PD-ABN-928
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USAID/Kenya

Assessment of Program Impact

October 31, 1992

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ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
API	Assessment of Program Impact
AVSC	Association for Voluntary Surgical Contraception
Boots PL	Boots Pharmaceutical Limited
CBFP	Community based family planning
CBS	Central Bureau of Statistics
CIF	Cost, Insurance, Freight
CIL	Continental Industries Limited
CIMMYT	International Wheat & Maize Improvement Program
CPR	Contraceptive prevalence rate
CYP	Couple years of protection
DAP	Diammonium Phosphate
DFH	Division of Family Health
DRSRS	Department of Resource Surveys & Remote Sensing
EEC	European Economic Community
EPZ	Export Processing Zone
EPZA	Export Processing Zone Authority
FPMRP	Fertilizer Pricing & Market Reform Program
FY	Fiscal year
GDP	Gross Domestic Product
GOK	Government of Kenya
HCF	Kenya Health Care Financing Program
HIS	Health Information System
HIV	Human Immuno-deficiency Virus
HYV	High yielding variety
IBRD	International Bank for Reconstruction & Development
IPC	Investment Promotion Centre
IUD	Intra-uterine Device
KAM	Kenya Association of Manufacturers
KARI	Kenya Agricultural Research Institute
KCPS	Kenya Contraceptive Prevalence Survey
KDHS	Kenya Demographic & Health Survey
KFY	Kenya Fiscal Year
KL	Kenyan Pound (20 Kenya Shillings)
KMDP	Kenya Market Development Program
KNFA	Kenya National Fertilizer Association
KNH	Kenyatta National Hospital
KREP	Kenya Rural Enterprise Programme
KSC	Kenya Seed Company
LMIS	Logistics Management Information System
MOA	Ministry of Agriculture
NARC	National Agriculture Research Centre

NCPB	National Cereals & Produce Board
NGO	Non-governmental organization
NHIF	National Hospital Insurance Fund
NTE	Non-traditional export
PAM	Policy Analysis Matrix
PED	Private Enterprise Development Project
PGH	Provincial General Hospital
PSI	Population Services International
RPE	Rural Private Enterprise Project
SME	Small and medium enterprise
TFR	Total fertility rate
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VSC	Voluntary surgical contraception

FOREWORD

During the past year, USAID/Kenya has continued to review the Mission's program logframe. This review has resulted in minor adjustments to the articulation of strategic objectives one and three. These changes clarify the principal focus of each objective, without altering the original intent of the objectives or investments supporting them.

The focus of strategic objective one has been shifted to modern (versus all) contraceptive methods. This change is based on the Mission's ability to more effectively track the distribution and use of commodity-based methods than of non-modern methods.

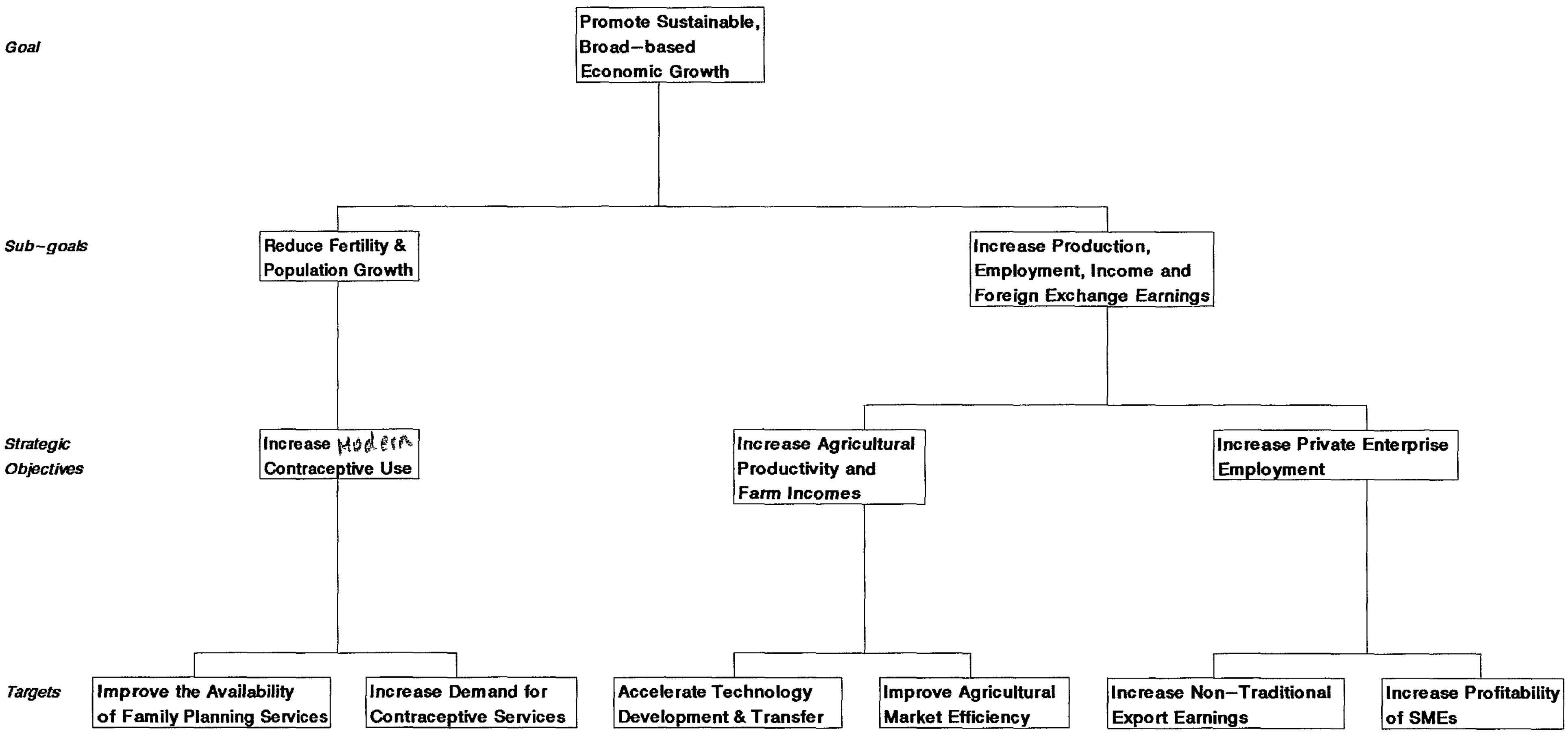
Strategic objective three has also been modified and no longer contains a wage element. Given factors within the macroeconomic environment of Kenya - surplus labor, a relatively high rate of inflation and slow economic growth - having a significant effect on the level of real wages is perceived as beyond the manageable interest of USAID/Kenya. The Mission does recognize the importance of real wages to sustainable economic growth and development and, thus, the narrative will continue to include a discussion of real wage trends in the country.

USAID/Kenya is focusing on the agricultural productivity objective in the 1992 API. New indicators have been developed for this strategic objective in an attempt to more accurately capture changes in productivity.

Annex A details modifications to strategic objectives one and three, as well as changes to indicators at the goal and strategic objective levels. Annex B, in response AID/W requests for supplemental information, includes a discussion of USAID/Kenya's work with PVOs and an assessment of the impact of the Kenya Health Care Financing Program (a target of opportunity for the Mission).

USAID/KENYA

PROGRAM LOGFRAME



SECTION I

SPECIAL FACTORS AFFECTING THE USAID/KENYA PROGRAM

The past year has been a watershed year for Kenyan economic and political development. Unified donor action made the November 1991 Consultative Group (CG) meeting for Kenya extraordinary. Donors unanimously suspended quick disbursing funds ($350 million) pending meaningful political reform and improved governance and macroeconomic management. Project assistance ($800 million) was allowed to continue. This CG decision, coupled with continued domestic and international pressures, have resulted in improvements in the economic and political environment, as discussed below. → isn't this a little rosy?

Macroeconomic Management and Structural Reforms: At the CG meeting donors were concerned about excessively expansionary monetary and fiscal policies, lack of progress in parastatal reform, slow implementation of agricultural pricing and marketing reforms, and government reluctance to implement health and education sector financing reforms. Consequently, over the past year USAID, IMF, World Bank and other donors have been engaged in protracted dialogue and negotiations with the GOK with the objective of accelerating policy changes in these areas.

Is this a balanced view?

These discussions are now resulting in improvements in some areas of macroeconomic policies and structural reforms. The GOK has made significant progress in reducing its budget deficit from 6.3 percent of GDP in fiscal 1991 to 2.8 percent (on a cash basis) and 3.6 percent (on commitment basis) in Fiscal 1992. It has initiated the liberalization of the trade and exchange regime, with the establishment of an export retention scheme for nontraditional exports. The government is presently considering extending the scheme to include traditional exports in phases over the next year or two, with the first phase to include 50 to 60 percent of coffee and tea export earnings. This together with the introduction of a modified foreign exchange auction system (the FOREX-C's instrument -- foreign exchange bearer certificates) has created an improved environment for exports and job creation -- one of USAID's strategic objectives. Unlike many other sub-Saharan African countries, this reform has been implemented without balance of payments support from donors.

However, these macroeconomic reforms are likely to be difficult to sustain without sound monetary and credit policies. A sound monetary management to anchor the price level is necessary to sustain a competitive real exchange rate, and to avoid the vicious cycle of devaluation and inflation. Inflation continues to be high (approximately 20 percent) by Kenyan historical standards. The lack of progress in this area remains a major macroeconomic concern. Weak governance on the part of the Central Bank and the Ministry of Finance - in the forms of inadequate prudential banking supervision and undiminished rent-seeking activities - contributed to the lack of progress in this area over the past year.

With respect to other structural and sectoral reforms, only limited progress was made during the last year. Prices for a number of commodities (48 items) were decontrolled. The government introduced user charges and service fees at universities and hospitals, set up institutional arrangements for implementing privatization and parastatal reform, and is currently initiating some partial parastatal divestitures.

Political Reform: In December, the GOK made a momentous decision to change from a single to a multi-party system. It permitted formation of opposition parties, released most political prisoners, and allowed newsprint media to enjoy a fair amount of freedom of expression. These fundamental changes are influencing positively the openness, frankness and quality of the development policy dialogue in Kenyan society. Nevertheless, implementation of an equitable democratic process is continually threatened. The climate of political intolerance and intimidation continues to linger. Opposition parties have encountered extensive harassment. Some GOK officials are alleged to have perpetuated inter-tribal violence. There is good reason to be concerned about whether the upcoming elections will be open and representative.

Drought: Kenya is experiencing severe drought in the Northern and North Eastern Provinces. About 1.5 million Kenyans are affected. The situation is exacerbated by the influx of Somali refugees (estimated at 500,000) and the existence of displaced Kenyans from tribal violence. There were serious food shortages throughout the country. The food security situation remains fragile, and has made the GOK even more reluctant to fully liberalize maize prices and marketing.

HIV/AIDS: It is essential to signal the emergence of this factor which will soon affect development progress in Kenya. More than 30,000 AIDS cases have now been reported, while an estimated 750,000 adults are infected with the AIDS virus. The trend is alarming. The debilitating nature of the disease, which reduces individuals' productivity, has serious implications for the economy. In addition, up to 400,000 children may be orphaned by AIDS by 1995. The child mortality rate (CMR) may be as high as 152/1000 by 1995, as opposed to an estimated 119/1000 in the absence of AIDS.

The AIDS epidemic, if unchecked, is sure to increase the strain on health resources. With the long stay of AIDs patients in hospitals and a high degree of bed occupancy, it would make it more difficult to shift resources from curative to preventive and promotive health care. This will undermine achievements already made in health and population programs. Kenya has become a priority country for USAID AIDS support because of the gravity of the HIV/AIDS epidemic in the country.

