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Action Plan

FY 1989-1990

KENYA

MARCH 1988

Agency for International Development
Washington, D.C. 20523

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FOR AFR/DP/PAB

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SUBJECT: ABS TYPOS

1. IN FURTHER REVIEW OF ABS SUBMISSION, DELIVERED BY KIERT TOH ON MAY 31, WE FOUND TWO TYPOS WHICH SHOULD BE CORRECTED ON DISKETTE AND THE TWO COPIES SENT TO DP. ON TABLE I, LONG RANGE PLAN, PG. 6 OF ABS, UNDER FY 1989, DSF AND ESF TOTAL SHOULD READ 40 (FORTY) MILLION VICE 30 (THIRTY) MILLION. ON TABLE III, PROJECT OBLIGATIONS BY APPROPRIATION, PG. 7 OF ABS, FY 88 ESTIMATE FOR PROJECT 615-0240, STRUCTURAL ADJUSTMENT II SHOULD READ 7.5 MILLION VICE 7.8 MILLION. BOTTOM TOTAL IS CORRECT AND REQUIRES NO CHANGE.

2. APPRECIATE DP MAKING THE CHANGES. CONSTABLE

KENYA ACTION PLAN, FY 1989 - 1990 -1991

USAID/Kenya

January 1988

KENYA ACTION PLAN, FY 1989 - 1990 - 1991
for
USAID/Kenya

EMBASSY OF THE
UNITED STATES OF AMERICA
NAIROBI, KENYA

January 27, 1988

Mr. Charles Gladson
Assistant Administrator
Bureau for Africa
Agency for International Development
Room 6936 New State
Washington, D.C. 20523

Dear Mr. Gladson:

I am pleased to endorse the Kenya Action Plan for FY 1989-91 now being submitted by the U.S. Agency for International Development in Kenya. My staff and I have reviewed the document, have discussed it with USAID/Kenya staff, and fully support the actions proposed in it.

I am convinced that our U.S. assistance program is on the right track with its focus on the strategic objectives of:

-- increasing per capita food production
-- increasing the role and efficiency of private enterprise in economic growth, and
-- reducing the population growth rate.

Significant steps have been taken in these areas during the past few years. Continued commitment and continuity are likely to yield even more impressive results in the future. The program is extremely beneficial for the people of Kenya and for U.S. interests in this important country.

Sincerely,

Elinor G. Constable

Elinor G. Constable
Ambassador

Acronyms and Abbreviations

ABS	-	Annual Budget Submission
CDSS	-	Country Development Strategy Statement
ESF	-	Economic Support Fund
FADS	-	Food Assistance Development Strategy
FPPS	-	Family Planning Private Sector
FPSS	-	Family Planning Support Services
FSN	-	Foreign Service National
GDP	-	Gross Domestic Product
GOK	-	Government of Kenya
IDAT	-	Institutional Development for Agricultural Training
IMF	-	International Monetary Fund
KARI	-	Kenya Agricultural Research Institute
KEPI	-	Kenya Expanded Program on Immunization
LC	-	Local Currency
MOH	-	Ministry of Health
NARP	-	National Agriculture Research Program
NCPB	-	National Cereals and Produce Board
NCPD	-	National Council for Population and Development
NGO	-	Non-Governmental Organization
ORT	-	Oral Rehydration Therapy
PSC	-	Personal Services Contractor
PVO	-	Private Voluntary Organization
REP	-	Rural Enterprise Project
RFMC	-	USAID/Regional Financial Management Center, Nairobi
RPE	-	Rural Private Enterprise
SSAP	-	Structural Adjustment Assistance Program
VSC	-	Voluntary Surgical Contraception
WID	-	Women in Development

KENYA ACTION PLAN, FY 1989 - 1990 - 1991

I. PROGRAM OBJECTIVES AND IMPACT ASSESSMENT

A. Program Objectives

The primary USAID goals for assistance to Kenya are to promote an increase in economic growth and to reduce the rate of population expansion. They were first expressed in USAID/Kenya's 1984 CDSS, were reiterated in the Action Plan for FY 1986-88, are valid goals today and are expected to remain so through the end of the Century. The Mission's strategy for accomplishing these long-term goals has been reviewed and approved by A.I.D./Washington on a number of occasions and remains essentially unchanged. Five major sector analyses and strategy statements -- on agriculture, population, the private sector, food assistance and child survival -- have been developed and approved during the past two years and are now being implemented. Modifications made in targets (actions) represent fine tuning of the strategy in order to: (1) address new short-term constraints that may impede progress toward attainment of long-term goals, e.g. a deteriorating balance-of-payments situation; (2) take advantage of positive attitudinal changes on the part of the Government of Kenya (GOK) regarding the role to be played by a component in the economic development equation, e.g. the private sector; or (3) bring into play newly identified short-term actions, e.g. U.S.-based training, which the Mission believes will assist and/or accelerate movement toward the accomplishment of long-term goals.

The overall strategy continues to be directed toward developing and improving an "enabling environment" by reducing restrictions on private sector entrepreneurs and by fostering production and marketing conditions that will serve as inducements for greater crop production. The USAID program is concentrated on three strategic objectives:

- -- increasing per capita food production,
- -- increasing the role and efficiency of private enterprise in economic growth, and
- -- reducing the population growth rate.

USAID/Kenya's strategies for addressing each of these objectives are outlined in Section II of this Action Plan.

B. Program Impact Assessment

Overall progress toward USAID's strategic objectives since submission of the last Action Plan has been mixed but generally good. Progress was made in USAID-supported activities aimed at increasing per capita food production; notable achievements were recorded in expanding the role of the private sector, particularly in 1987; and progress toward reducing Kenya's rate of population growth was fair-to-good. USAID/Kenya's efforts -- through policy dialogue, establishment of macroeconomic or sector policy conditions within projects, analysis of constraints and of alternative possibilities for achieving objectives, collaboration with other donors, and work at many levels of the GOK and in the private sector -- were instrumental in helping to achieve progress. Major specific accomplishments by objective include:

1. Food Production

a. Policy change

Following recommendations from a major evaluation of the Agricultural Development Program, USAID appears to have successfully promoted policy changes designed to increase the use and availability of fertilizer. The GOK drafted a Policy Paper outlining goals, objectives and strategy for improvements in this area and confirming that USAID and the GOK are in agreement. Fertilizer is now being distributed by 35 private sector distributors instead of the single GOK-operated cooperative which formerly controlled all distribution. Fertilizer prices are now based on a benchmark international price, a policy change that has resulted in reduced prices to farmers. The Ministry of Agriculture has created and staffed a Fertilizer Monitoring Unit to collect and analyze data on the fertilizer sector for better planning and decision making, thus enabling the GOK to implement its plans to liberalize fertilizer import allocations and pricing. Repackaging into smaller bags has made fertilizer more affordable to smallholder farmers. The number of private sector firms allowed to import fertilizer increased from 13 in 1985 to 44 in 1987, resulting in expanded fertilizer distribution to wider geographic areas and increased use of fertilizer by small farmers.

