to review the new program, cooperation was excellent in every respect. Technical suggestions from donors with relatively strong monitoring capability, such as the USAID and IBRD, were welcomed by the Government and generally accepted by donors with less strong monitoring capability. Small joint donor teams were formed and went to the field for two days to look at projects other than their own. The teams came back with promising ideas for small improvements and cost-cutting experiments. There was intensive focus on maintenance questions and on assessing the benefits of the first completed roads to rural families.

While the still young rural roads program can to date be considered a coordination success, it is less clear what relative weight to give to such possible contributing factors as the enthusiastic support for the program at all Governmental levels; the high demand for roads among beneficiaries; the largely proven and low-risk character of the technology involved; the local participation element; the geographical apportionment aspect among donors; or the possibility that coordination comes easier when each donor is working on like pieces which do not need to be carefully fitted into a single whole to have important value.

A second example involves an IBRD-supported initiative to help the Government develop a "masterplan" for integrated rural health and family planning services covering the 1980-85 period. The initiative grew out of a joint review two years ago in which AID participated. It built on the lead role already played by IBRD in helping the Government develop an effective MCH/family planning program. The idea was endorsed by both the Government and donors as a way of systematically addressing agreed-upon deficiencies in the program, easing the time burden on the Government in dealing with donors, and producing a plan to guide both the Government and donors in allotting resources.

While there is still hope that the masterplan will be completed by the summer of 1979, the effort has encountered many difficulties, despite the periodic help of IBRD population and health experts from Washington. Government officials working on pieces of the document have often been diverted by more pressing deadlines. Some donors have felt compelled by their own planning cycles to commit funds to health delivery well before completion of the draft. Other donors, including the USAID, decided after the masterplan exercise was underway that limited near-term funding for health and population could probably better be invested in projects largely outside of the Government's established service delivery system which is the centerpiece of the masterplan effort. Hence, a report card prepared on this coordination effort right now would at best show mixed marks. There is room for debate in weighing the reasons why the effort has not been very successful. One general conclusion might be that a donor should not take on a special role in coordination, even with Government participation, unless it is able to maintain a sustained and full-time competence in the field to shepherd the coordinating.

The record suggests that the more difficult and complex the activity, the more important it is that the Government be committed and staffed to coordinate it. Several programs which USAID is planning for the years immediately ahead raise important coordination issues. Planned assistance to help Kenya develop its arid and semi-arid lands is a case in point. Kenyan authorities have informally suggested that the United States might play a "lead role" among donors in carrying out this immense effort. The precise meaning of "lead role" has not been defined, and Kenyan officials have also stressed the prior need for the Government to create the needed inter-ministerial machinery to design and execute a program that potentially involves the preponderance of the country's land area. Given the risks, duration, costs and complexity of the ASAL program, and the unwillingness of any donor to take directions from another on where and how it spends its money, any primus inter pares role for USAID should not translate into more than the possibility of our being the largest initial donor. Further, USAID project inputs could perhaps include support to strengthen Kenya's own capacity to manage and coordinate the multi-donor endeavor.

On a more general level, USAID clearly has the staff capability to bring about at least two broad kinds of improvements in existing coordination arrangements and mechanisms. First, more attention is needed to donor and Government interchange at the technical level. There are various ways to accomplish this at the conceptualization and design stage of project work, and in the implementation phases. Where feasible, this increased technical interchange should not be confined to Nairobi. There is room for improved consultations between technical backstoppers of Kenyan programs in AID/W and IBRD headquarters. Second, while a good deal of contact among donors will remain at the senior representative level, therefore usually involving generalists with managerial responsibilities, there may be opportunities to move these deliberations increasingly towards an analytical focus. Illustratively, at one of the scheduled quarterly meetings of major donors and the Government, instead of a program devoted to descriptions from a Government Minister and a donor chief on what their respective organizations are doing, it might be useful to focus analytically on an important common concern, such as the impact of donor-assisted projects on the Government's recurring cost budget.

Over the longer term, the donor ambiance in Kenya - for all of its day-to-day frustrations - can be viewed as being favorable from the standpoint of USAID's special concern for planning rigor and analysis. Being only the fourth largest donor, behind IBRD, Britain and West Germany, and just ahead of Sweden and the EEC, is not an important liability in the Kenyan setting. Nor does USAID's stress on helping to strengthen the Government's planning capability as a key component of assistance in the fields of rural development, health, population, human resources development, nutrition and arid and semi-arid lands, raise the same degree of wariness that a thematic emphasis on planning assistance conjures in many developing countries, even though such assistance often entails a hefty dose of foreign advisors working in Government ministries.

Moreover, to the extent that USAID is successful in heightening the Government's determination to plan the mobilization and use of resources more effectively and to enhance its capability to do so, Kenya will be in a better position to undertake the needed homework and provide the informed direction desirable to better coordinate foreign donor assistance.

C. Sector Issues

1. Agriculture

As indicated earlier, the GOK is committed to a major effort to raise productivity and employment opportunities in the agriculture sector.

In these circumstances, it is only logical that agriculture programs should represent the primary focus of USAID/K's activities. In fact, agriculture has been the largest area of activity for the Mission for several years. For the period FY 1970-78, $91.9 million, or 89 percent, of the USAID program (excluding PL-480) was devoted to food and nutrition projects. For fiscal years 1977 and 1978, in which the overall program increased dramatically, food and nutrition projects accounted for 95 percent of the total. Prior to FY 1978, Mission-financed activities were undertaken in the areas of agricultural credit, rural roads, food crop research, livestock, range and ranch development and agricultural/rural development planning.

a. The Agricultural Systems Support Project

In FY 1978, the Mission secured approval for the Agricultural Systems Support Project (ASSP), a large and complex project with an estimated total cost to the U.S. of $49.8 million. To the extent it is possible to ascribe an overall purpose to the ASSP, it is to help the GOK alleviate some of the institutional constraints limiting agricultural development in Kenya. In fact, however, the project is a collection of loosely-connected activities directed toward a variety of different objectives. For management purposes it is more properly viewed as a series of separate projects.

The largest component of the ASSP program is devoted to attacking some of the manpower constraints of the agriculture sector by (1) assisting in the expansion and staffing of Edgerton Agriculture College; (2) undertaking the feasibility analysis and planning for expansion of the faculty of agriculture of Nairobi University and for establishing an agricultural institute for coastal agriculture; and (3) establishing a special training fund for in-service training of employees of the Ministry of Agriculture. A second component of the ASSP involves technical assistance in the range research at the Kiboko Range Research Station. The third general area of attention in the ASSP involves provision of technical assistance and training to strenthen the agricultural credit system. A fourth element of the ASSP project consists of technical assistance and participant training for the cooperative movement. Finally, assistance will be provided in examining the food storage requirements of Kenya's small farmers and in preparing and funding appropriate training programs.

Although the ASSP is a cumbersome combination of different types of activities, each component represents a logical approach to an agricultural problem in which AID has appropriate experience and expertise. Each is a blend of the technical assistance and training activities needed by most countries at Kenya's stage of development. The strong emphasis on training is particularly appropriate. Only the Edgerton College project includes a substantial U.S. investment in facilities and equipment.

However, the ASSP project does pose substantial management problems for the Mission. The Edgerton College project alone involves stationing 17-23 full-time U.S. staff at the college for the next five years. It also includes an extensive construction program and the procurement of substantial amounts of equipment for the college. Even assuming that the Mission is able to place implementation primarily in the hands of a contractor it will nonetheless be faced with a monitoring and trouble-shooting burden of considerable size.