SECTION II

PROGRESS TOWARD OVERALL COUNTRY PROGRAM GOALS

Growth in the Kenyan economy slowed in 1991, due partly to unfavorable weather conditions which depressed agricultural growth. Under favorable weather conditions, and despite an imperfect policy environment, Kenya's economy has been growing recently at 5 percent annually. The continuing weaknesses in macroeconomic policy and inadequate attention to structural reforms principally jeopardize Kenya's ability to maximize its growth potential. Per capita income growth in 1991 was negative. Increasing AIDS mortality may be reversing a long-term trend in increased life expectancy and decreased child mortality. Fertility and population growth rates, while still high, are estimated to have continued to slowly decline. Despite the economic slowdown in 1991, the export and informal sectors performed relatively well. The Mission's analysis of Kenya's progress on country-level indicators is discussed below.

or is it bad policy?

GOAL: *Promote Sustainable Broad-based Economic Growth*

Is it all really the weather?

1. **Economic Growth**: The growth in real gross domestic product (GDP) decelerated to 2.2 percent in 1991, the lowest rate of growth since 1984, when the country was hit by a severe drought. The economic slowdown was strongly influenced by late, inadequate and unevenly distributed rains which adversely affected agriculture. GDP growth in 1991 was below the growth in population, resulting in a negative 1.3 percent per capita income growth. This is the first time in nearly seven years that Kenya has recorded negative per capita income growth. GDP growth in 1992 is preliminarily estimated at 2 percent.

2. **Life Expectancy:** Kenya continues to make progress in longevity. Life expectancy is now approaching 60 years, compared to 54 years in 1984. Life expectancy for females is 62 years. Kenya's life expectancy compares favorably with the average life expectancy of 52 years for Sub-Saharan Africa. However, long-term improvements in the longevity of Kenyans will likely be reversed by current and projected levels of AIDS mortality.

3. **Infant and Child Mortality:** Kenyan infant and child mortality rates are relatively low by Sub-Saharan and developing country standards. The infant mortality rate has continued to improve, declining from 75 per 1,000 live births in the mid-1980s to 68/1000 in 1991. This rate compares favorably with the developing countries' rate of 74 per 1,000 live births and the Sub-Saharan African rate of 106/1000. Similarly, the under-five mortality rate is estimated to be 108 per 1,000 live births compared to 113/1000 in 1985 - lower than the 175 per 1,000 live births for Sub-Saharan Africa and 112 per 1,000 live births for all developing countries. Currently available projections of AIDS' mortality suggest that a continuation of slow but steady improvements in infant and child mortality rates will be unlikely.

SUBGOAL 1: *Reduced Total Fertility Rate and Population Growth*

The rapid growth in Kenya's population over the past two decades has offset many of the economic and social benefits of the relatively robust aggregate economic growth Kenya has

SECTION II: USAID/KENYA PROGRAM GOALS

	Baseline	Actual			Data
	FY 1985	FY 1989	FY 1990	FY 1991	Sources
GOAL					
PROMOTE SUSTAINABLE, BROAD-BASED ECONOMIC GROWTH:					
1) Real GDP Growth Rate	5.1 %	5.0 %	4.3 %	2.2 %	Economic Survey
2) Real Income Per Capita Growth Rate	0.5 %	1.5 %	0.8 %	−1.3 %	Economic Survey
3) Life Expectancy at Birth	54	59	60	60	UNDP Report
4) Infant Mortality (per 1000 live births)	75	70	68	68	UNICEF Report
5) Under-Five Mortality (per 1000 live births)	113	111	108	108	UNDP Report
SUB-GOAL 1					
REDUCE FERTILITY AND POPULATION GROWTH:					any future predictions?
1) Total Fertility Rate	7.7 (1984)	6.7	6.5	6.5	KDHS
2) Population Growth Rate	4.1 (1984)	3.8	3.6	3.6	US Bureau of Census
SUB-GOAL 2					
INCREASE PRODUCTION, EMPLOYMENT, INCOME AND FOREIGN EXCHANGE EARNINGS:					
1) Private Sector Contribution to GDP	62.7 %	62.9 %	60.3 %	60.0 %	Decrease Economic Survey
2) Agricultural Production as a percent of GDP	29.4 %	28.5 %	28.2 %	27.3 %	Decrease Economic Survey
3) Annual Employment Growth Rate	5.5 %	3.5 %	5.5 %	5.1 %	steady Economic Survey
4) Foreign Exchange Earnings (Total Exports Plus Tourism, $ in Millions)	$1,228	$1,405	$1,488	$1,517	↑ Economic Survey

experienced during this period. USAID/Kenya expects that the contraceptive prevalence rate (CPR) for all women of reproductive age, which increased from 14 percent in 1984 to 23 percent in 1989, will increase to 30 percent by 1995. This increase is expected to result in a reduction of the total fertility rate from the current estimate of 6.5 to 5.8 by 1995. The projected impact of these changes on population growth is estimated to be a decline from 4.1 percent growth in 1984 to 3.4 percent in 1995. A substantial reduction in population growth is critical to expanding the effective impact of social projects and programs, increasing per capita incomes, and enhancing the long term sustainability and equity of economic growth.

1. **Total Fertility Rate:** The total fertility rate (TFR) has declined from an average of 8 children per woman in 1979 to 6.7 in 1989 and to the current estimate of 6.5 for 1991. The 1989 Demographic and Health Survey showed that the decline in the total fertility rate is largely a result of increased knowledge and use of modern contraceptive methods, and changing fertility preferences and attitudes toward childbearing. Despite this first-ever documented decline in fertility, the current total fertility rate of 6.5 remains one of the highest in the world and must be reduced further if Kenya is to attain its demographic goal of a 2.5 percent population growth rate by the year 2000.

[illegible] goal. [illegible] goal?

2. **Population Growth:** Family planning efforts by the GOK, USAID and the donor community, and private voluntary organizations have had a measurable impact on the population growth rate. The rate of population growth has decreased from 4.1 percent in 1984, 3.8 percent in 1989 and to the current estimate of 3.6 percent in 1991. The fertility decline is the single most important factor accounting for the slow down in the Kenya's population growth rate. However, even under the most optimistic demographic scenario, Kenya's population of 24.3 million is projected to double in less than 25 years because of the existing population age structure in which well over 50 percent of the population are under 15 years of age. Under even the highest AIDS mortality assumptions, the Kenyan population will continue to grow by 850,000 people annually in the year 2000. Working on the population problem will therefore remain a high priority area for USAID/Kenya, especially given its negative impact on per capita improvements in a wide range of economic and social indicators.

SUBGOAL 2: *Increase Production, Employment, Income and Foreign Exchange Earnings*

Continued and sustainable economic growth in Kenya is increasingly dependent upon the growth of the agricultural and non-agricultural private sectors. The public sector in Kenya does not have the resources to act as the employer of last resort or to finance increasing levels of productive investment. USAID/Kenya's program strategy recognizes the limitations of the public sector and has concentrated Mission efforts on supporting the private sector with the objective of increasing production, employment, income and foreign exchange.

1. **Private Sector Contribution to GDP**: Since the mid eighties, the private sector's role in the Kenyan economy has continued to expand. The private sector now accounts for about 60 percent of GDP. Increasingly the GOK is realizing that sustainable economic growth will be achieved only if the private sector role is enhanced. The GOK has thus begun to liberalize

the economy, especially through price decontrols and foreign exchange deregulation. USAID/Kenya is supporting these liberalization efforts.

2. **Agricultural Production as a percent of GDP:** Agriculture continues to be the largest sector of the Kenyan economy, accounting for 27.3 percent of total GDP in 1991. The growth rate in agricultural real value added was negative 1.1 percent in 1991, compared to positive growth rates of 3.4 percent and 3.9 percent in 1990 and 1989, respectively. Substantial decline in the output of most agricultural products occurred in 1991. Maize production fell from 29.2 million bags in 1990 to 25.4 million bags in 1991. Coffee, sugar, horticulture and milk production also decreased. The good performers in the agricultural sector during 1991 were livestock and tea.

3. **Annual Employment Growth Rate:** Kenya's total workforce is estimated to be 10 million and is expected to expand to over 14 million by the year 2000. The farm and rural non-farm sectors account for approximately three quarters of total employment. Outside of these sectors, the economy generated a total of 96,900 new jobs in 1991. The modern sector accounted for 32,300 new jobs in wage employment and 4,000 new jobs in self employment. However, the informal sector created the bulk of new jobs (60,600 jobs). The overall employment growth rate of 5.1 percent recorded in 1991 was slightly lower than 5.5 percent growth recorded in 1990, largely due to the slow down in modern sector economic activities. The share of total employment creation of the informal sector has risen from less than one third of total new jobs created in 1985 to nearly two thirds in 1991. If the modern wage sector is to play the significant role of creating 600,000 new jobs by the year 2000, Kenya will need to implement more vigorously its export oriented development strategies.

4. **Foreign Exchange Earnings:** In 1991 foreign exchange earnings increased slightly to $1.517 billion from a 1990 level of $1.488 billion. Tourism remained the main foreign exchange earner, although earnings from this sector declined by 4 percent as a result of world recession and an uncertain domestic environment. Kenya's future export potential lies in the non-traditional export sector and USAID/Kenya is working in this area. The GOK has recently announced 100 percent export proceeds retention by non-traditional exporters, an important incentive that should result in further growth of the sector.

SECTION III

PROGRESS TOWARD STRATEGIC OBJECTIVES AND RELATED PROGRESS INDICATORS

STRATEGIC OBJECTIVE 1: *Increase Modern Contraceptive Use*

USAID/Kenya's first strategic objective is to increase the use of safe and effective methods of contraception. More specifically, the Mission intends to increase the prevalence of modern contraceptive use among all women of reproductive age (15-49) from the current estimated level of 18 percent to 23 percent by the end of FY 1995. The 1989 Kenya Demographic Health Survey (KDHS) indicated a dramatic increase in contraceptive use among married women of reproductive age from only 7 percent in 1977/78 to 27 percent in 1989, with an increase from 10 to 18 percent in the use of modern methods between 1984 and 1989. This rate of change is virtually unprecedented in Africa.

The next KDHS, financed by USAID, will be completed in 1993 and will provide updated information on contraceptive use. Data from the 1993 KDHS and from the National Council of Population and Development (NCPD), will make it possible to monitor trends in modern contraceptive use among *all women* of reproductive age, versus contraceptive use among *married women* of reproductive age. Therefore, as of 1992, the USAID/Kenya API will focus primarily on *modern contraceptive use among all women of reproductive age* because of the significant proportion of users who are not married (24% according to the 1989 DHS). The expansion of the target group will increase the denominator used in deriving the contraceptive prevalence rate (CPR), resulting in a decrease in this year's CPR relative to CPR figures presented in previous APIs. For example, in the 1991 API the 1984 CPR for married women of reproductive age was 17 percent, the 1992 API presents the 1984 CPR for all women as 9 percent. Similarly, the current API projects a 1995 CPR of 23 percent for all women of reproductive age, as opposed to 35 percent for married women of reproductive age which appeared in the 1991 API (see Annex A for further explanation).

During the period between the 1989 and 1993 Demographic and Health Surveys, annual changes in contraceptive prevalence are being monitored through aggregate data on couple-years-of-protection (CYP) provided by the Ministry of Health Logistics Management Information System (LMIS). The LMIS generates quarterly CYP estimates for all registered public and private sector service delivery points. It is projected that by 1995 there will be a 25 percent increase in CYP over the 1991 estimate of 564,998, the first year for which it was possible to derive a national CYP figure. Through the first six months of 1992 the CYP is estimated to be 319,151 (in subsequent API reports annual data will be provided - two years of CYP data are not yet available). The above LMIS CYP data and findings from a recent assessment of voluntary surgical contraception in Kenya reflect two notable trends in contraceptive use in Kenya. First, the proportion of women who choose permanent and long-term methods is increasing. Secondly, women are choosing sterilization at increasingly younger ages and lower parity.