In the area of grain marketing policy, the GOK is now committed to restructuring the role of the parastatal marketing body, the National Cereals and Produce Board (NCPB), and increasing the role of cooperatives and private firms in both the primary and secondary marketing of cereal grains. The NCPB has long been the commanding force in grain marketing and distribution. In 1986, the GOK agreed that private millers could purchase Title I wheat directly on arrival at port. In 1987, the GOK agreed that all commercially imported wheat, in addition to Title I wheat, would be sold to private millers.

b. Basic food research. A single body, the Kenya Agriculture Research Institute (KARI), has been established to coordinate all agriculture research. Research priorities that provide continuity and consistency have been established. Duplication in research has been greatly reduced, and the number of major research stations has been reduced from over 40 to 15. The strategy for and consolidation of agricultural research has freed resources for a greater emphasis on quality rather than quantity in the research effort.

c. On-farm grain storage technology. A 1987 evaluation of a cluster of 30 farms indicates that USAID-supported improved storage management practices have reduced spoilage by 10 percent. The evaluation strengthened the confidence of USAID and the GOK that the grain storage project can make a significant impact in reducing post harvest storage losses in major grain producing areas of Kenya. Project activities are being extended to additional areas of Kenya, and extension/demonstration activities are concentrated on those groups shown to be most successful. Over 950 agricultural extension officers (about 40 percent of them women) have been trained in new storage techniques and are disseminating these improved technologies to farmers. [This target has been achieved and does not appear as a target area for the FY 1989-91 Action Plan period.]

d. Technical management and financial capability of agricultural sub-systems. A long-term institutional relationship was established between Egerton University and the University of Illinois. Thirty percent of students enrolled this year are women (an increase from 21.4 percent in 1985/86), and 15 percent of the faculty are women. Seventeen Egerton faculty (including four women) are in the United States for training in professional and administrative skills. After only six months of implementation, the Agricultural Management project has identified at least five public and private sector organizations which provide services to the smallholder farming sector and which are interested in obtaining specialized training to improve their performance. The final evaluation of the Rural Planning II project and the interim evaluation of the Resource Management for Rural Development project verified that significant progress has been made by the GOK in implementing the "district focus for rural development" concept, on budget rationalization and in improvement of institutional capacity both in the central ministries and at the district level. Therefore, USAID has committed itself to begin a new phase of the project.

Problems

Some results have fallen short of expectations over the last two years. For example, USAID had hoped to diminish the maize marketing role of the National Cereals and Produce Board, an inefficient agricultural parastatal, but success in this area proved to be short-lived. Unfortunately, this policy was reversed due to poor implementation planning which resulted in the Government's inability to recover agricultural loans or stabilize producer prices. Present planning by the GOK calls for reducing the NCPB's role in the agricultural market to one of a crop buyer and seller of last resort.

Despite the successful efforts in integrating the agricultural research establishment under KARI, progress over the past 18 months in implementation of key program components to support field station and adaptive farm research has been slower than anticipated. With annual productivity increases for key food crops falling further behind effective demand increases, research processes for new streams of technology to reverse this trend are required immediately. USAID, in collaboration with 12 other donors, has just begun to provide the necessary support to increase the pace of these activities.

Another difficulty faced in implementing USAID-supported agricultural programs is the fragmentation of responsibility for agricultural activities among five separate ministries.

2. Private Sector

a. Improving the policy climate to expand incentives for private businesses. An increasing number of public statements are being made by senior GOK officials about the partnership between the public and private sectors in generating growth and development in Kenya. The most significant example was the Africa-wide conference on the "Enabling Environment" (sponsored principally by the Aga Khan Foundation with some USAID financial support). It was hosted by Kenya and opened by President Moi in October 1986. The central document on GOK policy, Sessional Paper No. 1 on Economic Management for Renewed Growth (March 1986), clearly outlines the leading role the private sector will play in the future of Kenya's development. USAID'S private enterprise development strategy supports that thrust and emphasizes assistance to small-scale rural entrepreneurs, the informal sector, and modern large-scale firms.

Jointly with the World Bank, the International Monetary Fund (IMF) and other bilateral donors, USAID has helped persuade the GOK to maintain favorable macroeconomic policies, such as positive, real interest rates, realistic exchange rates, and low inflation. Through Economic Support Fund conditionality, USAID has encouraged the GOK to improve import administration in two important areas: making tariffs more uniform and reducing the level of tariffs on important intermediate goods. In a departure from most previous bilateral assistance, USAID and the GOK agreed in June 1987 to channel the bulk of the resources under the Private Enterprise Development project directly to private sector organizations, an important step which underscored GOK understanding of the vital contribution that the private sector is expected to make to national development.

There are additional, albeit tentative, signs that the process of divestiture of selected government parastatals is underway. The National Bank of Kenya and the Kenya Commercial Bank have both begun discussions on the issuance of 20-40 percent of their shares to be sold to the public in 1988. The Kenya Meat Commission is likely to be involved in selling the bulk of its assets to its principal suppliers. Also, there appear to be concrete moves to pursue the development of Kenya's capital market.

b. Developing a more effective business support system. Substantial progress has been made in providing medium-term credit directly to rural enterprises. USAID has committed $24 million in medium-term financing through the commercial banking system, and more than $4 million in individual loans have been approved to date by participating banks. A major milestone was achieved in late 1986, when the GOK agreed to establish a refinancing facility for rural lending at the Central Bank. This represents the first step taken by the GOK toward creation of a permanent refinancing facility. It will enable the commercial banking system to have access for the first time to a facility for converting long-term obligations into short-term paper to solve liquidity problems.

Programming of counterpart funds for private sector initiatives has resulted in financial support for a private sector housing program, as well as for informal sector and small loan guarantee programs. In addition, the GOK has expressed interest in programming new counterpart funds for a wide range of private sector activities, including additional funds for the Rural Private Enterprise loan program.

Problems

Of particular significance in the private sector is the issue of "indigenization" (see discussion in Section II B), the extension of a greater share of economic growth and control to Kenyans of African origin. If not satisfactorily resolved, this issue will have a negative effect on investment and private sector growth in Kenya.

An emerging problem with the Rural Private Enterprise loan program is that the average loan size is somewhat larger than anticipated. Preliminary discussions with GOK officials indicate some willingness to consider integrating the non-banking financial institutions into the program. Such institutions lend at higher interest rates to less well established borrowers, and their participation in the program could mean more loans to smaller borrowers.

Another problem which could harm some USAID programs, as well as those of other donors, is that import duties are being charged on commodities used in the programs of non-governmental and private voluntary organizations (NGOs/PVOs). This has had a significant negative impact on the ability of NGOs to contribute to national development and has delayed progress in several components of USAID's private enterprise projects which utilize NGOs.

The GOK is moving slowly in implementing its stated aim of at least partial divestiture of its many parastatal operations because (1) it believes that most privatization programs will wind up transferring resources to non-indigenous Kenyans, and (2) the parastatals still provide sinecures for politically powerful individuals. Through continuing dialogue, USAID is working to inform GOK policy makers about privatization mechanisms which would be responsive to at least the first of these concerns.

3. Population

During the past few years, a number of important steps have been taken in Kenya to reduce fertility rates. USAID's efforts have been an important factor in these accomplishments. Based on recent service statistics, the current contraceptive prevalence rate is estimated to be 18 - 20 percent of eligible couples. A national community-based family planning program is now being implemented under the direction of the National Council on Population and Development (NCPD). More than 700 nurses and clinical officers (95 percent of them women) have received family planning training under the Ministry of Health program since the beginning of 1986, and there has been a corresponding increase in availability of services through MOH facilities. Through expansion of the voluntary surgical contraception program (VSC), 32 new service sites have been established and an estimated 13,500 individuals have been served. Through support to the Family Planning Private Sector Project, more than 120 service delivery points, servicing more than 35,000 clients, have been established since 1984. High-level support for family planning, reflected in recent public statements by both the President and Vice President, have helped to create a very positive environment for program expansion.