In addition to the Edgerton College project the ASSP includes a large number of short and long term technical assistance activities which will involve relatively large numbers of U.S. technical personnel under a variety of contractual arrangements. If, as is likely, some of the feasibility and planning studies lead to further projects the burden on the Mission will grow proportionately.

Taken together, then, the large number of activities encompassed in the Agriculture Systems Support Project constitute an enormous increase in Mission technical and management requirements at a time when Mission and Agency staffing levels are being reduced. The existing seven-person agriculture staff is already experiencing difficulty managing the existing activities. It is doubtful that they can absorb the new ones without risking serious problems of delays and inadequate monitoring. (This issue is treated more generally in Section III G - USAID Staffing, Management and Support.)

In addition to the staffing problems associated with management of the ASSP another major issue arises for the Mission. As approved, the ASSP involves AID contributions of $49.8 million. Funds actually obligated in FY 1978 totaled $26 million. Thus, $23.8 million of the approved project remains to be obligated in FY 1979 and future fiscal years. In addition, the feasibility, planning and design activities for the proposed Coast Institute and Nairobi University Faculty of Agriculture carry implied commitments which could lead to additional major assistance projects.

Thus, to a substantial extent the ASSP represents a mortgage on future year funds which may seriously limit the Mission's ability to consider other - possibly higher priority - projects. That is not to say, of course, that the ASSP activities are necessarily of less importance. Rather it suggests that, wherever possible, projects should be designed and financed in such a manner that future options are not substantially compromised. In this specific instance the Mission will doubtless wish to weigh the unfunded commitments contained in or implied by the ASSP against alternative activities, and may decide to negotiate downward adjustments in some areas with the GOK.

b. Arid and Semi-Arid Lands

Only 17 percent of Kenya's land is considered to be of high and medium potential for agricultural purposes. Kenya's farm population is already heavily concentrated in those areas. Consequently, only 20 percent of the population lives in the arid and semi-arid portions of the country which constitute 80 percent of the total land area. While the opportunity for raising agricultural productivity most rapidly still lies in the areas of good and medium quality land, the high rate of population growth will increasingly result in migration into areas of less productive land. Consequently, the GOK's agricultural policy for the five-year development plan period has a dual focus: (1) to raise the productivity of small-scale farmers in the medium and higher potential areas; and (2) to begin the development of the arid and semi-arid lands which in the future must somehow absorb a growing proportion of the rural population.

The GOK apparently has concluded that the U.S. is the most logical foreign donor to play the leading role -- though not to say coordinating role -- in the area of developing the arid and semi-arid lands. The Government's logic rests on the straight-forward proposition that no other major donor has had the degree of experience in developing dry lands or the institutional depth possessed by the U.S. They considered Australia and Israel but feel that both of these lack the size and diversity of resources potentially available from the U.S. Although GOK high level officials (including the President) have informally indicated their desire to have the U.S. play a special role in the development of their marginal lands, they have not yet defined what that role should be. Nor has the government yet developed a coherent set of policies and internal organizational arrangements to provide an adequate framework for the efforts of outside donors. The GOK is aware of the need for such a framework, but the inter-ministerial issues are very complicated and at this stage it is clear that the donors are more ready to provide assistance than the Government is organized to receive it.

The logic underlying the GOK decision to enlarge its efforts directed toward the arid and semi-arid lands is very persuasive. Regardless of what the Government does or doesn't do, population pressures will force increasing numbers of people into the marginal areas. Consequently, it is important that the Government take whatever steps it can to guide this development and to prevent or minimize the environmental deterioration which would result from uncontrolled exploitation of the dry areas. In addition, as the good and medium potential land is used more intensively, returns from additional investment will decline to the point where higher returns can be obtained from a suitable use of the less desirable areas. Thus the GOK's increased emphasis on the development of the arid and semi-arid lands is both logical and desirable.

The GOK's efforts are also worthy of USAID support, subject of course to the availability of funds and within an acceptable framework of GOK policies and institutional arrangements. In FY 1977 the USAID financed a detailed study of limited portions of the semi-arid areas. This study, carried out by the Consortium for International Development, associated with Utah State University, probably constitutes the most extensive collection of data relevant to planning for the development of the marginal areas currently available. The study fell short of what the Mission and GOK hoped for inasmuch as it did not include recommendations for an investment program. Nonetheless it is one of the basic building blocks for further work.

Although the GOK's emphasis on arid and semi-arid lands is sensible and a major role for the U.S. is appropriate, serious problems remain. The basic obstacle, of course, lies in the nature of the areas in question. While the phrase "arid and semi-arid" covers a wide range of soil and water conditions, the fact remains that these lands are not very productive. In environmental terms they are more fragile than the land of high and medium potential, so that improper use risks more serious ecological consequences.

These basic limitations are further complicated by the fact that to date only small amounts of research have been conducted in Kenya on the development of crops and farming systems which are suited to the growing conditions and economic constraints present in the marginal areas. The GOK recognizes the fact that the research and data base falls short of what is needed for sensible investment programs. Accordingly, during the current five-year plan period primary emphasis will be placed on agricultural research and other pre-investment analyses so that the Government will be in a reasonably solid position to make major investments in four or five years time. In the meantime, it may be possible to direct some investment toward soil and water conservation projects and toward other activities which can prevent environmental deterioration caused by over-grazing and improper farming practices.

Even within this more limited framework, potential problems exist. The government must devise internal organizational arrangements for coordinating the several ministries and agencies concerned with the arid and semi-arid areas. It must also establish a coherent policy framework for its own programming as well as for the effective integration of foreign donor activities. Several donors already are involved or are interested in contributing to projects in the arid and semi-arid areas. In addition to the U.S., the IBRD, UNDP, EEC and the British Government are all either active or potential contributors to projects in the marginal areas. Thus with the inherent complexity of the subject matter, the difficulties associated with coordinating multiple government agencies, each with its own vested interests, and the problems associated with the integration of several foreign donors the opportunities for failure are considerable.

The Mission and AID would do well to proceed with care in responding to GOK initiatives. In particular, the Mission should resist the temptation to get ahead of the Government or to force decisions on specific issues before the policy and institutional framework is in place. AID has already agreed to assist in crop and range research and both are sensible areas for U.S. assistance. There may be other similar activities which can be supported without undue risk. However, much work remains to be done before the $7.3 million included in the FY 1979 program for marginal lands can be committed for project use, and the time remaining in this fiscal year is very short.

c. Rural Marketing Centers

In support of the GOK's goal of raising the productivity of small-scale farmers in areas of medium and high potential land, the USAID has been supporting several activities in western Kenya, including rural road construction and agricultural credit. The Mission has stressed activities in the western provinces because they have received less support and attention from the Central Government than other regions nearer Nairobi. Western Kenya, with forty percent of Kenya's population but only six percent of its land, has been identified in USAID's CDSS as a target area for AID programming, along with the arid and semi-arid lands. The GOK and the USAID are now engaged in developing a project which would be directed toward upgrading marketing facilities in approximately 50 rural communities in western Kenya.