TARGET 1.1: *Improve the Availability of Family Planning Services*

The primary focus of USAID's population assistance is to increase the availability and quality of family planning information and services in both the public and private sectors. This is being accomplished by extending and strengthening clinic-based and community-based family planning, and through contraceptive social marketing. This program emphasis is based upon the belief that considerable unmet demand for family planning exists, and that extending the provision of high quality services will help to activate this latent demand.

The 1989 KDHS strongly supports this assumption. There has been a dramatic decline in mean ideal family size in Kenya - from 7.2 in 1977-78 to 4.4 in 1989 - with this change occurring across all age groups. The percent of women wanting no more children increased from 32 to 49 percent between 1984 and 1989, with an additional 26 percent indicating a desire not to become pregnant within the next 24 months.

Through the provision of training, materials and technical assistance, USAID/Kenya has made a substantial contribution to the increase in the number of public and private sector health clinics offering family planning services from 758 in 1984 to 1767 by June of 1992. In addition, through the Voluntary Surgical Contraception (VSC) program, the Mission has supported the establishment of 65 VSC sites which have contributed to a substantial rise in VSC procedures - from a few hundred per year in 1982 to over 8,000 in the past year (a cumulative total of 70,760 by June 1992). USAID/Kenya has also financed a major expansion in community-based family planning (CBFP) programs. Currently, 37 percent of Kenya's sublocations are served by CBFP workers, up from approximately 5 percent in 1984.

TARGET 1.2: *Increasing Demand for Contraceptive Services*

USAID believes that there is considerable latent demand for contraceptive services in Kenya. Though this latent demand has in many cases been activated through improvements in the availability and quality of services, it is clear that lack of correct knowledge about contraceptive methods and where they can be obtained remains an important factor limiting contraceptive use.

For this reason, USAID is supporting a focused effort to address this need, primarily through the Client-Provider Education Project. USAID support to this project, which provides family planning information and education services, has for the past two years focused on the development of a coordinated education and information system for use by all public and private family planning service providers in Kenya. One result of these efforts, a national IE&C campaign with posters, brochures and radio and television programs, will be launched in November of 1992. The Mission will monitor changes in knowledge through both the 1993 KDHS and specialized surveys planned under the Client-Provider Education Project.

STRATEGIC OBJECTIVE 2: *Increase Agricultural Productivity and Farm Incomes*

USAID/Kenya's strategy to increase agricultural productivity and farm incomes focusses on providing support to technology development and transfer, fertilizer and grain markets liberalization, and policy research. The Mission's geographic focus is on high and medium potential agricultural areas which comprise 20 percent of Kenya's total land area, support 80 percent of the rural population, and produce virtually all of the output of the major commodities such as coffee, tea, dairy, cereals, pulses, and horticulture. An important characteristic of these areas is the dominance of smallholder producers who account for an estimated 75 percent of total agricultural production and 60 percent of marketed output.

Growth in agricultural productivity is essential for continued overall economic growth. Agriculture is the largest sector in the Kenyan economy, contributing 28 percent of gross domestic product, providing 60 percent of export revenues and employing over three quarters of the work force. In addition, it is anticipated that the sector will absorb about 40 percent of the 4 million additional workers expected to enter the labor force by the year 2000.

From 1972 to 1991 agricultural production, as measured by real value added, experienced an average annual growth of 2.8 percent. In general, the growth rate was higher in the 1980s, with six consecutive years of positive growth from 1985 to 1990, during which the average annual growth rate was approximately 4.0 percent. In 1991 due to the drought, this positive trend was broken as real agricultural value added fell by 1.1 percent. Relating these changes in value added to changes in the amount of land and labor devoted to agriculture measures progress towards the strategic objective is obtained.

Growth in real value added per hectare averaged 2.7 percent annually from 1972 to 1991 and closely mirrored trends in agriculture value added over the same time period. In both cases, widely varying annual growth rates throughout the 70s and early 80s stabilized at approximately 4 percent from 1985 to 1990. Value added per hectare, measured in constant 1982 Kenyan Pounds, grew from 17.3 in 1972 to 29.4 in 1990, a total increase of nearly 70 percent. The 1.1 percent decline in agriculture value added in 1991 is also evident for land productivity, as value added per hectare dropped to 29.1 Kenyan pounds in 1991.

The overall picture for labor productivity in the agriculture sector is markedly different. The total increase in value added per worker (including on-farm family labor) from 1972 to 1991 was 1.4 percent, an average annual growth of only .07 percent, or virtually zero. In 1991 agriculture value added per worker declined by 3.7 percent from 1990 levels.

These trends in land and labor productivity indicate that overall productivity increases in Kenyan agriculture for the past twenty years have come consistently, and almost exclusively, from yield increases. Rapid population growth, slow absorption of labor into the modern wage sector and limits to economically feasible expansion of agricultural area have caused an average annual decrease in land per worker of 2.7 percent. In the absence of yield (ie., land productivity) growth, labor productivity would have decreased at the same rate. It was only that agricultural technology adoption contributed to a 2.7 percent per year yield increase that prevented serious labor productivity declines.

STRATEGIC OBJECTIVE No. 1

	Baseline	Actual and Planned 1991	1992*	1995	Data Sources
STRATEGIC OBJECTIVE 1					
INCREASE MODERN CONTRACEPTIVE USE:					
Contraceptive Prevalence Rate **	9 % (1984)	17 %	18 %***	23 %	KCPS/NCPD
Couple Years of Protection	564,998 (1991)	564,998	319,151	25 % Increase	LMIS/HIS
TARGET 1.1					
IMPROVE THE AVAILABILITY OF FAMILY PLANNING SERVICES (Indicators are provided in Sub–targets 1.1a–1.1e)					
SUB–TARGET 1.1a					
INCREASE THE NUMBER OF GOVERNMENT HEALTH FACILITIES ROUTINELY OFFERING FAMILY PLANNING SERVICES	577 (1984)	926	975	1,088	LMIS/HIS
SUB–TARGET 1.1b					
INCREASE THE NUMBER OF PRIVATE SECTOR AND NGO SERVICE DELIVERY POINTS ROUTINELY OFFERING FAMILY PLANNING SERVICES	181 (1984)	649	792	1,124	LMIS/HIS
SUB–TARGET 1.1c					
INCREASE THE NUMBER OF SITES OFFERING VOLUNTARY SURGICAL CONTRACEPTION	4 (1984)	60	65	78	AVSC/DFH
SUB–TARGET 1.1d					
INCREASE PERCENT OF SUB–LOCATIONS WITH ACCESS TO COMMUNITY–BASED SERVICES	5 % (1984)	34 %	37 %	45 %	USAID
SUB–TARGET 1.1e					
INCREASE NUMBER OF RETAIL OUTLETS SELLING:					
a) Reasonably–Priced Oral Contraceptives	0 (1984)	35	50	500 #	PSI/Boots PL
b) Reasonably–Priced Condoms	0 (1984)	443	660	40,000 #	PSI/Boots PL
TARGET 1.2					
INCREASE DEMAND FOR CONTRACEPTIVE SERVICES					
SUB–TARGET 1.2a					
DECREASE PERCENT OF NON–PREGNANT WOMEN CITING LACK OF KNOWLEDGE OF CONTRACEPTIVE METHODS AS CONSTRAINT TO USE	23 % (1989)	20 %	18 %***	10 %	KDHS
SUB–TARGET 1.2b					
INCREASE PERCENT OF WOMEN KNOWING WHERE SERVICES CAN BE OBTAINED FOR:					
1) IUD	60 % (1989)	62 %	64 %***	75%	KDHS
2) Norplant	< 1 % (1991)	< 1 %	5 %***	50 %	KDHS
3) Injectables	n/a	77 %	78 %***	84 %	KDHS
4) Female Sterilization	85 % (1989)	87 %	89 %***	95 %	USAID

* As of June 30, 1992; CYP figure is estimate for the period 1/1/92 to 6/30/92, beginning next year annual data will be presented for the CYP indicator – two years of data are not yet available

** Prevalence of modern contraceptive use in all women of reproductive age, 15 – 49 years

*** USAID/Kenya estimate: 1993 KDHS will provide actuals

\# Modification of this 1995 benchmark is a result of USAID/Kenya working through a new distributer with 40,000 outlets

What about indicator – e.g. # of women wanting to space, ~~postpone~~ [illegible] desired family size?

8A

STRATEGIC OBJECTIVE No. 2

How do we track this?

	Baseline	Actual and Planned		Data
		1991/92	1995	Sources
STRATEGIC OBJECTIVE 2				
INCREASE AGRICULTURAL PRODUCTIVITY AND FARM INCOME:				
Value of Agricultural Production / Hectare*	24.1 (1985)	29.1	3.7% annual increase	Economic Survey
Value of Agricultural Production / Worker*	146.6 (1985)	150.1	1.1% annual increase	Economic Survey/FAO
Agricultural Sector Value Added, Annual Growth	4.0 (1986–89)	–1.1 (1990)	4% annual increase	Economic Survey/FAO
Maize Yields (MT/Hectare)	2.20 (1985–89)	2.0	4% annual increase	MOA/DRSRS
TARGET 2.1				
ACCELERATE TECHNOLOGY DEVELOPMENT AND TRANSFER				
SUB–TARGET 2.1a				
INCREASE ADOPTION OF NEW TECHNOLOGIES				
HYV Maize Seed Sales (tons/year)	18,516 (1985–89)	21,608	22,225	KSC
% Maize Production Area Under HYV Maize	63 % (1985–89)	60 %	65 %	KARI/KSC/USAID
% HYV Maize Area Under Smallholder Production	80 % (1989/90)	82 %	85 %	KSC/KARI
% New Horticulture Cultivar Sales	Establish 1993			
SUB–TARGET 2.1b				
INCREASE DEVELOPMENT & TRANSFER OF TECHNOLOGIES				
Number of Seed Varieties & Cultivars Disseminated **	9	11	15	KSC/NARC – Kitale
o maize	7	8		
o sorghum	2	3		
o horticulture	Establish 1993			
TARGET 2.2				
IMPROVE AGRICULTURAL MARKET EFFICIENCY				
SUB–TARGET 2.2a				
IMPROVE FERTILIZER MARKET EFFICIENCY				
Percent Over CIF/Mombasa Price Paid by Farmers	60 % (1986)	28 %	Market Determined	USAID
SUB–TARGET 2.2b				
IMPROVE GRAIN MARKET EFFICIENCY				
Marketing Costs for Maize ***				
o Average marketing costs of maize (Ksh/Kg)	.62	.62	Reduce by 15%	KMDP
o Farmgate Price as a % of Retail Market Price	69 % (1991/92)	69 %		NCPB
Variation in Seasonal and Regional Maize Prices				
o Seasonal average price differentials – surplus markets	38 %	39 %	Cost of Storage	USAID
o Seasonal average price differentials – deficit markets	31 % (1990)	45 %		USAID
o Regional average price differentials – western Kenya	29 %	36 %	Cost of Transport	USAID
o Regional average price differentials – eastern Kenya	36 % (1990)	48 %		USAID

How does impact women farmers?

** Valued in constant 1982 Kenyan pounds

** A seed variety is defined as disseminated when it is available for purchase by farmers

** Marketing costs in this context refer to the price differential between retail market price and farmgate price

The importance of maintaining this progress has both microeconomic and macroeconomic dimensions. On the micro level increased labor productivity is the only avenue to improved living standards for agricultural workers. These standards will erode if momentum is lost in promoting yield increases. On the macro level, productivity must play a central role in driving economic growth. Yet, there exists a vicious circle: low agricultural productivity limits economic growth, yet, slow economic growth limits the absorption of labor out of agriculture, thus undermining progress on agricultural productivity.

It is this negative cycle which USAID/Kenya's second strategic objective addresses. The targets of accelerating the development and transfer of technology and improving the efficiency of agricultural markets, are based on the proposition that efficient technical change increases labor productivity while input and output market efficiency enhances producer incentives to employ more productive technologies and practices.