Problems

Some problems persist in the implementation of the Family Planning Services Support (FPSS) Project, the major Mission activity in the population field. For example, the reluctance of the National Council for Population and Development (NCPD) to channel bilateral assistance through U.S. cooperating agencies and contractors has slowed implementation of several project components, such as social marketing and community-based services. Though the MOH has requested assistance in strengthening contraceptive logistics, to date this element of the program has not functioned very effectively. The lack of reliable service statistics and related management information has made it difficult to assess program strengths and weaknesses, or to make necessary adjustments. Recent GOK efforts to centralize decision-making about uses of bilateral project funds also have impeded implementation in the sector.

C. Implications for Future Program Actions

Continuing analysis of the components of economic growth and of the constraints to development in Kenya confirms that the goals and strategic objectives of the USAID program remain valid. Progress made, as outlined in Section I.B., confirms that the strategy is both worthwhile and workable and provides guidelines for successful future interventions. (A more detailed explanation of the strategy within each subsector appears in Section II.) Problems encountered indicate areas where special efforts will need to be directed in the future. Based on analysis, evaluation, and constant interaction with private sector personnel, GOK officials, other donor representatives, PVO/NGO personnel and members of the general population affected by U.S. assistance, USAID/Kenya is convinced that the development strategy is on the right track. The Mission is committed to continuity in the program and plans to continue to work on the stated strategic objectives over the long term.

II. STRATEGIC OBJECTIVES, TARGETS AND BENCHMARKS, FY 1989 - 91

A. Food Production

Kenya's commitment to stimulating more rapid economic growth and employment creation through an agriculture-led growth strategy is dependent on significant increases in both food and export crop production. Presently, agriculture accounts for 27 percent of Kenya's GDP, 70 percent of employment and 65 percent of export earnings. Rural population is growing at a rate of 3.5 percent per year, and nearly eight million new jobs will be needed in the rural economy by the year 2000. The combination of high population growth rates and the scarcity of high and medium potential land have caused trends in per capita food availability to continue to decline. Kenya's food output is 156 kg. per capita; smallholders on farms averaging two hectares account for 75 percent of agricultural output. To maintain present levels of per capita grain production, output must increase from the 2.7 million ton 1980-84 average to 5.4 million tons in 2000.

Kenya's Sessional Paper on Renewed Economic Growth underlines the central importance of increased agricultural prosperity to achieving economic goals by the year 2000. USAID and a number of other donors support the GOK's agricultural objectives, which include: (a) food security by the year 2000 for Kenya's 35 million people; (b) 5 percent growth in farm family incomes over the next 15 years; (c) growth in export crop supply leading to a 150 percent increase in agricultural export earnings by 2000; (d) 3 percent annual growth in farm employment with increases in labor productivity; and (e) 3.5 to 5 percent per year increases in rural, off-farm employment.

USAID's agricultural program strategy continues to focus on the intensification of agricultural production on a scarce production land base, advocating input and marketing systems which reward private effort and entrepreneurship. USAID is playing a leading role in reorganization of agricultural research into a consolidated effort directed by one central organization, the Kenya Agricultural Research Institute (KARI), because providing new streams of technology will be critical for rapid increases in crop productivity. In addition, strengthening human resources (public and private) associated with various agricultural support systems remains an important component of USAID's strategy. Therefore, for example, continued support for Egerton University will be maintained through the Institutional Development for Agricultural Training (IDAT) project throughout the period of this Action Plan.

Target #1: Improve the efficiency of rural marketing systems through policy adjustments, public and private sector investments, and further development of private distribution networks.

Benchmarks: (a) NCPB's role progressively restructured to one of buyer and seller of last resort with its formal market share for maize reduced to a maximum of 70 percent by 1990; (b) Food for Progress/Title III program established in 1989 to support further liberalization of grain marketing; (c) GOK's role in the fertilizer sector further reduced by eliminating import allocations and pricing authority for all but the major fertilizer types and by allowing donor-financed fertilizers to be directly imported by the private sector by the end of 1989; (d) Rural Marketing Development Program established with 4-5 market regions identified for program investments.

Target #2: Implement research management systems and improve quality of basic food research.

Benchmarks: (a) A national agricultural research strategy developed by KARI to rationalize and prioritize resources on the basis of market demand and projected food security requirements; (b) financial and administrative systems in place at KARI; (c) technical research programs for maize and sorghum/millet operational in 12 research station locations; and (d) Research Fund support for a minimum of 10 private and/or university research activities by 1991.

Target #3: Implement training and institutional development activities at Egerton University, the Ministry of Planning, KARI and various agribusiness firms.

Benchmarks: (a) Egerton University--20 instructors enter or return to Egerton from graduate degree programs in the United States; curricula in six key departments substantially improved or newly initiated; and formal manpower study carried out on role of Egerton graduates in the economic development of Kenya; (b) Agribusiness development--high quality financial, marketing and management assistance under the Agricultural Management Project received by 24 agribusiness firms; (c) KARI--USAID-supported degree and in-country training programs directly linked to KARI's long-term manpower development program; and (d) Ministry of Planning and National Development--district-based planning system is linked to national-level resource allocation, and micro-computer technology becomes incorporated in the national development planning process.

B. Private Sector

As the predominant bilateral donor in the field, one of the most important contributions USAID can make to economic growth and development in Kenya is helping to expand the role of the private sector in the Kenyan economy.

A major issue to be confronted in this sector is the extent to which Kenyans of African origin are able to participate in and benefit from private sector programs. A very high percentage of private industry and commerce in Kenya is in the hands of Asian (ethnic Indian/Pakistani) businessmen who control approximately 75 percent of the trade sector and about 25 percent of the GDP. Although they are Kenyan citizens, these individuals represent only one-half of one percent of the country's population. They have contributed greatly to Kenya's development, but they continue to control a grossly disproportionate share of the economy. This problem continues to be a major concern to the GOK both as an equity issue and because many view this concentration of resources as a potential threat to social stability. In addition, Kenya's long term economic growth will require an ever-expanding pool of entrepreneurs and managers, most of whom will have to come from the other 99 percent of the population. At the same time, the GOK recognizes, because of their resources and significant experience, that the continued participation of the Asian community is a necessary factor in keeping the private sector growing for the benefit of the entire nation.

In this context, USAID must confront the dilemma of a small group which controls the majority of private sector activities (and therefore contributes to and benefits from many of USAID's private sector development programs), while the vast majority of the population has little current access to many of the same private sector benefits. This dilemma is exemplified by USAID's Commodity Import Program in which Kenyans of African origin account for less than five percent of users. During the 1989-91 Action Plan period, USAID will concentrate on finding ways to draw more of the indigenous population into the private sector. In keeping with the need to achieve growth both in the short and long term, the aim will be to promote greater indigenous participation rather than to exclude participation of non-indigenous groups.