The project is still being discussed within the Mission and with the GOK. We would not, therefore, presume to judge the outcome of these discussions. We wish, however, to register a note of caution. The efficiency of marketing systems does not necessarily depend upon physical facilities. AID has, over the years, financed numerous market sheds and buildings in various parts of the world which went unused or under-used and which therefore represented very poor economic investments. Before a large number of rural markets are constructed, it is important that the local marketing processes in western Kenya be understood sufficiently to be reasonably certain that the absence of a given type of facility does indeed represent a critical constraint. Careful economic and social analysis, possibly combined with the construction of a few pilot facilities, might be warranted in order to minimize the risk of failure. As presently contemplated, the project does indeed provide for considerable analysis as part of the final design stage. However, there also appears to be a rather strong assumption that physical facilities are needed. It is this assumption which should be examined carefully.

2. Health -- Starting Afresh with Direct Assistance

AID assistance to Kenya's health sector in recent years has been largely indirect or incidental. It has included provision of PL-480 Title II foods through Catholic Relief Services; grants to CARE for self-help potable water activities and to the International Eye Foundation for eye disease treatment; and population assistance to the integrated MCH/family planning program which is part of the

Government's health care delivery system.

Three years ago AID began trying to identify and develop an appropriate program of direct assistance in health. This led to a proposed five-year $15 million project, outlined in the FY 1980 Congressional Presentation, to support Kenya's rural health delivery system. Well over half of the $3.7 million for first-year funding was to build and equip Government clinics. Since this proposal was formulated, a major shift in USAID thinking has taken place. The USAID has decided it cannot recommend assistance that involves supporting the Government's health delivery system until and unless there are clear signs of a shift from the present urban and curative emphasis to a rural and preventive emphasis. At the same time, the USAID would be willing to support rural health activities operating outside the formal delivery system, such as clean drinking water and selected disease control.

These decisions reflect a USAID judgement that Kenya will not be able to adequately staff, maintain and supply rural clinics established with AID's help unless proportionately more resources are devoted to rural health, including adequate funds for recurrent costs. Among factors underlying this judgement was an AID-funded study completed a year ago showing that over two-thirds of the health budget was going to hospitals and less than one-tenth to rural health care.* In the months after this study was circulated in Kenya, health authorities examined the extent to which future flexibility in health budgeting was being mortgaged by existing commitments favoring urban and curative programs. The USAID participated in the dialogue. An important outcome has been Kenya's interest in requesting U.S. assistance to strengthen their analytical and planning capability in the health sector.

Accordingly, USAID currently contemplates an assistance package in health embracing the following elements:

-- health planning and analysis, to include U.S. advisors and training of Kenyans. One dimension would be the encouragement and evaluation of low-cost approaches to delivering rural family health care, funded from sources other than the project. Promising pilot efforts could possibly become a basis for later U.S. support to aspects of the Government's health delivery system.

-- support for community-based improvements in rural safe water and sanitation. Less than 5 percent of rural families have access to clean water today despite Government and donor efforts spanning a decade.

---

*A Working Paper on Health Services Development in Kenya; Issues, Analyses, and Recommendations. Family Health Institute, Washington, D.C. Submitted to HEW and AID May 16, 1978.

-- possibly, selected support for disease control, perhaps starting with schistosomiasis. Some one million Kenyans, in dispersed pockets of the country, are believed to be infected with schistosomiasis.

The USAID hopes that the health planning and community water projects will be ready for approval by the end of FY 1979.

Of the many issues that could be raised with regard to USAID's intensive program development work in health over the past several months, four are here touched on briefly:

-- Appropriateness of components. The Agency's health policy guidelines suggest four areas as most promising for U.S. assistance. USAID has chosen three for immediate attention - basic water and sanitation; selective disease control; and health planning - and would like to move later into the fourth - primary health care - if the health planning effort and related low-cost experimentation open promising opportunities. Meantime, other donors are expected to continue moving resources into primary health care.

-- Impact on rural poor. Assuming good design and implementation, there is no question that providing clean water and controlling schistosomiasis can have a relatively swift beneficial impact on rural health. With health planning, the benefits may be not evident quickly, but the potential pay-off could be large. Kenya anticipates a total health budget, including family planning, of $660-$670 million for the 1979-83 Plan period. Assuming the U.S. were to put up $20 million of the total, the contribution would amount to 3 percent. The number of rural poor who could be directly reached with a 3 percent share is quite limited. In this sense, a health planning investment in the $1-$2 million range to strengthen the decision-shaping process offers potentially high, and not long-delayed, dividends. The Government is likely to look to its health planning corps for both policy and technical counsel as it seeks to make good on the commitment to extend basic health coverage from 20 percent of the population today to 60 percent five years from now, with nearly all of the increase targetted to rural needs.

-- Coordination with other donors. The health sector has traditionally been very popular with donors, particularly European countries and private organizations. This strong donor interest and the relative ease of obtaining external resources may be one reason why Kenya has not felt compelled to establish internal coordination arrangements to shape the character and flow of offers in health, though, ironically, it is in sectors of donor largess that coordination may be needed most. In any event, as discussed elsewhere in this report, the longer term solution to improved coordination depends on the strengthened capability of Kenya to coordinate. In the near term, USAID has surveyed the scene and determined that the health program it is developing will not duplicate other donor activities.

-- Possible inclusion of population focus in health planning assistance. Given disappointing results to date in slowing population growth, it is reasonable to consider whether AID should seek to add population planning to the terms of reference for the health planning project. Family planning services will be covered naturally under the project to the extent that the MCH/family planning program is part of the Government's delivery system. Beyond this, it would probably be unwise to try to press for further inclusion of population within the health planning project. First, Kenya has not requested this and for USAID to do so could abort promising but still delicate negotiations. Second, while faulty deployment of resources is an obstacle to reducing fertility, the main problem is low demand for family planning and determining what to do about it. Finally, while planning is needed to forge a population strategy now lacking in Kenya, the planning must engage a spectrum of Government forces, not just the Health Ministry, and private institutions as well.

3. Population - A Broadened Approach to Slowing the Birth Rate

Developing a new assistance program in population is high on the USAID's agenda of important business. Of its two active population projects, funding for one is slated to end this year and for the other next year. Under the first, the USAID will have contributed $2.3 million towards Kenya's integrated MCH/family planning program -- or about 8 percent of the total costs of the 1974-79 multi-donor effort. The USAID intends to leave to the GOK and other donors continued support for this effort and direct its next round of population assistance to other activities. Under the second, USAID has programmed $1.9 million to help Kenya establish a Population Center at the University of Nairobi. The center will play a lead role in demographic research and analysis and in helping Kenya's public and private leaders better understand the causes and consequences of rapid population growth. With the likelihood that project completion will be stretched out because of early problems and delays, the USAID hopes to draw on the skills of the project's Population Council advisors in designing parts of the possible new program in population assistance.

The USAID is planning to develop project recommendations by May 1979, for incorporation into the FY 1981 ABS. The actual start of a project could be moved up to FY 1980 if the USAID, Washington and the Kenyan Government decide this would be desirable.

Under the Government's MCH/family planning program which AID has been supporting, many of the physical targets set for the 1974-79 period have been achieved, for example, the planned increase in service delivery points. But the program is beset with management weaknesses and has fallen far short of its demograhpic targets. Population growth has climbed to at least 3.5 percent annually, and less than 3 percent of married couples are believed to be using contraceptives. USAID leans to the view that, at least for the next three years or so, direct support to improve the Government's integrated system, and give it a stronger rural orientation, can remain with IBRD, West Germany, Britain and other interested donors. Thus, the U.S. should shift its support towards low-cost experimentation and population impact initiatives that will help Kenya to formulate and pursue an effective mix of fertility-reducing programs and policies over the next decade or two.