TARGET 2.1: *Accelerate Technology Development and Transfer*

Technology development and transfer has been an effective way to increase agricultural productivity and farm income. USAID has supported the development and extension of high yielding maize varieties for three decades. The current research support program began in 1986 and supports maize, sorghum, millet, and horticulture development through the Kenya Agricultural Research Institute (KARI) and collaborative crop management research and training by KARI, Egerton University and CIMMYT . KARI's management capacity and cooperation with private institutions is also enhanced so that KARI's research efforts continue to be demand driven.

Although no new maize varieties have been released since the last API report, KARI is making progress in getting new varietal material into the pipeline. For the lowland and mid-altitude programs, a total of twelve varieties are in the penultimate stage before national performance testing. In addition, a new streak virus resistant variety is being tested and, if found productive in infected areas, will be included in the 1993 national tests.

High yield variety (HYV) maize seed sales in 1991 increased by 18 percent over 1990 to 21,608 tons. The hybrid H626 experienced the most rapid sales increase. This variety was developed by KARI and the Kenya Seed Company with USAID/Kenya support and was released in 1989. H626 sales reached 3400 tons in 1991/92 from 1000 tons in 1990/91, representing 15 percent of total seed sales from a 1990/91 level of 5.7 percent.

The impact of research and the related widespread use of HYV maize can be seen from several perspectives. A 1990 study, covering the period 1958 to 1988, found that public investment in maize research in Kenya yielded an average economic rate of return of 68 percent. During this period, smallholder adoption of HYV maize rose from virtually zero, in the early 1960's, to over 65 percent of area planted during the 1985-88 period. As a result yields and area doubled while national output increased nearly fivefold.

Research impact can also be illustrated by comparing these trends in national maize production with what they might have been without research. Analysis utilizing high and low scenarios, found that without research maize output in the late 1980s would have been between 600,000 and 1.3 million tons lower per year than it has been with an active research program. Imports valued at between US$93 million and US$188 million would have been necessary for Kenya to match the increased maize output obtained during the late 1980s. In 1988 this would have represented a 5 to 10 percent increase in the import bill and would have added 1.6 to 3.2 percent to the nation's external debt.

Impact from research can also be seen in farmer's choice of crop mix. Due to increased per unit maize yields smallholders have been able to shift resources and change their crop mix to higher value crops. During the late 70s and throughout the 80s, area under horticulture grew on average four times more rapidly than area under maize, evidencing a shift to high value crops.

TARGET 2.2: *Improve Agricultural Market Efficiency*

The second target of USAID/Kenya's agricultural program is to increase agricultural market efficiency. The Mission's efforts in the agricultural factor markets have focused on diammonium phosphate (DAP) fertilizer, the largest financial input expense for maize farmers.

Fertilizer Pricing and Market Reforms

The purpose of the Fertilizer Pricing and Market Reform Program (FPMRP) - USAID/Kenya's primary mechanism for effecting fertilizer market reform - was to increase small farmer fertilizer use through policy reform. Reforms encouraged fertilizer price decontrol and development of a competitive market where retail prices reflect actual costs and average trader profits. With adequate supply, marketing competition holds the greatest potential for increasing small farmer fertilizer use.

FPMRP led to the GOK's decontrol of fertilizer prices in early 1990. This permitted: wholesale and retail price competition through quantity cash discounts and delivery services; distributor competitive advantage development in stocking or transport logistics, and; market entry by retailers. As a result, current marketing margins more closely reflect the actual costs of marketing and capital.

Farmers in Nakuru, a major distribution point for DAP, presently pay 19 percent more for 50 kgs. of DAP than the importer paid CIF/Mombasa. The 19 percent margin covers bagging, port clearance, handling, transport, financing and profits. By comparison, due to administratively set margins, Nakuru farmers paid up to 33 percent more than the CIF/Mombasa price in 1986.

The impact of fertilizer market reform is even more evident in the case of small farmers located outside of Nakuru or similar distribution points. In 1986, the dominant supplier, the parastatal Kenya Farmers Association, allowed retailers a 2.5% retail mark-up. As this did not cover marketing costs to more isolated small farmers, retailers sold "illegally" or not at all. In most cases small farmers incurred costs averaging 16-25% of the official "maximum retail price" to pick up fertilizer at Nakuru (farmer transport to and from town, opportunity cost of time, transport for the fertilizer). With market reform, rural retailers in 1991 were able to sell DAP at a price which included a gross margin of only 7 to 9 percent over the wholesale price. In summary, 1986 farmers paid up to 60% over CIF while post-price decontrol 1991 farmers paid up to 28% over CIF.

The improvement in the efficiency of the fertilizer market as a result of FPMRP-induced policy is clear. Due to conditions and measures beyond the control of FPMRP, however, this has not led to an increase in fertilizer use. The depreciation of the Kenyan Shilling has resulted in a more rapid increase in imported fertilizer prices than in agricultural commodity prices. Artificially low official food crop prices and depressed international coffee prices have served as further disincentives to increased fertilizer use.

what can be done?

How has the hold on quick-disbursing assistance affected results?

Cereals Marketing Reform

In collaboration with the EEC and IBRD, the Kenya Market Development Program (KMDP) supports the GOK Cereals Sector Reform Program. KMDP focuses on maize, bean and minor crop movement control elimination; market price and regulation dissemination; market to market road rehabilitation; and university policy research. All areas have made significant progress in a difficult environment.

KMDP was initiated in July, 1990. In April, 1991, as a result of KMDP, the GOK increased the amount of maize farmers and traders could move freely from one to four tons. Concurrently, the GOK completely decontrolled millet, sorghum and minor crop marketing and implemented the first ever market regulation publicity campaign. The Ministry of Agriculture (MOA) initiated daily radio and newspaper announcement of open market prices and conditions at this time. In early 1992 the GOK decontrolled bean marketing and further relaxed maize movement ceilings to 8 tons while committing to total decontrol by December, 1992. The MOA again announced these and previous changes during two media and administrative service publicity campaigns.

Assessment of movement decontrol impact is difficult, due to spotty police adherence to regulation changes; maize production shortfalls over the 1990-92 period; the national cereals board's sale of over 11 million bags of maize (increasing the proportion of formal to informal maize flows); and the short time period since decontrol measures have been implemented.

It is expected that movement control elimination will result in marketing margins (the difference between farmgate and retail price) that more closely reflect transport costs and average trader profits. As marketing margins are driven lower by cereals buying and selling competition, producer prices will increase while consumer prices fall. This would enhance food security, especially in deficit areas poorly served by the cereals board, while improving farm income.

when do we expect to see these results?

USAID market price monitoring shows how sensitive this dynamic is to conditions outside the commodity system, such as weather. Margins exhibit within and across year variations. Within any year the July-September period is the "hungry season" when maize is less available and prices rise. As the October-December harvest period begins, the margins between farmgate and consumer prices increase (from 25% to 31% in 1990 and from 19% to 36% in 1991).

This illustrates the disproportionate downward pressure harvest periods have on farmgate prices relative to consumer prices. Margins continue to expand during the January - March period (to 42% in 1991 and 1992) as harvests peek, pushing farmgate prices down further. Margins adjust downward during the April - June period (to 21% in 1991 and 28% in 1992) as on farm surplus stocks are exhausted allowing producers to demand higher prices for the small quantities they sell, and consumers benefit from previously purchased maize being released from stores and stabilizing prices.

Nominal Farm to Market Margins in 10 Markets
(% increase of farmgate price)

	1990/91		1991/92
July-September (90)	26	July-September (91)	19
October-December (90)	31	October-December (91)	36
January-March (91)	42	January-March (92)	42
April-June (91)	21	April-June (92)	28

Across year price variations can indicate movement decontrol impact as limits increased from 1 ton to 4 tons in April, 1991 to 8 tons in April, 1992. However, in addition to movement decontrol these margins are affected by between year changes in maize supply, marketing board activities, farmer and trader perceptions, etc. Decreasing July-September margins between 1990 and 1991, from 26% to 19%, indicate increased farmgate competition due to higher movement limits, resulting in higher producer prices. Increased October-December margins, from 31% in 1990 to 36% in 1991, illustrate sharp consumer price increases as significant 1991 production shortfalls became evident in December and traders and the cereals board bought and held stocks. The constant January-March margins (42% in both 1991 and 1992) illustrate farmgate price increases due to shortages and buying competition and increasing consumer prices as market participants anticipate the effects of a production shortfall. As farmers refuse to sell, and buyers stop seeking limited on-farm supplies, farmgate prices fall slightly. Imports and the cereals board's last attempt to stabilize prices with diminishing stocks only bring down consumer prices a small amount. This explains the jump in April-June farm to market margins from 21% in 1991 to 28% in 1992 although movement limits had increased to 8 tons in April, 1992.

It is also expected that movement control elimination and increased private marketing will result in lower interseasonal maize price increases. Price variations (around a "mean" market price) would decrease as competition eliminates excess costs and profits and movement decontrol allows maize to move in response to prices. More stable prices will benefit consumers and improve food security. However, illustrating the impact of weather and incomplete deregulation USAID monitoring has shown the following pattern of open market price variation.

Percent Interseasonal Maize Price Variations
(in real prices)

	June 1990 - July 1992
High Private Trade (Central)	28
High Private Trade (Western)	29
High Private Trade (Nyanza)	36
Low Private Trade (Rift Valley)	44
Moderate Private Trade (Eastern)	68

Areas of "high private trade", where there is more private than cereals board marketing, exhibit the least price variation over the two year period. Eastern Province is a semi-arid, low income, maize deficit area. As the GOK has provided Eastern with significant food assistance over the last six months, it is classified as a "moderate private trade" area. (Note that during the 1984-85 drought, Eastern Province maize prices increased 214% while Western Province maize prices increased only 17%.) Price variations illustrate that in areas where maize moves freely aboard private vehicles, consumers experience less interseasonal price variations. Where the cereals board is dominant and movement is restricted consumers experience greater volatility in maize prices.

In response to liberalization and production shortfalls, the GOK doubled official cereals board producer prices in July, 1992. This contrasts with official prices over the last five years that have remained flat (in real terms) setting the stage for maize production shortfalls exacerbated by erratic rains. As open market prices are high, the 100% producer price increase should enable the board to compete with private traders in buying scarce maize supplies. It's immediate effect will be to restore maize enterprise profitability, increase farmer incomes, and provide maize producers with greater price incentives.

Conclusion

USAID/Kenya's agricultural program has had profound impacts. Increased development and transfer of improved technologies has led directly to increases in land productivity as indicated by increased maize yield per hectare. Fertilizer markets are operating more efficiently as evidenced by the reduction in the percent over the CIF Mombasa price that farmers pay for fertilizer. Finally, marketing reforms are beginning to have an impact as indicated by reduced interseasonal price variation in regions with high volume of private trade. The result: the overall national production of Kenya's main staple crop has increased, increased maize productivity has freed up land and labor resources for the production of higher value crops, and fertilizer and maize are more available in markets.

While land productivity has increased, labor productivity has not. In fact, labor productivity growth has stagnated at approximately .07 percent per year, or virtually zero, since 1972 due to rapid population growth and slow expansion of non-farm employment opportunities. Fortunately, technology driven per hectare yield increases have prevented labor productivity from actually declining by almost 3 percent annually. These relationships illustrate the key, cross sector, links to the employment and population strategic objectives of the mission.

STRATEGIC OBJECTIVE 3: *Increase Private Enterprise Employment*

USAID/Kenya's strategy for increasing private enterprise employment focusses on providing support to non-traditional exports (NTEs) and small and medium enterprises (SMEs). The Mission's approach to helping NTEs and SMEs to more fully realize their potential to generate employment is to support improvements in the enabling environment and to strengthen institutions that can assist private enterprises to respond to the improved environment.