USAID's two-pronged strategy for expanding the role and efficiency of private enterprise in economic growth involves promoting growth among Kenya's private, for-profit businesses by: (1) improving the policy climate that affects private business, and (2) developing a more effective business support system.

Target #1: Provide lines of credit to enable two venture capital firms to gain access to convertible debt financing in order to expand equity investments resources.

Benchmark: Two venture capital firms, Industrial Promotion Services and Kenya Equity Management, will have invested equity of approximately $2.5 million and utilized USAID's line of credit to provide approximately $3.2 million to 15 - 20 firms.

Target #2: Provide management and technical assistance to private businesses.

Benchmark: Over 850 businesses provided management and technical assistance through three USAID-funded organizations: Kenya Management Assistance Program, International Executive Service Corps, and Kenya Equity Management.

Target #3: Strengthen PVOs which provide small enterprise assistance to the informal sector.

Benchmark: Twenty PVOs assisted through grants, loan credit programs, and technical assistance.

Target #4: Finance policy studies on the enabling environment in areas such as capital market development, investment climate, price controls and rural industrialization.

Benchmark: Ten policy studies completed by two USAID-funded policy institutions, the Investment Promotion Center and the Kenya Association of Manufacturers.

Target #5: Sponsor seminars related to a wide range of private sector issues.

Benchmark: Fifteen seminars conducted over the next two years by three organizations funded by the Private Enterprise Development project.

Target #6: Provide technical training, business management skills and small loans to micro-enterprises, enterprise groups and informal sector entrepreneurs.

Benchmark: Support received by about 400 micro-enterprises and enterprise groups under a grant from the Rural Private Enterprise project.

Target #7: Provide loan assistance to medium-sized firms.

Benchmark: Approximately $23 million in loans disbursed to 25 - 35 Kenyan firms through the loan component of the Rural Private Enterprise project.

Policy Change

A number of policy aims will be pursued in the private sector area during the Action Plan period, including:

1. Indigenization: USAID will support the GOK's effort to draw more indigenous Kenyans into the private sector by modifying several private enterprise programs. Future counterpart funds are being programmed to expand the existing informal sector loan program, under which 95 percent of the beneficiaries are Kenyans of African origin, and potentially to create a Loan Guarantee Scheme targetting smaller indigenous importers under the Commodity Import Program.

2. Import Licensing. USAID will strive for an expeditious and equitable approval process for import licensing to ensure that scarce foreign exchange resources are allocated to those industries needing them most.

3. Capital Market Development. USAID will continue supporting the Ministry of Finance in its efforts to create a Capital Market Development Authority, expand money markets, and encourage the expansion and modernization of the Nairobi Stock Exchange.

4. Market Interest Rates: USAID will seek to convince the GOK, both in regular ESF policy dialogue and through project level contacts, of the counterproductive effect that fixed across-the-board interest rates have on the attainment of the GOK's objective of reaching smaller indigenous firms through commercial channels.

C. Population

Rapid population growth represents a critical development problem for Kenya. The current population of 22.3 million is estimated to be growing at roughly 3.8 percent per annum. If this rate of growth continues unabated, Kenya's population will double in less than twenty years. Even assuming a successful family planning program, the population of Kenya is projected to exceed 33 million by the year 2000. Clearly, this growth will seriously undermine efforts to attain per capita improvements in a wide range of social and economic indicators. In addition, population pressures with regard to the growing scarcity of arable land and relatively limited short-run opportunities to increase wage employment present increasingly serious political and economic problems.

USAID's long-term goal in this sector is to assist the Kenyan government in reducing the rate of population growth. Specifically, USAID supports the GOK's effort to reduce the rate of population growth to 2.8 percent by the year 2000, with a shorter term goal of reducing the growth rate to 3.2 percent by 1992, although USAID believes these projections are quite optimistic. Overall, the focus on service delivery described below is expected to result in an increase in prevalence of contraceptive use among married couples of reproductive age from the current level of 18 percent to 23 percent over the next two years. Use of more effective methods of contraception by that group is projected to increase from 10 percent to 14 percent during the same period.

USAID's strategy for reducing the population growth rate aims to encourage deferral of first births, spacing of births during the middle child-bearing years, and completion of fertility at an earlier age by:

-- expanding information, education and communication about fertility and family planning;

-- expanding community-based and market-based distribution of contraceptives; and

-- expanding clinical services through government, private practitioners and NGO's.

Target #1: Expand clinic-based services through training and deployment of Ministry of Health and NGO clinic personnel.

Benchmark: The portion of the population with access to clinic-based family planning services will increase from 40 percent to 60 percent.

Target #2: Increase access to voluntary surgical contraceptive services, through the provision of training, equipment, and supplies to the MOH, NGOs, and private clinics.

Benchmark: The number of sites where VSC services are routinely available will increase from 30 to 55.

Target #3: Expand the family planning service delivery system through community-based and social marketing programs.

Benchmark: The prevalence of contraceptive use will increase from the current level of 18 percent to 23 percent. The portion of the population with access to community-based family planning services will increase from 10-12 percent to 18-20 percent.

Target #4: Expand and extend services provided under the Family Planning Private Sector project (FPPS).

Benchmark: The number of FPPS service delivery points will increase from 120 to 150.

Target #5: Strengthen the logistics system and provide contraceptive supplies.

Benchmark: A computerized contraceptive supply system will be operational in the Ministry of Health.

Target #6: Reduce the portion of births occurring (a) at intervals of less than two years, (b) to women under age 19 or over 35, and (c) to women who have four or more children.

Benchmarks: Statistics will show (a) a reduction in the portion of birth occurring at intervals of less than 24 months from 35 percent to 30 percent, (b) reduction in portion of births occurring to women under age 19 or over 35 from 26 to 22 percent, and (c) a reduction in the portion of births of parity four or more from 50 percent to 40 percent.

During the Action Plan period, USAID will also continue to implement a number of important activities in the health field. They are major factors in a strategy that recognizes the importance of infant and child survival to the long-term goal of reducing population growth rates. Despite considerable progress in reducing the levels of infant and young child mortality, much remains to be done. The current infant mortality rate, estimated at the national level to be 80 per 1000 live births, masks important regional variations where levels may reach 200 or more.

USAID is supporting efforts to reduce the major causes of childhood morbidity and mortality: immunizable diseases, acute respiratory infections, dehydration due to diarrhea, and malaria. The strategy for doing so is described in the USAID/Kenya Child Survival Action Plan, which was approved by A.I.D./Washington in May 1987. Key elements of the strategy are: reduction in high-risk births through increased access to family planning services; reduction in mortality due to diarrhea-related dehydration through support for the national control of diarrheal diseases program; reduction in immunizable childhood disease (especially measles and neonatal tetanus) through support to the Kenya Expanded Programme on Immunization (KEPI); and improved early childhood nutrition through support for improved breastfeeding and related infant feeding practices.

Target #1: Support the development and testing of communications and training materials and conduct studies on utilization of oral rehydration therapy (ORT). The national CDD strategy will have been finalized and implementation underway prior to 1990.

Benchmarks: (a) increase the number of districts actively participating in national Control of Diarrheal Diseases program from 8 to 32, and (b) complete a baseline survey to determine knowledge and use of ORT.

Target #2: Provide all oral polio vaccine needed by KEPI during Action Plan period. Identify other KEPI needs and design/implement assistance to strengthen program effectiveness.