The family planning targets set by Kenya's planners in the 1979-83 Five Year Plan will have little impact, even if achieved, on the population growth rate. Their focus instead is on the year 2000. A significant decline in fertility by then, the Fourth Plan says, could mean Kenya will have 28 million people in two decades instead of 34 million. Kenya could approach this lower figure if it could progressively bring population growth down to a rate of a little over 2 percent by the year 2000. This is not impossible. It would mean that two decades from now the Kenyan mother could expect four births in her lifetime instead of seven. While this has not happened in Africa, other countries with a birthrate as high as Kenya's today have achieved such a decline in less than two decades, including Costa Rica and Colombia.

There are important indications that Kenya may be prepared to intensify and broaden efforts to bring fertility down. These include:

-- Public Support from Government Leaders. Kenya's new President Moi, in his Independent Day speech in December 1978, encouraged "the practice of family planning methods." An open endorsement like this would be a non-event in Indonesia and other countries whose leaders regularly speak out in favor of smaller families. But in Kenya it was in stark contrast to the public silence which characterized President Kenyatta's fourteen year era. Kenyans and donors alike wonder whether President Moi's endorsement denotes a new concern and emphasis.

-- Final Deliberations on the Five Year Plan. Kenya adopted family planning in 1966 as part of national development policy and launched its first program in 1974. The 1979-83 Plan reiterates Kenya's commitment to extending MCH and family planning services, under the Ministry of Health. But Cabinet discussions reportedly brought forth a consensus that a much stronger total program was needed, with a new and large coordinating role for the Ministry of Housing and Social Services in family planning motivation. This ministry has the grass roots capacity to promote information, education and group discussion of family planning throughout the country.

To the extent that Kenya decides to step up and diversify efforts to accelerate fertility decline, AID could devise an assistance program containing a variety of instruments. These might include:

- Assistance in designing and evaluating low-cost delivery of services. Operating outside the Government's formal health establishment, but in cooperation with appropriate authorities, experiments could test alternative ways of providing family planning services and motivating couples to use them. While Kenya has relied heavily for decades on non-Government channels, often religious based organizations, to deliver such limited health care as can be found in rural areas, these efforts have not been systematically appraised from the standpoint of benefits and costs. AID could assist PVOs and also draw on centrally-funded resources to mount such experiments. Private Kenyan organizations could be a vital part of the effort.

- Assistance in building motivation for smaller families. To the extent that the GOK initiates a broadly coordinated, inter-ministerial approach to slowing population growth, with more stress on motivation, opportunities could develop for AID to assist the Government directly through operations research and other well-focussed and evaluated support. Beyond this, Kenyan decision-makers might also welcome the sharper analysis of such influences on fertility behavior as secondary education for girls;

increased income-earning opportunities for women; reductions in infant mortality; and the net impact on fertility of all development programs, balancing pro-natalist and anti-natalist consequences if the targets set for each program are achieved. AID could bring both bilateral and central resources to help Kenyans undertake this analysis.

Assistance in strengthening technical skills. In addition to operations research and population impact analysis, U.S. experience and resources in other technical areas could be of potential use to the Kenyans. The USAID should be positioned to respond expeditiously as Kenyan interests develop in such areas as population data systems and voluntary surgical contraception.

AID's assistance program in population would be reinforced by planned assistance in the health sector, particularly support in health planning, as well as the example AID can set in building population considerations into the design of its own projects. This need can be further served as AID explicitly incorporates into every project greater opportunity for the employment and participation of women in development activities. AID should also look for opportunities to incorporate family planning activities - services, information, or referral - into non-population projects with the Government and PVOs as well.

As decisions evolve on the next round of AID assistance in population, some additional concerns may be worth considering:

- Active Kenyan participation in design and implementation is vital, all the more so when new approaches to fertility reduction are envisioned. This may mean sacrificing a degree of precision in project description for a greater degree of flexibility when an approved project is readied for implementation with Kenyan counterparts.

- USAID can potentially tap many centrally-funded AID projects involving both family planning and "beyond family planning", and also make grants to PVOs, in supplementing its bilateral population assistance program. Coherence will be important in the choice and use of instruments. It thus might be worthwhile to designate Kenya as an early candidate for a Multi-Year Population

Strategy effort in which appropriate offices from USAID, AID/W, and the Government of Kenya would participate. Linkages with health and other sectors could be spelled out. The idea gains further strength from the possibility that the nature and pace of economic development in Kenya could make it among the first countries of sub-Sahara Africa to achieve major success in bringing down the birth rate.

Finally, it may be feasible for AID to build its population assistance program for Kenya within the framework of the IBRD-assisted masterplan for rural health improvement. A draft is to be finished in the summer of 1979 and to become operative a year later, covering the July 1980-June 1985 period. The one-year interval is intended to permit review, modifications, and time for donors to identify their assistance with elements of the five-year strategy. The masterplan will deal in detail with getting family planning services extended and promoted within an MCH context. To what extent it will also deal with the demand aspects and encourage low-cost experimentation - areas of particular interest to USAID - is very much an open question. IBRD hopes it will. By focussing with the GOK and IBRD on the scope of the masterplan, the USAID might be able to get its program interests built into the masterplan without having to continue supporting the Government's health delivery system. As a general principle, and particularly when it doesn't prevent AID from playing what it believes are its strong suits, AID needs to support donor cooperation, and Kenya's ability to foster it, at every opportunity.

D. NON-PROJECT ASSISTANCE

Several factors are converging in Kenya which, together, strongly suggest that some form of sector or program loans or grants should be seriously considered by the Mission and AID/W.

Non-project assistance in loan or grant form has been provided only on a very limited basis in Africa. This is partly explained by the fact that AID programs in most African countries have and continue to be modest in size and focussed primarily on technical assistance, training and institutional development objectives. In addition, many African governments lack the institutional and managerial capabilities to administer effectively some forms of non-project aid.

There has also been a tendency within the Agency to regard sector or program loans and grants as somehow falling outside the New

Directions framework. However, AID's official policy paper covering the bilateral development assistance program* states that "in countries where there is a strong policy and program commitment to equitable development in support of basic human needs objectives, a broader sector loan or grant could be provided in support of a broad range of specified activities within a particular sector or aimed at an identified problem". The paper adds, "whatever the type of assistance, it is essential that the proposed assistance result from an integrated analysis of sector or problem-wide development needs and that there be flexibility to combine training, technical and financial assistance and depending on country needs and policies, to cover local as well as offshore procurement, and recurrent as well as capital costs."

Among the factors which prompt consideration of non-project aid, the most important is that the GOK's development priorities and policies coincide closely with AID's concern for equitable development and basic human needs. As noted already, the central theme of the new five-year plan (FY 1979-83) is the alleviation of poverty. The plan is analytically oriented toward rural problems and places a strong emphasis on widespread citizen participation as well. Thus, the basic condition identified in AID's policy paper quoted above is present in Kenya.

Another factor is the growing demands which project assistance places on Kenya's own budgetary resources. Most foreign donors share AID's strong emphasis on rural development. Consequently, the GOK has no difficulty in obtaining support for projects in this area -- indeed there is some degree of competition among donors for what appear to be the better or more appealing rural projects. However, rural development activities tend to involve heavy outlays for local costs, both capital and recurrent, and most donors are not enthusiastic about financing local costs, particularly of the recurrent variety. As a result, foreign assistance for rural development projects is placing a heavy burden on the GOK's own resources, a burden which may have the effect of limiting GOK funds available for worthwhile activities falling outside the areas of donor interest, e.g., programs focussed on urban problems. This problem will almost certainly become more pronounced as the upward trend in donor commitments is reflected in actual implementation of projects.