Private sector employment in Kenya has increased at an average annual growth rate of 6.1 percent since 1985, accounting for the creation of approximately 390,000 jobs. The annual growth rate decreased slightly in 1991 to 6.9 percent, from 7.5 percent in 1990, due primarily to slower growth in modern sector employment creation. In 1990, the private sector accounted for approximately 1.2 million jobs, which was about 63 percent of total employment outside the small farm sector, and an estimated 12 percent of the total labor force.

The private sector's share of total employment and of total employment created each year (outside the small farm sector) has been increasing, trends that attest to the dynamism of private enterprises in Kenya. The percent of total employment provided by the private sector has risen from 60.7 percent in 1985 to 64.1 percent in 1991. The percent of the total net annual increase in non-farm employment that is generated by the private sector rose from 57.6 percent in 1985 to 84.9 percent in 1991. Between 1985 and 1991, the private sector provided 73.4 percent of the net increase in jobs in Kenya. In contrast, public sector wage employment has been growing more slowly. The annual growth rate of public sector wage employment has fallen from a high of 6.7 in 1988 to 2.1 in 1991 (see Section II for a discussion of employment trends in the context of the total labor force).

Although USAID/Kenya has judged that it is no longer in the Mission's manageable interest to reverse the decline in real wages (see Annex A), wage and productivity issues remain concerns that influence the Private Enterprise program. During the 1980s it is estimated that labor productivity in the modern private sector rose by 2 to 3 percent per year, although productivity rises in the public and small farm sectors were probably negligible or nonexistent. Annual changes in real wages for the formal private sector have fluctuated widely from year to year, with positive changes registered in 6 out of the past 11 years. The average annual rate of change in formal private sector real wages since 1985 has been 1.2 percent. However, since 1981 the average annual rate of change has been negative .5 percent, indicating no net improvement in the welfare of workers in this sector over that time. Real wages in the formal private sector declined in 1991 by 4 percent, a more rapid decrease than that experienced in 1990, when real wages dropped by 1.2 percent.

TARGET 3.1: *Increase Non-Traditional Export Earnings*

The target of increasing non-traditional export (NTE) earnings is designed to build on the potential of this sector to exploit Kenya's unique productive resources (inexpensive labor and favorable and diverse agro-climatic zones) to generate foreign exchange, create jobs, and increase real wages and incomes. In 1991 USAID/Kenya launched the Kenya Export Development Support (KEDS) Project to support the growth of this sector. This project, the

STRATEGIC OBJECTIVE No. 3

	Baseline	Actual and Planned 1991	Actual and Planned 1995	Data Sources
STRATEGIC OBJECTIVE 3				
INCREASE PRIVATE ENTERPRISE EMPLOYMENT				
Private Sector Annual Employment Growth Rate	5.2% (1985)	6.9 %	7.0 %	Economic Survey
TARGET 3.1				
INCREASE NON-TRADITIONAL EXPORT REVENUES		what about in between?		
Non-traditional Export Revenues	$449 mil. (1990) *$486 mil.** (1990)	*$550 mil.**	$600 Mil.	Customs & USAID Study *Economic Survey*
Number of NTE Enterprises	1488** (1990)		2000	Customs & USAID Study
Total Employment in NTE Enterprises	157,000 (1990)		8 % Annual Increase	NSSF/USAID
SUB-TARGET 3.1a				
IMPROVE POLICY ENVIRONMENT FOR EXPORTS ?				
Policy Index Score	N/A			USAID
SUB-TARGET 3.1b				
EXPAND SUPPORT SERVICES FOR NTE ENTERPRISES				
Number of Organizations with Support Programs for NTE Enterprises	2 (1990)	2	8	USAID
Number of NTE Enterprises Assisted per Annum				
TARGET 3.2				
INCREASE PROFITABILITY OF SMALL & MEDIUM ENTERPRISES				
Average Annual Real Revenues per SME				
o Formal/modern sector	Ksh 24.4 mil.		5% Ann. Incr.	CBS/USAID Study
o Urban informal sector	Ksh 99,000 (1990)		5% Ann. Incr.	USAID
Total Employment in SMEs				
o Formal/modern sector	276,000**	285,000	5% Ann. Incr.	CBS/USAID Study
o Urban informal sector	277,000 (1990) *285,000** (1990)	*332,000**	11% Ann. Incr.	USAID *Economic Survey*
SUB-TARGET 3.2a				
IMPROVE ENABLING ENVIRONMENT FOR SMEs ?				
Enabling Environment Index Score	N/A			USAID
SUB-TARGET 3.2b				
EXPAND SUPPORT SERVICES FOR SMEs				
Number of Organizations with Support Programs for SMEs	41 (1990)	51 #	50	USAID
Number of Loans Disbursed to SMEs	9000 # (1990-91)			GOK/USAID
Number of Individuals in SMEs Trained	2400 # (1990-91)			GOK/USAID

* data drawn from a source different than for baseline, this figure has been included to illustrate trends in this sector over the past year
** Data revised from 1991 API
# Provisional data

where are the ladies?

Mission's primary activity in support of the NTE sector, seeks to strengthen public sector agencies and private organizations to promote NTEs, improve the export climate, and provide firm-level assistance.

Non-traditional export revenues increased by 13.2 percent in 1991 to reach $550 million (9.1 billion real Ksh., an increase of 18.3 percent over the Kshs value of exports in 1990). The average annual growth rate in NTE revenues, valued in U.S. dollars, has fluctuated considerably since 1987, averaging 8.8 percent over the period.

A major earner of export revenues is horticulture, a high potential, labor-intensive subsector which is targeted for KEDS support. Fresh horticultural exports, which totaled approximately $73 million in 1991, increased in dollar value by an average annual rate of 18.6 percent between 1986 and 1991. This rapid annual growth in export revenues is reflected by the increase in the number of firms that export horticultural products. These firms increased by over 62 percent between 1989 and 1991, to reach 159 firms.

The promise of horticultural exports for increasing employment through backward linkages to agricultural production is illustrated by Kenya's floriculture industry. The flower export sector in Kenya is dominated by two large, highly integrated firms plus a handful of other small firms. The industry is very labor intensive and in 1991 an estimated 8,000 people were employed (full-time equivalents) to produce the approximately $ 37.5 million worth of cut flowers that were exported from Kenya.

KEDS will also be working to improve the policy environment for NTEs. Building on recent policy changes in the foreign exchange market which have created incentives for non-traditional exporters, KEDS will focus efforts to achieve further policy reforms in key areas where the Project has a comparative advantage to influence policy development through support to private and public organizations. USAID/Kenya will track progress toward reform goals through a "policy index" that is now being developed and that will be based on the results of an annual survey of private sector exporters and key policy analysts.

Growth of NTE industries in Kenya is constrained by, among other things, insufficient capital, a lack of technical capacity and inadequate infrastructure and market information. The KEDS Project will work through organizations to address some of these constraints, and will also provide direct, firm-level assistance.

TARGET 3.2: *Increase Profitability of Small and Medium Enterprises (SMEs)*

USAID/Kenya's second target aims to increase the profitability of small and medium enterprises (SMEs) in the formal/modern and informal sectors by improving the policy and regulatory environment and by increasing support services. The program is directed at SMEs because of their labor intensity and potential to increase employment. USAID/Kenya has been one of the leading bilateral donors supporting SME development over the past six years. Support has been provided through the Private Enterprise Development Project (PED) and emphasizes institutional strengthening to promote policy reform and provision of financial and management assistance directly to SME firms.

Employment in the small and medium enterprise sector is increasing faster than employment overall in Kenya. This is evidenced by an average annual growth rate since 1985 of 7.8 percent among SMEs, as contrasted to an average annual rate of increase of 5.3 percent for total employment over the same time period. Within the SMEs, the informal sector (urban + rural) average annual growth rate of 11.4 percent over that time period has greatly exceeded the corresponding rate of 3.2 percent for formal sector SMEs. The informal sector growth rate has been so rapid that the informal sector share of total SME employment has grown from just over 50 percent in 1984 to nearly 64 percent in 1991. It is important to note that while employment gains in the informal sector have been impressive, increases in labor productivity and real wages have probably been negligible.

Data suggest that small and medium enterprises assisted through components of the PED Project have been growing faster than SMEs overall in Kenya. Partial evaluation data imply that the average annual growth rate of employment in SMEs has been approximately 36 percent per firm for SMEs that were assisted by the Kenya Management Assistance Programme (KMAP), 34 percent per firm for SMEs receiving investments through the venture capital component, and 13 percent per firm for SMEs assisted by the International Executive Service Corps (IESC). Preliminary evaluation data also suggest that small and medium enterprises participating in the PED Project have shown average increases in real annual revenues per firm ranging from approximately 11 percent (IESC) to 24 percent (venture capital) per year after receiving assistance.

Women accounted for approximately 22.1 percent of total wage employment in Kenya in 1991, an increase from the level of 17.8 percent in 1983. Even though partial evaluation data suggest that firms participating in components of the PED Project had higher percentages of female to total employment before assistance, two of the components have shown increases in the percent of female employment to even higher levels after assistance was received, from 31 to 35 percent in the venture capital component, and from 30 to 38 percent in KMAP.

USAID/Kenya's private sector program includes initiatives to improve the enabling environment for small and medium enterprises. The SME sector in 1991 continued to suffer from less access to credit than larger enterprises, and from increased costs due to excessive government controls and regulations. However, some recent developments indicate progress in these areas. The Government of Kenya has officially acknowledged the need to improve the enabling environment for small enterprises and has developed a policy framework to do so, outlined in the recently released Sessional paper No. 2 of 1992 on "Small Enterprise and Jua Kali Development in Kenya".

The GOK has established a Small Enterprise Development Steering Committee to implement a new strategy and to coordinate and advise government, donor, and NGO programs for SMEs. The new strategy focusses on deregulation, liberalization and the improvement of the operating environment for SMEs. As a lead donor providing assistance to small and medium enterprise development in Kenya, USAID plays an active role on the Committee and intends to use its influence to bring important issues to the attention of the Committee.

USAID/Kenya plans to develop a policy reform matrix and accompanying index to track progress on improving the enabling environment for SMEs for the FY 1993 API, similar to the non-traditional export policy change measurement tool described above. In the meantime, the Mission has taken stock of progress achieved to date in this area by undertaking an evaluation of the Kenya Association of Manufacturers (KAM) component of PED. Providing support to KAM has been one of the principal ways USAID/Kenya has sponsored policy and regulatory reforms in the private enterprise environment in Kenya. KAM carried out nine studies with USAID/Kenya funds on a variety of reform related subjects, including price controls, export incentives, financing for industrial development, and parastatal reform. The evaluation found that approximately half of the reform recommendations contained in the studies have been implemented by the government, at least on paper. KAM's role in achieving the reforms was assessed as indirect, since the key players in the reform process appear to be political leaders, senior technocrats, and international donors who make reforms part of conditionality for assistance. Nevertheless, it was felt that KAM has made an important contribution to the national policy dialogue process, since it has provided useful data and analysis on alternative policies to both government and donors.

In the area of access to credit, interest rate deregulation in June 1991 has enabled NGO microenterprise credit programs, including those supported by USAID/Kenya, to raise interest rates to better sustain their programs. In this new framework, NGOs have been able to attract more donor and commercial financing, enabling them to expand numbers of loan recipients, total loan funds, and regional coverage. The formal banking sector has been slower to respond to the liberalized environment, but many commercial banks and financial institutions are now planning new small scale enterprise credit programs. The Kenya Commercial Bank (KCB) has set aside 100 million Kenya shillings (approximately $2.5 million) for four new loan schemes oriented toward small enterprises. One of the programs is targeted to the *jua kali* or informal business sector, and is a redesigned follow-on to a program that was financed by USAID/Kenya in the mid-1980s with local currency. USAID/Kenya is currently negotiating with the Government of Kenya to supplement the KCB financing with an additional 48 million shillings of local currency resources.