Benchmarks: There will be an increase in immunization coverage of the target group for measles (63 percent to 80 percent), oral polio vaccine III (70 percent to 80 percent), and tetanus toxoid (40 percent to 75 percent).

Progress with respect to these objectives will be measured through a combination of sample surveys (e.g., 1988 Demographic and Health Survey) and service statistics collected by the Ministry of Health, NGO's, and USAID-funded cooperating agencies.

D. Other Major Interventions

1. PL-480 Food Assistance:

To support USAID's long-term objective of increasing economic growth and the various strategic objectives, the Mission issued a Food Assistance Development Strategy (FADS) in 1987 directed at contributing to the maintenance of short-term economic and social stability that is necessary to make progress toward long-term development. The goals of the FADS are consistent with those found in the CDSS.

P.L. 480 food assistance and various sector strategies described earlier are important resources to support these goals. Specific food assistance strategic (medium-term) objectives under the P.L. 480 Title I program will be to: (a) provide short-term food security at the national level through the importation of commodities for which there is insufficient domestic production; (b) provide balance of payments support; (c) encourage and promote positive changes in market development; (d) permit the GOK to implement policy and investment decisions that will lead to economic growth and food security; (e) generate local currency through sales of P.L. 480 commodities, with such currency to be used to invest in food, agriculture and related sectors (child survival, etc.); and (f) provide short-term, targeted assistance when the individual/community are at risk (Title II).

Traditionally, project food aid (usually either P.L. 480 Title II or Section 416 grant assistance) has been viewed as humanitarian aid to alleviate hunger and malnutrition. The Mission's FADS emphasizes the development impact of project food aid, as well as the humanitarian aspect of such assistance. Project food aid is viewed as a resource to be integrated with development assistance programs. During the Action Plan period, USAID will begin to implement this strategy through a series of discrete economic and community development activities expected to benefit approximately 200,000 to 250,000 people, of whom 40 to 50 percent will be women. Such project food aid interventions must be well-targeted, and should guarantee a long-term developmental impact without creating food dependencies or disincentives in the local market structure.

2. Economic Stabilization and Structural Adjustment

USAID's Structural Adjustment Assistance Program (SAAP) is a major program initiative designed to maintain economic stability and encourage long-term economic growth, a primary goal of the USAID program in Kenya. Through the policy dialogue it has engendered, the SAAP has also resulted in the implementation of important structural reforms.

a. Background

From a macroeconomic perspective, the economic outlook appears to have been shifting during the 1986-1987 period from a relatively favorable situation to one which portends a worsening environment over the next three or four years. Kenya's economy enjoyed a real GDP growth of 5.7 percent in 1986, primarily driven by very favorable terms of trade: the current account deficit was reduced to one percent of Gross Domestic Product (GDP), with an overall balance of payments surplus. However, the favorable terms of trade proved to be short-lived and increased government expenditures spurred by the balance of payments windfall led to a larger budget deficit (8 percent of GDP in FY 1987). This was largely a result of transfers to the National Cereals and Produce Board, greatly increased spending on education, and higher debt service payments. In early 1987, the rapid money supply and domestic credit growth of approximately 30 percent rekindled inflationary pressure in the economy. Inflation is expected to rise to about 10 percent in 1988. The agricultural sector recorded a good performance in 1986 and 1987, primarily as a result of good weather conditions and an adjustment program based on market liberalization policies. However, notwithstanding increases in tourism and tea receipts, coffee prices fell in 1987, and Kenya's external terms of trade are expected to deteriorate significantly because of that. The external current account deficit is projected to widen to about five percent of GDP.

Kenya is working on major stabilization programs with the IMF and the World Bank. The USAID program and policy dialogue initiatives complement and supplement many of these efforts and vice versa. USAID assistance to the GOK overall stabilization effort and to the programs of key ministries vital to that effort is expected to continue to be an important element in Kenya's economic growth.

In early FY 1988, the GOK requested assistance from the IMF. A $220 million (SDR 175 million) stand-by/Structural Adjustment Facility (SAF) program is now being concluded. The program will support stabilization policies and structural reforms. During the next 18 months, the budget deficit is expected to be reduced from 8 to 4.2 percent of GDP. A tight monetary and credit policy is to be adopted to contain inflationary pressure and to stabilize the balance of payments position. The growth of money supply is to decline from 21 percent in June 1987 to 12 percent in December 1987 and to about 8 percent by June 1988. The growth of domestic credit is to decline from 28 percent in June 1987 to 11 percent in June 1988.

b. Progress

Progress to date in implementing industrial and trade reforms has been mixed. Import liberalization policies were interrupted under the previous World Bank Structural Adjustment Programs. Implementation was resumed through tariff reductions in 1984, 1986, and 1987.

The GOK has done an excellent job of maintaining a flexible exchange rate regime. Since major devaluations in 1981/1982, the GOK has periodically adjusted the exchange rate to avoid any sustained appreciation (or significant over-valuation) of the real exchange rate. An inter-ministerial committee has reviewed a number of issues related to the investment incentive structure, and several important changes have taken place. For example, foreign investors now have increased access to local sources of borrowing; the GOK has issued a decree to establish a one-stop investment office; a limited amount of manufacturing under bond has been initiated; and progress has been made in the establishment of a Capital Markets Development Authority.

Previous USAID Structural Adjustment programs, together with the Private Enterprise Development project, have contributed to the above-mentioned changes. To some extent, the changes were introduced as a result of policy dialogue with the GOK and/or because they were conditions precedent or covenants in ESF or other USAID-GOK agreements.

c. Short-Term Objectives/Targets

The current SAAP contains Commodity Import Program, fertilizer import, technical assistance and policy elements. The FY 1988 SAAP will again focus on economic stabilization policies, especially on budget deficit reduction through the programming of USAID local currency resources and on balance of payments support through increased obligations for the private sector commodity import program. The target level for the FY 1988 budget deficit will be 4.2 percent of GDP. A limit on internal borrowing from the banking system will also be used as one of the policy performance criteria. This internal borrowing limit will be set in accordance with agreements reached between the GOK and the IMF. Unfortunately, this is likely to result in a slowdown of new approvals and disbursements under the RPE relending program. The situation will require careful monitoring.

3. Participant Training

A new project, Training for Development, will be implemented during the Action Plan period. Instead of focusing upon specific technical project needs and skills of the moment, the project concentrates on offering training opportunities to strengthen Kenya's future leadership for national development. USAID will attempt to identify for training promising, well-motivated individuals who already hold positions of significant responsibility in national development in both the private and public sectors. Special enrichment programs will be provided to improve their managerial capabilities and leadership skills, thereby broadening their ability to provide important contributions to Kenya's development.

4. Assistance to NGOs/PVOs

The increased use of both U.S. and Kenyan PVOs and NGOs in USAID programs has been stressed since FY 1985 with the start of the PVO Co-Financing project. A newly redesigned multi-year PVO project is expected to begin in late FY 1988. Under it, responsible NGOs and PVOs will use USAID resources to carry out a broad range of activities in agriculture, health, education, income generation and other areas complementary to USAID and Kenyan development priorities. In addition, USAID is collaborating with PVOs in several health projects and in food aid programs (where one program is now being operated by a PVO, Catholic Relief Services, and proposals are being considered from two others, CARE and Food for the Hungry, International). A U.S. PVO, World Education, is implementing a major rural private enterprise project under a cooperative agreement with USAID. To an extent consistent with the current and proposed Mission portfolio and the capability and interests of such groups, USAID plans to continue and expand collaboration with PVOs in the future.