Traditional project assistance also places heavy demands upon Kenya's technical and managerial talent. Among the various donors in Kenya there is an almost universal concern with the difficulties of obtaining adequate numbers of counterpart personnel for their technical advisors. The design and implementation of project assistance places enormous demands on GOK staff resources for such things as analyses, reports

---

* _A Strategy for a More Effective Bilateral Development Assistance Program_, March 1978.

and requests for various sorts of information needed to satisfy the donor's procedural requirements. Such limits on GOK staff resources could, of course, make it difficult to carry out non-project assistance as well, particularly at the design stage. However, the institutional structure of the GOK is relatively complete and its ability to manage policies and programs of the sort AID would wish to support is considerably greater than in most countries of Africa. Consequently, appropriately designed non-project aid could offer some relief to the types of demands imposed by project aid.

Another factor which prompts the consideration of non-project assistance is the emergence of a serious balance of payments problem in Kenya. Following the oil crisis of 1973-74, Kenya experienced a serious deterioration in its balance of payments. During 1974 and 1975, Kenya ran substantial deficits, particularly on a current account basis. Kenya drew on the IMF oil facilities in both years and borrowed from other IMF resources as well in 1975 and 1976. However, by 1976, the situation had turned around substantially as a result of sharp increases in coffee and tea prices. In 1976, Kenya ran a surplus in its balance of payments of $85 million dollars and a large surplus of $277 million in 1977. Then coffee and tea prices dropped in 1978 and this combined with the import boom stimulated by the previous two years export performance, resulted in an estimated overall deficit in the balance of payments of $328 million in 1978. With the continued drop in world coffee and tea prices, Kenya faces a very difficult situation during the next few years. The GOK has already tightened up considerably on credit, particularly for imports, but more belt tightening may well be required. In these circumstances development assistance which meets local as well as foreign exchange costs would be particularly welcome.

Finally, constraints on USAID personnel levels suggest the wisdom of considering approaches to development assistance which are less demanding of staff members and time than the traditional AID projects tends to be. The design requirements of an effective non-project activity might well prove to be as complex and time consuming as a traditional project.

Identifying policies or objective measures of government performance, which would form the terms and conditions of a program or sector loan or grant, would not be a simple matter. However, if designed properly it should be possible to monitor and "manage" non-project inputs with fewer personnel than it takes to oversee the contracts, personnel, commodities, etc. associated with traditional project assistance.

The IBRD may consider providing some of its future assistance to Kenya in the form of program loans. The issue probably will be raised by the Bank and the GOK at the forthcoming Consultative Group meeting in Paris, and IBRD hopes that the U.S. would be willing to consider this option as well.

The Permanent Secretary of the Planning Ministry, Mr. Harris Mule, expressed strong interest in the possibility of non-project assistance, and understands that AID would doubtless insist on conditions which would ensure that the benefits of any activity AID supported by non-project assistance would flow to the same target populations which form the focus for our project assistance. The key, therefore, would be to design activities and policies with demonstrable human needs objectives. Mr. Mule found the idea of such conditions attached to U.S. aid quite acceptable and went further to state they could be very helpful by reinforcing the GOK's own objectives in this area.

In light of our limited opportunity to analyze the potential for non-project assistance, it is not possible to make specific recommendations regarding the form such aid should take. However, based on our limited exposure, the following three activities appear at least to warrant consideration:

1. The focus on agriculture in the new five-year plan has two dimensions. The first calls for increased attention to helping small-scale farmers who have lagged behind in receiving benefits from the GOK. The plan mentions the need to build more rural access roads, increase extension services, extend credit and improve social services for the small farmer. With the USAID's interest in supporting programs in western Kenya, an area which previously has not benefitted nearly as much from government support as the central portion of the country, perhaps some non-project support for expanded GOK assistance to small farmers in this geographic area would be feasible.

2. The second primary focus of the plan's agriculture strategy is on the development of arid and semi-arid lands. Although the sine qua non of U.S. assistance in this area must be a coherent GOK policy and institutional framework, once that is in place there may be appropriate uses for non-project type assistance. While the longer-term research, testing, development of farming systems, etc. is taking place there may be a range of water and soil conservation activities which can be undertaken to protect the environment and minimize erosion. Non-project assistance might be used sensibly in this area.

3. Finally, the draft plan states the government's intention to increase participation in development decisions at local levels. To this end the government intends to strengthen the District Development Committee as a basic unit for development planning and implementation.

Perhaps there is a way to use non-project assistance to reinforce and support the government's efforts in this regard.

E. FY 1979 OBLIGATION PROBLEMS

USAID's approved program level for FY 1979 is $18.9 million. This is currently budgeted to include $10 million for new loans and $8.9 million for new and on-going grant projects. In addition, about $2.8 million is planned for the PL-480 Title II program. It is not certain that USAID will be able to obligate all of the loan and grant money as proposed. FY 1979 funds for on-going grant projects have already been obligated, but much hard work lies ahead to obligate the remainder. The uncertainty centers on two "new" activities - $7.3 million currently planned for Arid and Semi-Arid Lands ($6 million loan; $1.3 million grant); and $5.2 million for Rural Health Delivery ($4 million loan; $1.2 million grant). The problems differ in each case and have already been discussed in earlier sections. In brief, the issue with Arid and Semi-Arid Lands (ASAL) is whether an array of needed preparatory actions can be satisfactorily completed by the Kenyan Government and AID to permit obligation of the full $7.3 million programmed for FY 1979. The issue with Rural Health Delivery is whether USAID, the Government of Kenya and AID/W can reach agreement on a revised project, or set of projects, replacing support for rural delivery with other health initiatives.

The USAID and AID/W are fully aware of these problems. With a view to future program expansion, the USAID wants the FY 1979 aid level preserved in full. To the extent that best efforts might fall short in obligating the full $12.5 million at stake in these two areas, USAID has done contingency planning. It is thinking about moving additional funds programmed for the on-going Agricultural Sector Support Project from FY 1980 up to FY 1979, accenting efforts that would contribute to ASAL interests and easing funding problems in future years. Another possibility would be to obligate a larger amount than otherwise in FY 1979 for safe drinking water, assuming USAID's recently started work in this area can be rapidly developed into sound project form.

A vital element in shaping the final FY 1979 program is the speed and efficiency with which Washington can make available Project Development and Support Funds the Mission needs to help design and explicate projects. Delay in allotting more than a token $25,000 against USAID's $871,000 request for project development and support (PD&S) funds was a source of great concern to USAID at the time of the OAS visit. Apparently, AID/W and the USAID have since reached an understanding on which PD&S funds should be allotted to the USAID and which should be committed in AID/W at the USAID's request.

The main point in flagging these issues is not to suggest remedies or cures but to take note of a situation in which time is of the essence. AID/W obviously needs to be thinking about how part of Kenya's FY 1979 aid level might best be re-programmed either within Kenya or elsewhere. The need to re-program funds elsewhere will be reduced if USAID and the Africa Bureau can agree on how to proceed and then move quickly to provide the consulting services necessary to obligate funds for well-designed projects.