ANNEX A

REVISION OF INDICATORS AND EXPECTED LEVELS OF ACHIEVEMENT

The following provides a brief explanation of revisions made to elements of the strategic framework presented in the 1991 iteration of the API. Changes in indicators were based on research which demonstrated the original indicators did not capture the impact of related program activities or were not operational in terms of data availability or quality. Also included are brief discussions of the rearticulations of strategic objectives one and three. Further detail concerning data presented in the API is included in the technical notes (under separate cover).

Goal: Increase Sustainable, Broad-Based Economic Growth

- Real GDP Growth Rate; this indicator was added to this year's API because it is a primary indicator of aggregate economic growth. Real GDP growth rate was presented in this table in the 1990 API and, although not presented in the table last year, it was an important factor in the Section II narrative of the 1991 API.

- Infant Mortality and Child Mortality; these indicators are presented separately to highlight trends in the mortality of children at different ages.

- Real Income per Capita (USAID/Kenya Estimate); this indicator was dropped as a result of GOK's upward revision of the national inflation numbers. In undertaking this revision, the GOK addressed the majority of USAID/Kenya concerns. The Mission now feels GOK per capita estimates are appropriate.

Sub-goal 1: Reduce Fertility and Population Growth

- No revisions made

Sub-goal 2: Increase Production, Employment, Income and Foreign Exchange Earnings

- No revisions made

Strategic Objective 1: Increase Modern Contraceptive Use

- This strategic objective has been slightly rearticulated from the 1991 version, "Increase Contraceptive Use." The shift to emphasizing modern contraceptive methods in this year's API is based on the Mission's ability to effectively track the distribution and use of modern contraceptives, eg., pills, condoms, injectables, Norplant® and IUDs. In addition, these commodity-based methods are the most reliable means of calculating

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couple years of protection (CYP). The shift in focus to modern methods will also affect the derivation of contraceptive prevalence rates (see discussion below).

- Contraceptive Prevalence Rate; this indicator is now calculated with all women of reproductive age as a base (the denominator in CPR calculation). In the 1991 API, married women of reproductive age served as the base. This change has been made because the indicator better reflects program impact and because reliable contraceptive data for this population are now available. Recent analyses of contraceptive prevalence data indicate that up to 25 percent of female users of contraceptives are unmarried. Using married women as the reference population for this indicator, therefore, distorts actual program impact.

CPR	1984	1989	1991	1995
Married Women of Reproductive Age (All Methods)	17 % *	27 % *	29 %	35 %
All Women of Reproductive Age (Modern Methods)	9 %	15 %	17 %	23 %

* From 1989 KDHS

The remaining figures are based on method-specific estimates and projections generated by the National Council for Population and Development. Reference: The Family Planning Programme in Kenya: Demographic Impacts and Expenditure Implications.

Sub-target 1.2b: Increase Percent of Women Where Services Can be Obtained For:

- Norplant® has been added to the 1992 API following FDA approval in early 1992 and USAID's Office of Population initiating central procurement of Norplant.

- Injectables have been added to this year's API because the Logistics Management Information System now effectively tracks the distribution and use of all modern methods of contraception, including injectables.

Strategic Objective 2: Increase Agricultural Productivity and Farm Income

- Value of Agricultural Production Per Hectare; this indicator was added in an effort to track land productivity changes. These changes implicitly embody such factors as higher yielding varieties, fertilizer use, land improvements and better crop and animal husbandry.

- Value of Agricultural Production Per Worker; this indicator was added in an effort to track labor productivity changes. These changes implicitly embody such factors as area expansion, labor flows in and out of agriculture and demographic pressure. Changes in labor productivity could also provide a proxy indicator for changes in rural welfare.

Sub-Target 2.1a: Increase Adoption of New Technologies

- % New Horticulture Cultivar Sales ; this indicator was added in order to provide a baseline for horticultural technology development and transfer, a newly added area of focus in the agriculture portfolio. The second phase of the National Agricultural Research Project (NARP II) will have horticultural technology development and transfer as one of its primary focus areas. The successful transfer of horticultural technology occurs when the cultivars are disseminated to producers, therefore sales of horticultural cultivars provide a quantifiable and consistent indicator of the adoption of new technologies by farmers, while changes in uptake of the cutlivars indicate the manner in which producers are adopting new technology. Base line will be established in 1993 API.

Sub-Target 2.1b: Increase Development and Transfer of Technologies

- Number of Seed Varieties Disseminated (Horticulture) ; the utility of the development of agricultural technology lies in its dissemination. Thus, until a technology is released and available to producers, its utility is limited to research. The aim of this indicator is to track the productivity of research in releasing technologies that address the producers problems in a quantifiable and consistent manner. Baseline will be established in 1993 API.

Sub-Target 2.2a: Improve Fertilizer Market Efficiency

- Percent over CIF (Mombasa) Price Paid by Farmers ; - this indicator was added to more explicitly capture the increased efficiency of fertilizer markets after liberalization, in turn, resulting in the reduction of unnecessary costs borne by the producers. Thus the reduction in this price margin indicates that unnecessary costs are being reduced as markets become more competitive.

- Marketing Margins for Fertilizer (DAP) : Mombasa to Nakuru Stockist Gross Margin; and Domestic DAP Fertilizer Price as % of Adjusted World Prices : Nakuru Stockist Price/CIF Mombasa Adjusted for Internal Marketing Costs - these indicators were deleted from this year's API as they were found to be insufficiently informative in conveying changes in fertilizer market efficiency. These indicators were replaced by the indicator above, which has greater intuitive and analytical capability in conveying the extent to which freer markets reduce marketing costs borne by farmers.

Sub-Target 2.2b: Improve Grain Marketing

- Farmgate Price as a % of Retail Market Price ; this indicator was added because it permits greater intuitive understanding of changes in market efficiency. The difference between the farmgate price and the market retail price is an indicator of the efficiency of marketing channels, especially if the markets and farms are in close proximity. As markets become more efficient, the proportion of the final retail price retained at the farmgate should increase. Hence, an increase in the farmgate price as a percent of retail market price is an indicator of improved market efficiency.

- Marketing Costs - Ratio of Private Trader/NCPB; This indicator, which attempts to capture the differential between private trader marketing costs and those of the public sector cereals board, was found to be insufficiently informative regarding the reduction of costs as a result of liberalization.

Strategic Objective 3: Increase Private Enterprise Employment

- The Mission decided to remove the language "while reversing the decline in real wages" from the strategic objective, and to drop the second indicator Private Formal Sector Annual Average Real Wage Growth Rate from the table. It was recognized that real wages are determined by three factors: the level of employment, nominal wages, and the rate of inflation. Because of the high inflation rates and generally deteriorating macroeconomic conditions in Kenya of recent years, the Mission determined that having a significant effect on the level of real wages is beyond the manageable interest of USAID/Kenya for the medium term. The Mission, however, recognizes the importance of rising real wages to achieving sustainable economic growth and development, and will continue to track private formal sector real wage trends in the narrative of the API. The method used to convert nominal to real wage values was adjusted from the 1991 API, which resulted in slight differences in the data reported for past years.

Target 3.1: Increase Non-traditional Export Revenues

- The word "Earnings" was changed to "Revenues", in order to make clear that the target and indicator are referring to revenues earned from non-traditional exports, and not to the profits of the firms that export. A different source was used from the 1991 API, which explains the increase in the 1990 baseline figure. It is probable that the 1990 figure reported in the 1991 API was underestimated, since Customs continues to revise export data for several years.

- Number of NTE Enterprises; the language of this indicator was simplified from "Number of Enterprises Engaged in Exporting Non-traditional Products". The indicator still captures only those firms that actually export non-traditional products, and not necessarily firms that produce non-traditional goods that are exported by other parties. The baseline figure for 1990 was revised based on more complete information.

- Total Employment in NTE Enterprises; the qualifying words "formal sector" were dropped from NTE Enterprises, because they were perceived to be unnecessary. The assumption is that virtually all firms that export are registered and licensed, and thus in the formal sector. The language was slightly revised from "Non-traditional Exporters" to "NTE Enterprises", to match the above indicator on "Number of NTE Enterprises".

Sub-target 3.1a: Improve Policy Environment for Exports

Sub-target 3.1b: Expand Support Services for NTE Enterprises

- These two subtargets were originally combined into one. The Mission determined that there should be two distinct subtargets, since the two goals of the subtargets are very different, and are tracked with different indicators. This division into two subtargets was also applied to the small and medium enterprises Subtarget 3.2 a, as described below. In addition, the language describing the NTE Enterprises was simplified from the original "Enterprises Engaged in Exporting Non-Traditional Products".

- Policy Index Score; this indicator was added, and attempts to capture progress in the area of improving the policy environment for exports in Kenya. The Mission developed a draft matrix of the key policy reform areas that will be tracked, (see attached). Over the course of the coming year, a survey of private sector exporters and key policy analysts will be carried out to derive an "index" score on the status of the policies contained in the matrix. The survey will be conducted every year in order to revise the index score and measure progress in policy reform.

- Number of Organizations with Support Programs for NTE Enterprises; the language of the original indicator, "Number of Kenyan Organizations with Programs Designed to Support NTE Enterprises", was modified to simplify it, and to make it more closely parallel the similar indicator for small and medium enterprises. It was decided that the qualifying descriptive characteristics of the organizations monitored would be more appropriately detailed in the accompanying Technical Notes.

- Number of NTE Enterprises Assisted per Annum; the data for the baseline of 1990 and for 1991 are currently being revised, based on new information.

Target 3.2: Increase Profitability of Small and Medium Enterprises

- Average Annual Real Revenues per SME; this indicator was slightly revised to drop the word "Establishment" from SME. The word referred to a technical point concerning the data source used, and was judged to be cumbersome in the table. In addition, the data are now expressed in real Kenya shillings, because shillings more accurately reflect revenues for domestic firms.

- Total Employment in SMEs - Formal/modern sector; the 1990 baseline figure was revised based on updated information provided by the Statistical Abstract, and using the same estimation method that was applied for the 1991 API. The 1995 benchmark was corrected to 5 percent annual increase, (the 9 percent benchmark presented in the 1991 API was an error).

- Total Employment in SMEs - Urban Informal sector; the new 1990 baseline figure and the 1991 data are supplied from an alternative source to the special study used for the 1990 baseline provided in the 1991 API.

Sub-target 3.2a: Improve Enabling Environment for SMEs

Sub-target 3.2b: Expand Support Services for SMEs

- These two subtargets were originally combined into one. As in the case of the non-traditional export Subtarget 3.1a described above, the Mission determined that there should be two distinct subtargets, since the goals of the subtargets are very different, and are tracked with different indicators.

- Enabling Environment Index Score; this indicator was added and will be reported in the 1993 API. It will be similar in design to the non-traditional export index described above, and will attempt to capture progress in the area of improving the enabling environment for small and medium enterprises in Kenya.

- Number of Organizations with Support Programs for SMEs; The language of the original indicator, "Number of Private Registered Kenyan Organizations Providing Support Services to SMEs", was modified to simplify it, and to make it more closely parallel the similar indicator for non-traditional exports. It was decided that the qualifying descriptive characteristics of the organizations monitored would be more appropriately detailed in the accompanying Technical Notes. The 1991 reported figure is provisional.

- Number of Loans Disbursed to SMEs &Number of Individuals in SMEs Trained; these indicators were added and attempt to capture, at the most direct level, Mission activities which are designed to facilitate progress toward the target of increasing the profitability of small and medium enterprises. The figures reported for loans and training are provisional.