5. Housing and Urban Development

USAID's strategy in this area concentrates on enhancing the role of the private sector to provide shelter for lower income families. The Mission is working to: (1) assist private finance institutions and developers build shelter and provide long-term mortgage financing for lower income families in rapidly growing urban areas; (2) help the GOK provide priority infrastructure and community facilities in secondary towns to generate employment; and (3) upgrade the planning and management capabilities of public sector

III. MISSION MANAGEMENT

A. Resource Management

1. Personnel And Financial Management

Since it is anticipated that U.S. Direct Hire personnel levels will remain static during the next two to three years, USAID/Kenya plans to continue to seek ways to increase the productivity of existing staff resources -- U.S. Direct Hire, Foreign Service National (FSN) and Personal Service Contract -- to meet the demands of new projects and activities. Several years ago, USAID began to use FSNs to manage projects in agriculture and private enterprise development, with excellent results. As other FSN staff are identified as capable of assuming project manager duties, they too will be assigned responsibilities for projects or components thereof.

USAID has submitted an action response plan to address shortcomings, particularly in the financial management area, that were revealed in a recent Mission Assessment and in a USAID Internal Control Assessment. Issuance of specific Mission Orders and the assignment of a Controller to USAID/Kenya during FY 1988 are expected to further improve Mission program management. The Mission has not had its own Controller, but has been provided controller support by the USAID/Regional Financial Management Center (RFMC).

2. Local Currency (LC) Management

The programming of local currency has been an integral part of the Mission's assistance strategy since 1984, when $5 million under an ESF agreement was specifically designated for use in support of private enterprise activities. Under the FY 1985 ESF agreement, another $5 million of LC was programmed for use for private sector activities and a like amount was designated for use in population programs. No programming of LC took place for the following two years because of the GOK's reluctance to agree to uses other than general budgetary support for the jointly programmed funds. The impasse was broken in March 1987, when agreement was reached on the use of approximately $23 million in LC. Prior to the signing of the FY 1988 ESF or Title I agreements, the GOK and the Mission will program the remaining approximately $80 million in LC generated from all past ESF and Title I programs.

It is expected that a portion of this LC will be programmed for general budgetary support as part of the GOK's deficit reduction effort under the soon-to-be approved IMF Standby Agreement. The remaining GOK counterpart funds are expected to be programmed to support private enterprise activities and to support USAID projects and ensure that those projects are fully reflected in the GOK budget.

3. Women in Development (WID)

USAID/Kenya recently carried out an analysis of gender issues to examine ideas, concerns and constraints, and to propose strategies for increasing women's participation in mainstream USAID development activities in Kenya. The analysis will also be used in reviews of on-going projects and in the structuring of future project and program design and review activities. The study found that constraints to women's equitable participation in development in Kenya derived from the nature of Kenyan society and institutions, as well as from the wording in project documentation and design. Examples of the constraints identified by the analysis included: a) failure to identify target groups explicitly and lack of specificity in identifying beneficiaries; b) non-availability of inputs and credit facilities; c) lack of appropriate technology; d) inadequate recognition of diversity among rural households; e) failure to recognize or address issues of gender role complementarity; and f) lack of adequate education and training opportunities.

Recommendations for the incorporation of gender concerns and the greater participation of women in Kenyan rural development include: (a) training of Mission staff to WID issues; (b) an increase in the WID-qualified pool of consultants available to the Mission; (c) diversification of institutions that deliver services, credit, inputs, marketing and employment opportunities, particularly in rural areas; (d) gender-specific target quotas; (e) a reaffirmation and strengthening of the rural focus of USAID assistance; and (f) regular review of projects by qualified WID officers.

While progress has been made, USAID/Kenya is reviewing these and other recommendations to improve the Mission's WID performance. There is general agreement, for example, that further training of Mission staff in WID-related issues in Kenya is necessary, and a workshop is being scheduled for FY 1988. In addition, Mission evaluations will be designed to give greater emphasis to gender issues (see Section III.B).

4. Pipeline

On September 30, 1986, the USAID pipeline was nearly $128 million, and on September 30, 1987, it had increased to more than $141 million. This increase of about $13 million was primarily the result of $35 million in FY 1987 obligations. If FY 1987 obligations are discounted, the pipeline decreased by more than $21 million during the one-year period.

The relatively high disbursements recorded in FY 1987 under the Commodity Import Program, which previously had a slow disbursement rate, are primarily responsible for what USAID/Kenya views as a downward trend in the pipeline. Initial disbursements were also recorded during FY 1987 for the loan component of the Rural Private Enterprise (RPE) project, after the major issue of the modalities for channeling the funds was resolved in negotiations with the GOK. To date, over $4 million in loans have been approved under the RPE project, disbursements are expected to proceed much more rapidly than in the past, though only $1 million had been disbursed by September 30, 1987.

The pipeline is projected to decrease to about $125 million by September 30, 1988, despite projected obligations of $40 million in FY 1988. The optimistic view for disbursements in FY 1988 is based on the expectation that disbursements under Structural Adjustment Program, for both the C.I.P. and fertilizer imports will move quickly, with monthly disbursements of about $1.5 million.

5. New Initiatives

FY 1989 -- Rural Marketing Development Program

This program will help to overcome selected current constraints to the development of more efficient agricultural markets and rural-urban linkages in Kenya by providing assistance in three areas. They are: (1) by supporting policy changes and reform measures that relate to the marketing of agricultural commodities (this would be done at both the macro and micro levels); (2) by helping to finance the construction and development of critical infrastructure in selected marketing centers, including rural roads, marketplaces, telecommunications facilities, storage facilities, etc.; and (3) by assisting institutions and information systems that support both these areas, including the upgrading of agricultural price information systems, crop forecasting systems, agribusinesses, municipal revenue collection systems, utilities and related public services, etc. The program will support both public and private sector initiatives aimed at stimulating new investment in rural market centers.

FY 1990 -- National Agricultural Research, Phase II

This proposed project represents a second phase of the National Agriculture project (615-0229) which began in FY 1986 and was intended to be a ten-year effort. Its purpose is to assist in the development of a well-managed national agricultural research system in Kenya capable of providing the farm sector with appropriate technologies to enable increased productivity on a continuing basis. The initial authorization was limited to a four-year phase because of budget considerations in FY 1986; Phase II will cover the final six years of the project. The project is essentially an institution building effort which will: (a) strengthen management and planning within the national system; (b) provide support to the execution of nationally coordinated programs of research for maize, sorghum and millet; (c) improve the educational level and technical skills of researchers and technical staff; and (d) establish a research fund which will serve as a catalyst to link the public sector research system to the talent and expertise found in the Kenyan private sector and academic communities.

FY 1991 -- Private Enterprise Development (PED) II:

This project represents the second phase of the PED project (615-0238), which began in FY 1987. Phase II is expected to focus on some or all of the following activities: (1) development of a commercial bank lending program for small entrepreneurs; (2) mid-level training for Kenyan business managers; (3) additional institutional support for the Investment Promotion Center (IPC); (4) support for additional technical assistance under the International Executive Services Corps Program (IESC); (5) assistance to the Kenya Chamber of Commerce; and (6) provision of a commercial line of credit through the banking system for export finance.