F. OTHER PROGRAM INTERESTS AND RELATIONSHIPS

The USAID has established a formal system for periodic internal review of both on-going and proposed projects to supplement the informal interchange which takes place routinely among staff. On-going projects are formally reviewed in detail quarterly and proposed projects monthly. With the arrival of a new Director, Assistant Director and Program Officer in the summer of 1978, and their desire to assess the situation while simultaneously getting on top of the program and preparing the CDSS, the new review system did not actually begin operating until early 1979. There is no one best way to blend formal and informal review procedures in a USAID, and the arrangements USAID/Kenya has established appear to be fully satisfactory. These arrangements are not rigid, and *ad hoc* meetings are frequently initiated by the Director and Assistant Director, Program Officer or Project Managers as circumstances require.

In this connection, it may be worth mentioning that OAS looked at many more existing and contemplated USAID projects than are discussed in this report. One general reason for treating AID's portfolio of interests and relationships selectively is to keep this report from becoming longer. In some cases, projects have not been treated because they are underway and seem to be well in hand; one example is two rural roads projects approved in the summer of 1977. A week hardly passes that AID managers don't have to cope with one small crisis or another as implementation moves forward. But the USAID appears to have a good grip on monitoring requirements and a good system for anticipating problems ahead. In other cases, project interests have not been discussed in this report because, while attractive in concept, they are still in the early formative stages. AID's interest in helping Kenya build a national nutrition program is a case in point. Other areas of program interest which appear to deserve considerably more attention include Human Resource Development, Women in Development, and cooperation with the Peace Corps and PVOs.

1. Human Resource Development

In its Country Development Strategy Statement, USAID has demurred on possible assistance to education, ruling out project-focussed work for the present, while intimating that the decision may be reconsidered in the next CDSS round, based on studies of education to be initiated this year. Without a significantly higher aid level, increased U.S. investments in agriculture, health and population, and other areas may leave little for a very expensive sector that already claims a quarter of Kenya's development budget and has a high recurrent cost element.

A related possibility, important for the sustained success of AID's existing development interests, is an expanded and flexible program to train Kenyan counterparts. Most USAID projects already contain a training element. But project-funded training often doesn't finish before the project has ended. USAID/Kenya also draws on an African regional project to train selected Kenyans. Both of these sources are useful, but the need for well-trained Kenyan personnel remains very large. While shortages in managerial and technical skills represent a problem for virtually all African countries, two characteristics accentuate the problem in Kenya - first, the relatively fast pace of development, with growing emphasis on extending programs into rural areas; and second, the existence of a large private sector that will continue to lure from Government a portion of those trained at public expense, until the supply of needed skills is brought more nearly into balance with demand.

USAID should be encouraged to press ahead with a separate and supplementary training project, oriented to skills needed for New Directions programming, but not narrowly tied to individual projects. The approach should be anticipatory - helping to train Kenyans in management of project areas in which USAID can reasonably expect to be investing resources two or three years hence. In addition, some training should be reserved for analytical and policy staff. As a first step towards a supplementary training project, USAID needs to inventory the current outlook, assessing both gaps and constraints, and focussing in particular on sectors where future AID programming is likely.

2. Women in Development

Kenya's new Five-Year Plan opens with two chapters entitled "Progress, Problems and Strategy" and "The Policy Framework." These seventy-nine pages, otherwise studded with values and themes shared with Kenya's major donors, make little mention of one theme increasingly important to the United States in its development aid programs -- improving opportunities for women both as participants and beneficiaries in the development process.

Women have long done much of the farm work in Kenya. With broadened opportunities since independence, nearly half of all children enrolled in primary schools today are girls, and young women are increasingly flocking to the cities for jobs in commercial and government offices. The Government has established a Women's Bureau in the Ministry of Housing and Social Services with a professional staff of eight to promote women's interests in the modernized sector and make small grants to local women's organizations. One woman holds the rank of Assistant Minister.

Despite progress since independence, recent studies make it clear that women continue to lack many of the rights and opportunities open to men. Yet, without flourish, Kenya is already moving to improve the status of women and would probably agree to policies and programs that move the process a little faster.

USAID's leadership is laying stress on the need to build "women in development" concerns into all of AID's work, and wants particularly to give more attention than in the past to doing this at the early stages of conceptualizing and designing projects. Officials of both Peace Corps and CARE voiced strong interest in developing explicit programs to advance the interests of Kenya's women. Collaborative programming with AID would seem a distinct possibility.

So the interest is there, and the task for USAID is to see that the interest is sustained, translated into early and serious discussion on bilateral project ideas in every sector, and also given prominence from the standpoint of both means and ends in making grants to PVOs.

3. Cooperation with Peace Corps and PVOs

The Peace Corps has long maintained a sizable presence in Kenya, currently involving over 200 volunteers. Many private organizations - sectarian and non-sectarian - European, North American, and indigenous - sponsor efforts to improve rural well-being in one way or another.

Differing purposes, priorities, and programming time frames have minimized AID/Peace Corps collaboration in Kenya. An effort to use Peace Corps volunteers in a USAID agricultural sector loan two years ago was ill-fated even though volunteers posted with rural cooperatives were apparently doing an excellent job. The USAID suspended release of Kenyan shillings to the project because of serious differences with the Government, with the result that funds the Government had agreed to provide for local support costs of the affected volunteers were not available. With both organizations under new leadership in Nairobi, USAID and Peace Corps have opened a dialogue on cooperative programming. Both recognize correctly that little beyond ad hoc cooperation is likely to develop unless AID involves Peace Corps at the early stages of project design in an area of clear mutual interest. The Peace Corps indicated an interest in cooperating with the USAID in rural health or semi-arid agriculture, possibly stressing "women in development" aspects.

Past USAID practice in considering grants to PVOs has been mainly to react to initiatives from individual organizations. Consequently, though all AID-assisted PVO projects seek to benefit and involve the rural poor, some are closer to USAID's sectors of program interest than others. In its CDSS, the Mission proposes using PVOs "to implement areas of the Mission strategy either as a complement to the bilateral program, or as pilot efforts." Responsibility for the implementation phase of PVO projects has been transferred from the Mission Program Office to the technical divisions, with a view to better integrating PVO activities with bilateral assistance.

However, to the extent that constraints on staff time prevent USAID from supporting all the PVO activities it might wish, the CDSS implies a posture of being more selective than in the past in deciding what type of PVO activities to support. Also implied is the need for a more activist role in the design of PVO projects, particularly those of a pilot character intended to yield insights on delivering health and population at a cost manageable ultimately without donor subsidy. Hopefully, USAID's shift in PVO policy can also include support to indigenous PVOs. This could offer the potential of more cooperation and creditability with Government authorities and perhaps enhance prospects that the Government will support and replicate promising pilot efforts after USAID assistance ended.

4. Relations with REDSO/East Africa

Prior to the change in USAID leadership which took place in 1978, the relations between REDSO and the USAID had been severely strained. The differences, which reportedly originated in issues surrounding shared administrative support, made effective working relations almost impossible and even obstructed social interchange among staff members of the two organizations.

By the time of the OAS appraisal the new USAID leadership had almost completely eliminated the previous problems and the recent arrival of the new Director for REDSO completed the turnover in leadership of both organizations.

At this point the problems which troubled USAID/REDSO relations appear to be a thing of the past and we see no reason to expect a recurrence.