B. Tracking and Performance Evaluation

As reported in Nairobi 08558 (March 9, 1987), subject: Impact Assessment and Evaluation Plan, USAID has revised its evaluation plans. In addition to standard monitoring and evaluation of project inputs and outputs, the plan gives increased emphasis to assessments and surveys to help determine the impact of USAID assistance in Kenya. The intent of this modification is to identify the progress of USAID's goals over the longer term at the sectoral and subsectoral levels rather than solely evaluating individual project results.

The agricultural policy formulation assessment conducted in FY 1987 is an example of this type of program impact assessment. This assessment analyzed USAID's efforts to influence policy decisions that have a direct impact on the agricultural sector's growth objective which, in turn, is directly linked to the long-term objective of increasing the rate of economic growth in Kenya. In FY 1988, the Mission will conduct an impact evaluation of recent policy changes on the distribution and use of fertilizer.

A similar type of assessment begun in FY 1987 is evaluating participant training program effectiveness over the past 20 years, including the impact of such training on national development programs in Kenya. This is a collaborative effort among USAID, PPC/CDIE and the University of Nairobi. While not directly linked to USAID specific long-term or medium-term objectives, participant training does, of course, have an appreciable impact on the ultimate result of all USAID assistance in Kenya.

In the population area, an impact assessment of changes in fertility and contraceptive use will be carried out in FY 1988. In addition, the Private Sector Family Planning project will be evaluated to assess progress and sustainability of the thirty-plus sub-projects carried out by various commercial firms.

No major private sector program assessment is planned until FY 1990 because the major components have long implementation phases before results or "lessons learned" can be fruitfully evaluated. In the interim, the normal project implementation review system and mid-term evaluations of specific project components will be used to measure progress toward program objectives and targets.

Finally, concurrent with the design of a follow-on ESF program, the performance of the current CIP will be evaluated, in keeping with CIP tracking requirements.

C. Donor Coordination and Collaboration

Overall, USAID's objectives and those of other major donors in Kenya are compatible and there is generally good coordination between the Mission and the other major donors. There are literally hundreds of examples. The following paragraphs describe only a few of them.

USAID is clearly the lead donor in private sector development, for example, but other donors are beginning to support such efforts. The Canadian

International Development Agency (CIDA) is currently discussing the possibility of providing funds through the refinancing mechanism established under the RPE project. USAID is also collaborating with the German aid organization in developing a proposal to finance a private financial institution, the Development Finance Company of Kenya (DFCK), with local currency assistance. On the policy side, there is considerable regular coordination with the World Bank in such areas as private sector development, population, health financing and agricultural research.

Approximately 13 donors are actively involved and collaborating in the agricultural research sub-sector. USAID and the World Bank are the primary organizations working with the GOK to develop and implement a National Agricultural Research Program (NARP), which was instituted by the GOK in 1986. All donors are working toward the objectives promoted under the NARP, with each donor taking a "slice" of the GOK's program and assisting to develop that element in accordance with the donor's comparative advantage.

In the fertilizer sub-sector, all nine donors engaged in financing imports agree on the objectives, i.e. to increase fertilizer use and distribution, but there is some disagreement over the distribution medium. All USAID-financed fertilizer is allocated to private sector firms as we feel this is essential to expanded use and wider distribution of this input. Of the nine donors, only three, Denmark, Sweden and Norway, disagree with USAID on the means. Their fertilizer is distributed through the GOK's agent, the Kenyan Grain Growers Cooperative Union (KGGCU). Although the three Nordic countries disagree with USAID on the involvement of the private sector, they are actively supporting other structural reforms in the fertilizer sector such as a relaxation of GOK control over import allocations and pricing, better coordination of donor and commercial imports, and improved monitoring and analysis capability by Ministry of Agriculture planners.

In the population sector, there is strong compatibility in objectives among those donors providing assistance. There are frequent coordination meetings among the major donors chaired by the United Nations Fund for Population Activities (UNFPA) Representative. None of USAID's strategic objectives are in conflict with other donor policies or methodologies.

D. Special Issues

Gray Amendment:

USAID/Kenya provided only limited funding to Gray Amendment entities during FY 1987, including $45,000 for project design activities and $85,000 for project implementation activities. During FY 1988, approximately $2 million will be committed to a Gray Amendment firm for the implementation of the Training for Development project. During FY 1989, an additional $3.5 million will be available for that contract.

PROGRESS TOWARD MEETING STRATEGIC OBJECTIVES DURING ACTION PLAN PERIOD FY 85-87

Strategic Objective: Increasing per capita food production

Action Area	Progress
1. Policy Change	
a. Fertilizer Marketing	o Fertilizer distributed by 35 private sector firms; previously one GOK cooperative o Farmers pay less because fertilizer prices are now based on a benchmark international price o Repackaging of fertilizer into smaller units has made it more affordable to small farmers o The number of private sector firms allowed to import fertilizer increased from 13 to 44
b. Grain Marketing	o GOK commited to restructuring the role of the parastatal marketing body, National Cereals and Produce Board (NCPB) o GOK agreed that all commercially imported wheat, not just Title I wheat, will be sold to private millers
2. Basic Food Research	o Kenya Agriculture Research Institute established to coordinate all agriculture research o Agricultural research priorities established to provide continuity and consistency o Duplication in research greatly reduced; number of major research stations reduced from over 40 to 15 o Greater emphasis on quality rather than quantity in the research effort
3. On-farm grain storage	o 1987 evaluation of 30 farms showed that improved storage management practices reduced spoilage by 10 percent o Over 950 agricultural extension officers (40 per cent women) trained in new storage techniques; now teaching these improved technologies to farmers
4. Technical management and financial expertise	o Long-term institutional relationship established between Egerton University and the University of Illinois o Seventeen Egerton faculty now in the U.S. for training in professional and administrative skills development; 30 percent of students and 15 percent of facility are women o Five public and private sector organizations identified for specialized training o Significant progress made in implementing "district focus for rural development" concept, on budget rationalization, and on improvements of institutional capacity in central ministries and at district level

PROGRESS TOWARD MEETING STRATEGIC OBJECTIVES DURING ACTION PLAN PERIOD FY 85-87

Strategic Objective: Increasing the role and efficiency of private enterprise in economic growth

Action Area	Progress
1. Improving the policy climate to expand incentives for private businesses	o Increased public support from GOK officials for private sector initiatives o Favorable macroeconomic policies maintained: positive real interest rate, realistic exchange rates, and low inflation o Small steps in parastatal divestiture begun: between 20 - 40 percent of shares in both National Bank of Kenya and Kenya Commercial Bank to be sold to the public in 1987
2. Developing a more effective business support system	o $24 million in medium-term financing committed to rural enterprises through commercial banking system,of which more than $4 million in individual loans approved by participating banks o Central bank refinancing facility for rural lending established in 1986, giving the commercial banking system a facility to convert long-term obligations into short-term paper to solve liquidity problems o Counterpart funds programmed for private sector housing program and for informal sector and small loan guarantee programs.