G. USAID STAFFING, MANAGEMENT AND SUPPORT

With a personnel ceiling of 37 Americans and 50 local employees, USAID/Kenya is the largest country Mission in Africa. The question naturally arises, therefore, whether such a large staff is warranted or whether it could be reduced. The size of the Mission is, in part at least, more apparent than real. USAID/K provides administrative support to several regional units in Nairobi, whose functions relate to Kenya only in the same manner they do to the other Missions in East Africa. The largest of these is, of course, REDSO/East Africa with twenty-eight American staff members. In addition, there is a regional Auditor General's Office in Nairobi with eleven U.S. employee ceilings and a Regional Housing Guarantee Office with three. The Administrative support responsibilities of USAID/Kenya include these additional units. As a consequence, the Executive Office of USAID/K has seven Americans and thirty-one local employee positions and it makes up approximately forty percent of the total USAID/K staff. While it is difficult to judge reliably the numbers of administrative personnel which would be required to service USAID/K alone, using Tanzania as a guide, we estimate that USAID/K probably requires four Americans and approximately twenty locals to meet its own needs.

Similarly, the USAID/K Office of the Controller is also the East Africa Accounting Center with responsibility for keeping the financial records for AID programs in several countries. There are four American positions and sixteen local employees attached to this office. A reasonable estimate of the number needed to perform the Controller function for USAID/K alone might be one American and perhaps five local employees. These estimates suggest that the Kenya Mission is larger by approximately six American and twenty-two local positions than it would be if it were concerned with planning and implementing the program in Kenya alone.

In addition, a disproportionately large number of regionally and centrally-funded AID projects are located in Kenya. At latest count there are thirteen on-going and eight proposed centrally funded projects in Kenya. (This compares with twenty-two active projects in the USAID/K program.) While the Mission does not have the same degree of responsibility for monitoring and supporting this type of project that it has for projects in the Mission's own portfolio, it does inevitably become involved to some degree in project implementation. Thus, such projects do represent an extra workload which must be absorbed by the Mission's regular staff.

In sum then, when one attempts to pass judgement on the size of the Kenya Mission, it is important to keep in mind these special requirements which directly or indirectly impose staffing burdens on the Mission, additional to those growing out of the Kenya program alone.

While there are no agreed criteria for measuring Mission workload, the OAS team made a series of statistical calculations in an attempt to compare USAID/Kenya with other missions with similar-sized programs (Cameroon, Ethiopia, Ghana, Liberia, Tanzania and Zaire). Without going into detail, these calculations involved drawing ratios between personnel ceilings and cumulative and new obligations, and similarly between personnel ceilings and numbers of projects. While not claiming complete reliability for either the data or the methodology, results tended to confirm field observations that even at present program levels USAID/K is not overstaffed by comparison with other major African Missions.

In addition to these rudimentary statistical measures the OAS team also devoted considerable attention to the matter of assessing Mission staffing during the field portion of the appraisal. Overall, we reached the conclusion that for the size and type of program being administered the Mission is just barely capable of keeping abreast of the ongoing program. Indeed, there were some indications that the paperwork demands of the program are occupying such a large portion of staff time that some field activities may not be receiving the attention they deserve. Further, we concluded that, with the major expansion in the program which took place in FY 1978, the Mission may not be able to cope adequately with the enormous increase in implementation requirements in coming months, as they are superimposed on the planning and design activities for several new projects.

For several years the program in Kenya consisted of a modest number of technical assistance activities, supplemented from time to time by a development loan. In FY 1977 and FY 1978, there was a major increase in program activity to over $32 million in each year. As a consequence, the portfolio of projects being implemented by the Mission has increased substantially. In addition, disbursement against part of a $13.5 million agricultural sector loan authorized in FY 1975 had been suspended a year or so ago because of differences between the Mission and GOK. These differences were recently resolved, so that this loan has again become part of the current workload of the Mission. Consequently, the Mission entered FY 1979 with unliquidated obligations of $64 million, which is three-and-one half times the size of the USAID pipeline of neighboring Tanzania's. USAID/Kenya has twenty-two active USAID-financed projects, including the monumental combination of activities coming under the heading of Agricultural Systems Support Project (The ASSP is counted as two projects -- one loan and one grant).

Thus, as mentioned above, the OAS team came to the conclusion that the Mission may not be able to cope with the large increase in implementation activities growing out of commitments already made and also carry forward the design of new projects that are now contemplated. This assertion is based on a review of anticipated workload which will accumulate over the next year. It also is prompted in part by the conclusions of an Auditor General report prepared in December 1978 and which by implication sets performance standards by which the Mission may expect to be measured.

The largest single source of Mission workload in coming months will be the Agricultural Systems Support Project, approved in FY 1978. The Mission will be implementing activities for which funds have already been obligated and also preparing for future commitments of funds for project components which are included in the agreed project but for which funds have not yet been obligated. The ASSP includes a $20 million loan for financing the construction, renovation and additions to some twenty buildings plus 513 staff houses at Edgerton College which is located approximately one-hundred miles from Nairobi. The loan also includes funds for procurement of laboratory, classroom and other equipment for the college.

In addition to the loan for Edgerton College the ASSP provides for grant-funded, long-term technical assistance contracts at Edgerton College, Koboko Range Research Station, the Agricultural Finance Corporation and the Ministry of Cooperative Development. Several major feasibility studies such as one covering a national grain storage program and another for a new institute for coastal agriculture have also been funded or planned. Some of these studies will have implications for future project development. Finally, the ASSP includes funds for substantial numbers of long and short term participants to be trained overseas and in Kenya.

Outside the ASSP, several existing projects now getting underway or new ones being planned will also add to the Mission's workload. The Food Crops Research project, which has been in existence for several years as a regional activity, is being reoriented toward assisting the government to analyze the crop potential of the marginal lands and will involve a new technical assistance team of seven long-term U.S. advisors plus associated equipment procurement and participant training. The Mission is also currently developing a major project directed toward the establishment of rural marketing centers in western Kenya. As presently envisaged it would include a $6.6 million loan plus approximately $2 million in grant funds for technical assistance and training. In the health field, work is in progress to develop a project in the area of rural water supply and a new project in health planning is also anticipated; both projects are candidates for obligation this fiscal year. Finally, the design of a major, possibly multi-faceted project in the area of Arid and Semi-Arid Land Development is planned for this fiscal year.

Together, the ASSP and other activities, in the opinion of OAS, will result in a quantum increase in workload for the Mission. The ASSP and Food Crops Research projects alone will bring something on the order of an additional 45-50 full-time U.S. contractor personnel into the country - as compared with only 27 on board in FY 1978. We estimate some thirty short and medium-term staff will also be associated with these same activities.

It is difficult to calculate the size of the increase in participant training workload. However, according to a Mission report there were 57 academic and seven non-academic participants out of the country on training grants in December 1978. By contrast, the Agricultural System Support Project alone will fund approximately one hundred participants per year.

In sum, then, we anticipate an enormous increase in workload for the Mission in the next year or so. In countries where the program has been operating for a number of years one would expect old projects to drop from the active list as they are completed and thus offset the increased workload resulting from newer activities. In Kenya, however, since the increase in program size is of relatively recent origin, only one or two projects are reaching completion in the near future, and they will offer little relief to an overburdened Mission.

This sharp increase in Mission responsibilities must also be seen in the context of Agency standards for program and project design and Agency requirements for project management and monitoring. While increased delegation of approval authority to Mission Directors may lighten somewhat the design and justification requirements worldwide, most of the new projects contemplated in Kenya will, because of their size, probably not qualify for Mission approval. Indeed the degree of complexity of planning in areas such as arid and semi-arid lands will require AID/W assistance whatever the life-of-project size is.

With regard to project management, a recent report on the Kenya program by the Auditor General's Office identified several implementation problems in terms which imply a need for more, not less, intensive monitoring. For example, in the statement of findings and recommendations on the Lifestock Development Project, the report stated: "Project reports were not sufficient to determine,if goals are being achieved - while the project agreement does not require reporting in this detail, we believe that data on the number of beneficiary ranches and their identification by name/location; and the procurement of livestock by type of ranches is essential to project monitoring because project goals are stated in these terms." Similarly, the report criticizes the Mission for inadequate monitoring of fuel utilization as follows: "The records at field locations in December 1978 showed that there should have been 866 drums of diesel in stock. Our count of diesel on hand resulted in locating only 233 drums or a shortage of 633 drums. Records also showed that a stock of 144 drums of gasoline was on hand. We could locate only 60 drums of which 19 were only partially filled due to leakage. Part of the shortage is the result of not posting issues to the control records. However, this may not explain all of the shortages. Further investigation is needed to determine the causes of shortages." These examples of Auditor General findings were drawn from several contained in the report and serve to illustrate the degree of supervision or monitoring which the AG expects of the Mission. With the complex combination of activities reaching implementation in the next several months the Mission will be hard-pressed to avoid more serious breakdowns in project management.

The Mission intends, of course, to use contract and PASA arrangements which will minimize the direct demands on the Mission staff for administrative support. For example, the Edgerton College technical assistance will be provided under a self-contained contract with a consortium of U.S. universities which will support its own staff in the field. But such arrangements are never completely self-contained and the Mission will inevitably be drawn into administrative support problems to some degree. Twenty U.S. technicians stationed one hundred miles from Nairobi will require the Mission's attention no matter what contractual technique is used! The same can be said of the construction and equipment purchased for this project and the host of other problems which will be associated with implementing the ASSP. As long as the Agency sets standards such as those reflected in the Auditor General report, the workload implications are obvious.

To some extent, the Mission can design projects so that monitoring is simplified. For example, it would obviously be sensible to avoid financing diesel fuel in such a manner that barrels must be counted at remote sites. But one cannot design-away all monitoring responsibilities under the Agency's established methods of doing business. Thus, unless the Agency significantly alters its approach to project design and fund accountability, it is not possible to avoid the substantial burden of project monitoring.

Consequently, assuming no basic changes in Agency procedures and monitoring standards, we conclude that USAID/Kenya must increase the numbers of its staff during the coming year if it is to cope with the large increase in workload described above. The size and composition of the increase can best be prescribed by the Mission. However, we believe the Mission could partially or even largely meet its needs through the increase in employment of Kenyans in professional positions. USAID/Kenya has lagged behind such organizations as Peace Corps and CARE in hiring Kenyans for professional program work. The professional local employees now employed in the Mission are in the traditional controller, executive office, engineering and participant training functions. There are no senior professional Kenyans in the Program Office or in agriculture, health, population, or nutrition. The USAID leadership would like to rectify this situation, but ceiling constraints have made it very difficult to do so. In fact the number of local employee ceilings allocated to the Mission was recently reduced from 55 to 50.

We do not make this recommendation for increased staffing lightly. We are well aware of the limitations imposed on the Africa Bureau and the Agency generally with reference to staffing. Indeed, if Kenya is representative of what is happening more widely in AID, the Agency may be reaching the point where basically different techniques must be found for administering development aid or different standards of accountability must be adopted if it is not possible to alter the limitations on overseas staffing. We do not believe it is realistic to expect the Mission to count drums of diesel fuel at field locations, manage major increases in project assistance, and at the same time reduce the numbers of staff members available to plan and implement the Mission's program.

We have suggested it might be possible to meet the Mission's implementation burdens in part by an increased use of Kenyan professional employees. However, under present rules, employment limitations issued by the OMB do not make a distinction between U.S. and foreign national employment. Therefore, the only incentives a Mission Director has to hire local professionals are to reduce the size of his budget (much of which is paid out of AID/W anyway) or to gain a degree of knowledge of the local scene not usually possessed by American employees. In addition, it is frequently easier to obtain MODE clearance for a local employee ceiling than for an American. However, since local employees are generally less knowledgeable about Agency procedures and requirements and less effective than the American staff in program planning and design work, Mission Directors will usually choose an American direct hire employee in preference to a foreign national employee if the ceilings for each are equally difficult to obtain. Thus, for Kenya and for the Agency as a whole, one method to ease the constraint on staffing would be to find some formula acceptable to OMB which would make it possible to employ larger numbers of local professional employees without incurring a one-for-one charge against the Agency's employment limitation.

The only other possibility for easing the staffing problem which we can recommend is the use of non-project assistance techniques as proposed earlier in this report. However, this will not offer a reduced workload in the short run since project design activities for this type of aid could be at least as demanding as with project assistance. In addition, much of the increased workload on the horizon will flow from the Agricultural Systems Support Project and other similar activities which are already reaching implementation or are relatively firmly planned. Thus, at best the use of non-project techniques represents a longer-term answer and admittedly only a partial one.

(The Mission is still utilizing a small number of local employees in functions which can conceivably be contracted out. However, the Mission is already examining this possibility carefully and only a few ceilings would be gained in any event.)

1. Employment Opportunities for AID Dependents

Nairobi has the largest concentration of AID employees in Africa. There are 79 direct-hire U.S. ceilings in USAID/Kenya, REDSO, and the regional Auditor General and Housing Offices. Adding employees of State and other USG agencies would bring the number well over 100. We learned that many spouses of USG employees are interested in working part or full-time. In addition to wanting to apply their experience and skills and to build a record for future employment and career advantage, the interest which many spouses have in working probably also reflects the relatively high cost of living in Nairobi and the "big city" atmosphere which deters the sense of community or common purpose among Americans which is found in some overseas posts.

However, jobs are not easy to find. Kenyan government policy restricts non-citizens from holding jobs that could be filled satisfactorily by Kenyan citizens. Work permits are thus hard to obtain for most expatriates. This restrictive policy, of course, does not extend to foreign Embassies and Missions.

While the matter of job and career opportunities for dependents of USG foreign service employees raises numerous and complex issues that are deservedly receiving more attention, one useful and relatively simple step that could be taken in the Kenyan setting might be to allocate a modest number of part-time ceilings for use by the Mission. AID has been issued by OMB a non-FTEPP employment limitation of 460. While this limitation is used to cover direct hire consultants and temporary appointments as well, the authority is utilized primarily for part-time employees and almost entirely for the benefit of AID/W. As of February 28, only nine U.S. nationals overseas were on non-FTEPP appointments. Against the employment limitation of 460, 417 employees were actually on board as of that date.

Use of part-time or temporary appointments would not only be helpful in terms of Mission morale,it might also contribute to ameliorating the workload problem discussed earlier. It would have the added feature of not resulting in any increase of Americans at post and would presumably not pose MODE issues.

The use of part-time or temporary appointments seems peculiarly well suited to Nairobi because of the relatively large number of spouses and other dependents located there. However, this technique might be helpful in a number of posts where full-time ceilings cannot be increased for one reason or another, and where there are qualified dependents interested in part-time work. The Agency has permitted the use of part-time ceilings overseas, but most Missions are probably not aware of their availability. Consequently, if the decision were made to make wider use of non-FTEPP appointments overseas it would be necessary to inform field missions of this opportunity and the rules governing such appointments.