PROGRESS TOWARD MEETING STRATEGIC OBJECTIVES DURING ACTION PLAN PERIOD FY 85-87

Strategic Objective: Reducing population growth rate

Action Area	Progress
1. Contraceptives	o Based on recent service statistics, current contraceptive prevalence rate estimated to be 18 - 20 percent of eligible couples
2. Policy	o National community-based family planning program now being implemented under the direction of the National Council on Population and Development o High-level support for family planning reflected in public statements by the President and other officials; positive environment created for program expansion
3. Training in FP	o More than 700 nurses and clinical officers (95 per cent of them women) received family planning training since beginning of 1986; corresponding increase in availability of services through MOH facilities
4. VSC Program	o 32 new voluntary surgical contraception service sites established; estimated 13,500 VSC clients served

STRATEGIC OBJECTIVES, TARGETS AND BENCHMARKS, FY 1989-91

Strategic Objective: Increasing per capita food production

Strategy:
- -- Support analysis and development of improved policies and infrastructure for increasing the efficiency of rural markets
- -- Improve quality and availability of basic food research and its dissemination
- -- Improve technical management and financial capabilities of people in sub-systems (public and private) that deal significantly with the agricultural sector

Targets	Benchmarks
1. Improved efficiency of rural marketing systems	o NCPB's role restructured to buyer and seller of last resort and its formal market share for maize reduced to maximum of 70 percent by 1990 o Food for Progress/Title III program established in 1988 to support further liberalization of grain marketing o GOK's role in fertilizer sector further reduced by eliminating import allocations and pricing authority for all but the major fertilizer types and by allowing donor fertilizer to be directly imported by the private sector by the end of 1989 o Rural Marketing Development Program established with 4-5 market regions identified for program investments
2. Improved quality of agricultural research management	o A national agricultural research strategy developed by KARI to rationalize and prioritize resources on the basis of market demand and project food security requirements o Financial and administrative systems in place at KARI o Technical research programs for maize and sorghum/millet operational in 12 research station locations o Research Fund supporting a minimum of 10 private and/or university research activities
3. Improved training and institutional development activities	o Egerton University -- Twenty instructors enter, or return to Egerton from, U.S. graduate degree programs; curricula in six selected key departments substantially improved or newly initiated; and formal manpower study carried out on role of Egerton graduates in the economic development of Kenya o Agribusiness development-- financial, marketing and management assistance under the Agricultural Management Project received by 24 agribusiness firms o KARI--USAID-supported degree and in-country training programs directly linked to KARI's long-term manpower development program o Ministry of Planning and National Development-- district-based planning system linked to national-level resource allocation; micro-computer technology thoroughly incorporated in the national development planning process

USAID/Kenya

STRATEGIC OBJECTIVES, TARGETS AND BENCHMARKS, FY 1989-91

Strategic Objective: Increasing the role and efficiency of private enterprise in economic growth

Strategy: Promote growth among Kenya's private, for-profit businesses by:
-- Improving the policy climate that affects private business
-- Developing a more effective business support system

Targets	Benchmarks
1. Provide lines of credit to enable two venture capital firms to gain access to convertible debt financing to support new equity investments	o Two venture capital firms will invest equity of approximately $2.5 million and utilize USAID's line of credit for an amount of approximately $3.2 million to 15-20 firms
2. Provide management and technical assistance to private businesses	o Over 850 businesses will be provided management and technical assistance through three USAID-funded organizations
3. Strengthen PVOs which provide small enterprises assistance to the informal sector	o 20 PVOs assisted through grants, loan credit programs, and technical assistance
4. Finance policy studies on the enabling environment in areas such as capital market development, investment climate, price controls and rural industrialization	o 10 policy studies completed by two USAID-funded policy institutions
5. Sponsor seminars related to a wide range of private sector issues	o 15 seminars conducted over next two years by three organizations funded under the Private Enterprise Development project
6. Provide technical training, business management skills, and small loans to micro-enterprises and informal sector entrepreneurs	o Support received by about 400 micro-enterprises and enterprise groups under a grant from the Rural Private Enterprise project
7. Provide loan assistance to medium-sized firms	o Approximately $23 million in loans disbursed to 25-33 Kenyan firms

STRATEGIC OBJECTIVES, TARGETS AND BENCHMARKS, FY 1989-91

Strategic Objective: Reducing the population growth rate

Strategy: Encourage deferral of first births, spacing of births during the middle child-bearing years, and completion of fertility at an earlier age by expanding:
-- Information, education and communications about fertility and family planning
-- Community-based and market-based distribution of contraceptives, and
-- Clinical services through government, private practitioners and NGOs

Targets	Benchmarks
1. Expand clinic-based services through training and development of Ministry of Health NGO clinic personnel	o Portion of the population with access to clinic-based family planning services will increase from 40 percent to 60 percent
2. Increase access to voluntary surgical contraceptive through provision of training equipment, and supplies to MOH, NGO and private clinics	o Number of sites where VSC services are routinely available will increase from 32 to 55
3. Expand the family planning service delivery system through community-based and social marketing programs	o Prevalence of contraceptive use will increase from 18 percent to 23 percent o Portion of the population with access to community-based services will increase from 10-12 percent to 18-20 percent
4. Expand and extend services provided under the Family Planning Private Sector project (FPPS)	o The number of FPPS service delivery points will increase from 120 to 150
5. Strengthen the logistics system and provide contraceptive supplies	o Computerized contraceptive system will be operational in the Ministry of Health
6. Reduce the portion of births occurring (a) at intervals of of less than 2 years, (b) to women under age 19 or over 35, and (c) to women who have 4 or more children	o Reduction in the portion of births occurring at intervals of less than 24 months from 35 percent to 30 percent o Reduction in portion of births occurring to women under age 19 or over 35 from 26 percent to 22 percent o Reduction in the portion of births of parity four or more from 50 to 40 percent

USAID/KENYA FY 1989 EVALUATION PLAN

	ISSUES	FINAL (F) OR MID-TERM (M)	FY 1989 (BY QUARTER) Start/End	ACTION OFFICER	FUNDING SOURCE/ $ AMOUNT	ACTIONS AND COMMENTS	USAID Staff Days	Collateral Cost Assistance Evaluator
Project Evaluations (PES)								
1. Institutional Development for Agricultural Training (615-0239)	To assess progress towards achieving objectives, and to stress impact on beneficiaries.	M	2nd/ 3rd		Project; $40,000		30	Outside Contractor n/a
2. Agricultural Management (615-0221)	To determine the demand for services provided by the project; the impact of the services; assess the validity of the methodology; and if a Phase II is warranted.	M	1st/ 2nd		Project; $90,000		30	Independent Outside Contractor
3. National Agricultural Research (615-0229)	To assess progress re stated goals, identify constraints, and recommend modifications to remove constraints, and determine impact of changed GOK bureaucratic and economic conditions on operation and outcome of project activities. Evaluation will concentrate on management and planning functions of KARI and will provide basis for needed changes in Phase II.	M	3rd/ 4th		Project; $150,000		60	Independent N/A Outside Contractor, in cooperation with EEC, IBRD & GOK
4. Rural Private Enterprise (615-0220)		F	1st/ 2nd		Project; $30,000		30	U.S. Contract
5. CORAT Child Survival	To assess progress towards achieving objectives of the project.	M	2nd/ 3rd		Project; $10,000		5	

PROG: 1/20/88
LOTUS: 89EVALPLAN

Annex C