EXPORT POLICY MATRIX/INDEX

Policy in 1992	Problems	Planned/Recommended Policy Reforms/Actions	Current Status	Policy Index Score
High tariffs, taxes and fees on imported inputs. Choice of Export Compensation (EC) or Duty/VAT Remission (DVR) to compensate direct exporters.	EC is a flat rate not based on actual costs and subject to countervailing. DVR is slow and not available to some exporters. Indirect exporters not eligible for either scheme.	Provide compensation to indirect exporters. GOK/WB/IMF programs plan to reduce tariffs, phase out EC and broaden/streamline DVR.	GOK proposing slower phase out of EC scheme.	
Import licenses required for all imported inputs, but to be automatic for some items.	Licensing delays even when imports are self–financed or are supposed to be automatic.	Enforce automatic licensing and eliminate or automate for self–financed imports.		
100% foreign exchange retention for NTEs.	Restrictions on use of retained FX. Some NTEs not eligible.	Relax or remove restrictions on use of FX. Expand list of eligible exports.		
Physical and paper based customs controls on imports and exports.	Extra customs costs and delays. Opportunities for rent seeking.	Phase out physical controls and improve procedures.		
Jet fuel prices set at high level relative to international prices.	Higher transport costs for horticultural exporters. No incentive for airlines to add cargo space or flights.	Reduce jet fuel prices to international levels.		
Credit ceilings imposed by Central Bank to limit the expansion of commercial bank credit.	No incentives for banks to offer trade financing services to exporters.	GOK/IMF program plans to substitute indirect controls to to encourage competition and expanded banking services.		
Exporters required to pay GOK parastatal for air cargo handling services.	Poor service and higher transport costs.	GOK/WB export program schedules elimination of requirement by November 92.	GOK proposing to delay elimination of requirement.	
Port and rail services provided by parastatals.	Poor/unreliable services, delays and higher transport costs.	GOK/WB plan to improve port/rail management and privatize some operations.		

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ANNEX B

RESPONSE TO AID/W REQUEST FOR SUPPLEMENTAL INFORMATION

I. USAID/Kenya Involvement with Indigenous PVOs

USAID/Kenya is heavily involved with Kenyan private voluntary organizations (PVO), through both its sector-specific programs and the PVO Co-Financing Project.

The Mission's Office of Population and Health (O/PH) works closely with many Kenyan and U.S. PVOs to implement its comprehensive health and family planning portfolio of projects. O/PH's Family Planning Services and Support Project (FPSS) supports family planning service delivery through community-based approaches, primarily implemented by PVOs. The major expansion in community-based family planning programs seen in Kenya since 1985 has been largely due to the expansion of CBD activities of PVOs such as the Family Planning Association of Kenya (the Kenyan affiliate of the International Planned Parenthood Federation), Maendeleo Ya Wanawake Organization and the Christian Health Association (CHAK), which represents a network of family planning associations, women's groups and Christian hospitals, clinics and dispensaries.

A large percentage of the health care services in Kenya are also provided through the PVO sector. Prominent Kenyan PVO health care providers include: the Kenya Catholic Secretariat, CHAK, Crescent Medical Aid of Kenya and the African Medical and Research Foundation. It is estimated that CHAK and the Kenya Catholic Secretariat together provide nearly 40 percent of primary health care services in the country, largely because of their widespread rural presence and provision of mobile clinic care.

The Private Enterprise Office (PEO) also cooperates closely with Kenyan PVOs in the implementation of various project components. In the Private Enterprise Development Project (PED), The Kenyan Rural Enterprise Programme (KREP) and the Kenya Management Assistance Program (KMAP) are two Kenyan PVOs that the Mission works through to provide technical assistance and credit to small enterprises in the formal and informal sectors.

The importance of these PVOs in providing services to the health and private enterprise sectors of Kenya is clear. USAID/Kenya, therefore, actively supports efforts to increase and strengthen the institutional capacity of these groups. The Family Planning Management and Development Project (FPMD), Pathfinder International, CEDPA and AVSC are some of the cooperating agencies that provide, through O/PH support, targeted technical assistance in institutional capacity building to many of the PVOs active in family planning service delivery in Kenya. Building on initial technical assistance provided to KREP by World Education through Mission support, the Private Enterprise Office continues to strengthen both KREP and KMAP institutionally through periodic and focused training and technical assistance.

In addition to USAID/Kenya's involvement with indigenous PVOs via sector-specific programs, the Mission also works with PVOs through the PVO Co-Financing Project. The explicit purpose of this project is, "to assist PVOs in Kenya to increase their development

Very useful in light of congressional request impact by strengthening their institutional, implementation and beneficiary outreach capabilities." Recognizing the important and unique contributions PVOs make to Kenya's development, the Co-Financing Project has utilized workshops, training and specialized technical assistance to expand PVO capacity in the areas of project design and implementation, financial and personnel management and monitoring and evaluation. Kenyan PVOs recently assisted through the Co-Financing Project work in various sectors and include: the Kenya Freedom From Hunger Council, Tenwek Hospital, Chogoria Hospital, Family Systems Kenya Limited, Christian Industrial Training Centers, Tototo Home Industries and CHAK.

USAID/Kenya programs and projects have benefitted, and continue to benefit, significantly from the involvement of Kenyan PVOs. In addition, the Mission fully recognizes the crucial role these organizations play in Kenya's economic, political and social development. Thus, USAID/Kenya will continue its longstanding commitment to and support of the Kenyan PVO community.

II. USAID/Kenya: Targets of Opportunity

Kenya Health Care Financing Program

The Kenya Health Care Financing (HCF) Program has been heralded in the midterm evaluation report as one of the most successful health care financing reform programs in Sub-Saharan Africa.

The overall objective of the HCF Program is to increase the financial sustainability of both curative and primary/preventive health services. Funded in 1989 at US $15 million for four years through the Africa Economic Policy Reform Program, policy reform is accomplished with non-project assistance and a technical assistance project. Implementing agencies are the Ministry of Health (MOH) as the lead agency, Kenyatta National Hospital (KNH), and the National Hospital Insurance Fund (NHIF).

The major policy initiatives successfully undertaken and in place are:

1. Cost sharing through fees and insurance claiming,
2. Increased insurance contributions to the NHIF,
3. Increased NHIF benefits to hospitals,
4. 75 percent of revenue is used in facility where earned,
5. 25 percent of revenue used for district-level preventive/primary health care,
6. Waiver system to ensure access to health care.

These reforms have resulted in substantially increased financial resources being available for both curative and preventive health services.

In the MOH's eight Provincial General Hospitals (PGH), cost sharing revenue equals between 30-70 percent of the non-wage recurrent budget. This revenue increase was made possible through the reforms listed above which increased NHIF reimbursements per patient day at Provincial Hospitals from 60 KShillings to 350 KShillings - a sixfold increase.

The annual revenue from cost sharing at Kenyatta National Hospital, the largest tertiary hospital in Africa, now equals about US$ 1 million, over 10 percent of KNH's overall budget, and over 20 percent of its non-wage budget.

Given the recent cash flow crisis within the Government of Kenya affecting all Ministries, GOK funds are often sufficient to pay only for wages. Without cost sharing revenue in PGHs, hospital administrators report that patient care would have come to a standstill. Cost sharing revenue collected and used at the hospital-level buys emergency drugs and medical supplies. Revenue also provides for such items as cleaning supplies, maintenance for vehicles, and paint for buildings - items often underfunded in the MOH budget.

While cost sharing revenue is needed to improve health services, access to health care is ensured. Access to care is ensured through a waiver system for the poor, exemption systems for children up to 15 years of age and for certain diseases, and free care at the dispensary level. Up to 30 percent of all inpatients are either exempted or waived from fees.

As anticipated in the HCF PAAD, the policy reforms evolved and changed during implementation. During the first nine months of the new fees, several downward adjustments were made and outpatient fees were dropped. *Even with these adjustments, fees continued to be collected for the majority of services.* The increased aggressive insurance claiming by the PGHs more than compensated for the revenue lost from the drop of the outpatient fee. The outpatient fee has been successfully reintroduced as an outpatient treatment fee at KNH and the PGHs. The treatment fee is charged only if drugs and medical supplies are available, a practical policy that has resulted in widespread public acceptance.

The success of the HCF Program is attributed to a strong analytical basis for determining appropriate reforms, intensive policy dialogue among USAID, the MOH and Ministry of Finance, and an effective technical assistance team working in tandem with the MOH's HCF Secretariat. The HCF Secretariat, with the assistance of the technical assistance team, has implemented key systems at the PGHs, including systems for revenue collection, recording and use, insurance claiming, waiver and exemption use, and impact monitoring.

Currently, the technical assistance team and Secretariat are developing a health care financing strategy through an inter-ministerial consensus building process. This process is expected to identify the health care financing reform agenda for the next 10 years. A prominent feature will be those policy changes needed to increase the private sector's role in the provision of health services.

Despite these successes, the potential of the key reform - cost sharing - has yet to be realized. The efficiency of hospitals in identifying NHIF patients, filing claims, and receiving reimbursements, is about 50 percent. This results in approximately 30 percent of the potential revenue being collected. More effort is needed to attain the full revenue potential, as well as to reintroduce the outpatient treatment fee and strengthen cost sharing systems at the 72 district and sub-district hospitals and 400 health centers. The potential revenue from these efforts approximates US $6 million annually.

While the full revenue potential from fees and insurance claiming remains unrealized, significant cost sharing revenue is now being generated. More importantly, the revenue stays in the facility or district where earned to improve both curative and preventive health services for the patient. *The overall objective of this policy reform program is being met.*

AIDS is a T.O. Any data?

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REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**

I. Program Impact	Impact Grade (H/M/L)	Narrative (examples from the data) only program w/ existing APSP & still a model for the Bureau
Goal Promote sustainable, broad-based economic growth	N/A	The real GDP growth rate is down to 2.2% in '91 from 5% in the '80s and the real income per capita growth rate registered at -1.3%, the first time in seven years that a negative rate has been recorded. The mission attributes this slowdown to poor weather. Life expectancy, infant and under-5 mortality remained stable. The mission expressed concern about the impact of AIDS on these indicators.
Sub-Goal 1 Reduce fertility & population growth	H	Total fertility rate and population growth rate have remained stable since FY 1990. Both levels, however, are still very high. continued progress at the SO level
Sub-Goal 2 Increase production, employment, income and foreign exchange earnings	M	Slight decreases in private sector contribution to GDP (from 62.9% in '89 to 60% in '91), agricultural production as a percent of GDP (from 28.5% in '89 to 27.3% in '91 and annual employment growth rate (from 5.5% in '90 to 5.1%). The informal sector is accounting for a greater percentage of job creation, rising from one-third of new jobs in '85 to two-thirds in '91. There was an increase in foreign exchange earnings (from \$1.488 billion to \$1.517 billion) although tourism earnings delined 4%. The mission is looking to increase non-traditional exports (NTE) to increase foreign exchnage earnings and expand employment opportunities.

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REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**		
Strategic Objective One Increase modern contraceptive use	H	The CPR has increased from 17% to 18% since last year. Progress is continuing on all sub-targets, most notably an increase in private sector/NGO delivery points from 649 in '91 to 792 in '92, increase in retail outlets selling oral contraceptives (from 35 in '91 to 50 in '92) and condoms (from 443 in '91 to 660 in '92), and a decrease in the percentage of women citing lack of knowledge as constraint to use from 20% in '91 to 18% in '92. The mission also noted that the number of retail outlets selling condoms will increase to 40,000 in '95 due to the addition of a new distributor. This SO was revised to track **modern** contraceptive use. The measurement for CPR was revised to reflect **all** women of reproductive age, not just married women.
Strategic Objective Two Increase agricultural productivity & farm incomes	M/L	Agricultural production, after six years of 4% average growth rates, declined approximately 1.1% in '91 because of the drought. Labor productivity, however, has been stagnant, and even decreased by 3.7% in '91. Agricultural technology adoption and the subsequent yield increases has mitigated even greater declines in labor productivity. Therefore, success in this area is measured as maintaining the status quo. Because the baselines have been established at '90 and '91 data, it is too early to determine the impact on Target 2.2, improve agricultural market efficiency although early indicators on savings between seasonal and regional maize price variations looks promising.

suggestion for mission

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REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**		
Strategic Objective Three Increase private enterprise employment	H	The mission has determined that real wage growth is no longer within their manageable interests. Private sector annual employment growth rate continues to be high but is down from 7.5 in '90 to 6.9 in '91. SME employment continues to increase in both the formal and informal sectors, with the most dramatic growth occurring in the informal sector. The mission has recently established baselines on NTE enterprises, employment and revenues and SME revenues and support services so it is too early to determine progress in these areas.

REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**		
II. Quality of API	API Quality Grade (H/M/L)	Narrative Commentary on API
Narratives	H	Kenya continues to be a model for the Bureau in impact reporting.
Indicators	H	The indicators for all three SOs are particularly well done and should be a model for the Bureau. It would be useful if the mission could provide intermediate target years for its SOs. The mission includes people level impact indicators. The API has excellent summary of revised indicators and the rationale for these revisions. A planned vs. actual column in the table would be useful for reviewers. The mission may also wish to consider reducing the number of indicators and focussing its efforts on just the most important ones.
Data	H	Excellent data. We encourage the mission to incorporate gender disaggregated information in future APIs.
III. Validity of Mgt. Contract	Validity Grade (H/M/L)	Narrative Commentary on Management Contract

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REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**		
CPSP or Concept Paper, Date Approved CPSP approved in FY 1990.	H	The consensus of the review committee is that Kenya has consistently fulfilled the management contract. However, it is unclear what AID/W's role is in the management contract as it has been overtaken by the larger issue of Kenya's political crisis.

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REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**

Suggestions for the Mission

Special Factors Affecting the USAID/Kenya Program

- With the current political situation, quick disbursing programs such as the Kenya Market Development Program and the Fertilizer Policy Management Reform Program, have been put on hold for FYs 92 and 93. What are the necessary reforms for the resumption of these programs and what is the likelihood of this happening in the near future? If the suspension continues, how will this affect target 2.2, improve agricultural market efficiency? This question was also raised in last year's API review.

- The mission notes that AIDS could have a profound impact on development and as a result, Kenya has become a priority country for AIDS support. Is the mission considering tracking the impact of AIDS on its program in future APIs?

Progress Toward Overall Country Program Goals

- Under Sub-Goal 2, the mission lists agricultural production as a percent of GDP as an indicator. What kind of decreases is the mission expecting to see under this indicator?

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REVIEW OF FY 1992 ASSESSMENTS OF PROGRAM IMPACT

Country: **KENYA**
Results (suggested for use in the CP Overview)
• Continued progress in family planning. • Agricultural productivity due to the adoption of new technologies and its impact in stemming declines in labor productivity. • The high growth rate level in private sector employment and in particular, increasing employment in SMEs, most notably in the informal sector.

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DRAFTED BY: AID/AFR/EA:CMTERRY:JEC
APPROVED BY: AID/AFR/EA:PGUEDET
AID/AFR/EA:GLEWIS AID/AFR/EA:JMHOFFMAN
AID/AFR/ARTS:JWOLGIN (INFO) AID/POL/CDIE:SALLEN (INFO)
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TAGS:
SUBJECT: AFRICA-WIDE RESULTS OF API REVIEWS

1. SUMMARY. THIS CABLE REPORTS THE RESULTS OF THE AFR/W REVIEW OF FY 92 ASSESSMENTS OF PROGRAM IMPACT (APIS). THIS CABLE CONTAINS GENERAL BUREAU-WIDE RESULTS AND COUNTRY FEEDBACK ON THE KENYA API. A COMPENDIUM OF FY 92 APIS AND A COMPENDIUM OF AFR/W REVIEW MATERIALS WILL BE POUCHED TO MISSIONS. ADDRESSEES WILL BE POLLED BY SEPTEL ON THE VALUE AND COST OF THE API AS A PERFORMANCE MEASUREMENT TOOL. END SUMMARY.

2. PROCESS. THIS YEAR, 16 MISSIONS PREPARED APIS. THEY WERE QUITE INFORMATIVE, EITHER IN THE DATA OR THE NARRATIVES, ABOUT THE PROGRESS BEING MADE TOWARD THE ACHIEVEMENT OF USAID PROGRAM STRATEGIES. AFR/W REVIEWED THE APIS IN THREE STAGES. FIRST, CDOS CONSULTED WITH AFR/ARTS AND AFR/ONI ANALYSTS ON SECTORAL TRENDS AND INDICATORS, THEN APPRAISED THE APIS IN TERMS OF IMPACT SHOWN, QUALITY OF THE API, AND THE VALIDITY OF THE COUNTRY PROGRAM MANAGEMENT CONTRACT. SECONDLY, GEOGRAPHIC OFFICES HELD SUB-REGIONAL REVIEWS OF APIS NOVEMBER 19-DECEMBER 3, 1992. THIRDLY, GEOGRAPHIC OFFICES PRESENTED THEIR RESULTS TO SENIOR BUREAU MANAGEMENT DURING IMPACT WEEK, DECEMBER 14-18, 1992.

3. RESULTS. THE FOLLOWING POINTS CAME OUT DURING THE DISCUSSION AT THE WRAP-UP TO IMPACT WEEK.

IMPACT

A. SLOWER GROWTH. LOOKING AT THE NARRATIVES AND THE MACROECONOMIC DATA PROVIDED IN THE APIS AND FROM THE WORLD BANK, WE CAN SEE THAT GROWTH WAS SLOWER IN 1991 THAN IN 199Ø. MORE THAN HALF OF THE REPORTING COUNTRIES EXPERIENCED A NEGATIVE GDP PER CAPITA GROWTH RATE. THIS DECLINE OCCURRED IN COUNTRIES THAT EXPERIENCED DROUGHT, LOW RAINFALL, COMMODITY PRICE DROPS, A TUMULTUOUS

DEMOCRATIZATION PROCESS, OR CIVIL STRIFE.

B. AGRICULTURE AND NATURAL RESOURCES. (1) IN CASES WHERE MISSIONS HAVE BEEN ABLE TO ESTABLISH A BASELINE BACK TO THE MID OR EARLY 198ØS, PROGRESS AND IMPACT ARE DEMONSTRATED (KENYA, MALI, LESOTHO). HOWEVER, AFRICA-WIDE TRENDS DO NOT APPEAR IN THE APIS. (2) IN THESE SECTORS, IT IS IMPORTANT TO DISTINGUISH BETWEEN NATIONAL-LEVEL TRENDS WHICH ARE HEAVILY INFLUENCED BY EXOGENOUS FACTORS (CLIMATE, CIVIL STRIFE) AND REGIONAL IMPACTS MORE DIRECTLY ASSOCIATED WITH USAID PROGRAMS (SEE PARA 3M). IN SEVERAL COUNTRIES (EG. NIGER, SENEGAL, MALI AND LESOTHO), NATIONAL STATISTICS SHOW NEGATIVE TRENDS WHILE A POSITIVE IMPACT IS MEASURABLE WITHIN USAIDIS INTERVENTION ZONE. (3) NRM IMPACT DOES NOT APPEAR TO BE FULLY CAPTURED IN THE API'S, EITHER BECAUSE IT IS A TARGET OF OPPORTUNITY (AND THEREFORE REPORTING IS NOT REQUIRED) OR BECAUSE OUR NRM INTERVENTIONS WILL NORMALLY SHOW PEOPLE-LEVEL IMPACT IN THE MEDIUM-TO-LONG TERM.

FOOD SECURITY: THE APIS DOCUMENTED A SHIFT BY AID MISSIONS FROM EMPHASIS ON FOOD SUPPLY TO AN EMPHASIS ON ACCESS TO FOOD, AS EVIDENCED BY THE NUMBER OF STRATEGIC OBJECTIVES AND TARGETS TO INCREASE HOUSEHOLD FARM AND NON-FARM INCOME. HOWEVER, WE HAVE DIFFICULTY MEASURING HOUSEHOLD INCOME CHANGES, AND PROPER MEASUREMENT WOULD REQUIRE CONSIDERABLE RESOURCES.

C. POPULATION. WE CONTINUE TO SEE POSITIVE PROGRESS AND IMPACT IN TERMS OF AN INCREASE IN CONTRACEPTIVE PREVALENCE RATES IN SEVERAL COUNTRIES, INCLUDING GHANA, KENYA, MALAWI, RWANDA, KENYA AND MALI. THIS HAS BEEN TRANSLATED INTO IMPRESSIVE CHANGES IN DOCUMENTED FERTILITY RATES IN RWANDA AND KENYA.

D. BASIC EDUCATION. WE SEE AN INCREASE IN ENROLLMENT RATES IN GHANA, GUINEA, AND MALI. ON THE OTHER HAND, THERE WAS A SLIGHT DROP IN THE COMPLETION RATE IN DROUGHT-STRICKEN LESOTHO. MUCH OF THE BASIC EDUCATION REPORTING FOCUSSED ON PROJECT-LEVEL INPUTS AND OUTPUTS (EG. HOST COUNTRY BUDGET ALLOCATIONS, TEXTBOOK SUPPLY, TEACHER TRAINING, FACILITY IMPROVEMENT) RATHER THAN QUOTE HIGHER LEVEL UNQUOTE PROGRAM IMPACT.

E. HEALTH/CHILD SURVIVAL. SEVEN OF THE 16 APIS REPORTED DECREASES IN THEIR CHILD AND/OR INFANT MORTALITY RATES. INCREASES IN IMMUNIZATION COVERAGE WERE NOTED IN 6 COUNTRIES. OUTSIDE OF THIS, MOST OF THE PROGRESS WAS REPORTED IN TERMS OF HEALTH SYSTEM STRENGTHENING, INCLUDING COST RECOVERY.

F. WOMEN IN DEVELOPMENT. WE SAW IMPACT ON IMPROVING THE OPPORTUNITIES FOR WOMEN TO TAKE PART IN DEVELOPMENT. FOR EXAMPLE, IN MALI, A NATIONAL QUOTE GET GIRLS IN SCHOOL END QUOTE STRATEGY INCREASED THE PERCENTAGE OF NEW FEMALE ENROLLEES IN PRIMARY SCHOOLS. IN GUINEA, ADULT FEMALE LITERACY INCREASED FROM A VERY LOW 13% TO A NOT-AS-LOW 18%. AND KENYA REPORTED DRAMATIC INCREASES IN WOMEN'S KNOWLEDGE OF CONTRACEPTIVE METHODS. NEEDLESS TO SAY, THESE ARE SMALL STEPS AND CONSIDERABLY MORE EFFORT SHOULD BE DIRECTED TOWARD HAVING IMPACT ON AND REPORTING ON EQUITABLE DEVELOPMENT.

A COMPARISON OF LAST YEAR'S APIS SHOWS A SIGNIFICANT INCREASE IN THE TOTAL NUMBER OF GENDER-DISAGGREGATED

INDICATORS IN THE LOGFRAMES AND IN REFERENCES TO GENDER IN THE NARRATIVE SECTIONS. HOWEVER, ON THE WHOLE, IT WAS FOUND THAT THE DATA BEING COLLECTED AND REPORTED IN THE PRODUCTIVE SECTORS IS NOT DISAGGREGATED BY GENDER ADEQUATELY TO MEASURE PROGRESS. THE FAMILY PLANNING ACTIVITIES HAVE MORE ADVANCED DATA COLLECTION SYSTEMS, ALTHOUGH THERE IS STILL A LAG IN ORIENTING PROGRAMS TO BOTH WOMEN AND MEN. MORE PROGRESS IS BEING MADE IN CONCEPTUALIZING AIDS/HIV PROGRAMS ON A GENDER BASIS. EDUCATION PROGRAMS GENERALLY HAVE GOOD DATA THAT TEND TO BE GENDER-DISAGGREGATED, OR THE PROGRAMS THEMSELVES HAVE A FEMALE FOCUS (SUCH AS MALAWI'S GABLE PROJECT).

G. EXOGENOUS FACTORS

(I) THE DROUGHT HAD A PROFOUND EFFECT ON AGRICULTURAL PRODUCTION AND PRODUCTIVITY IN SOUTHERN AFRICA. IT ALSO HAD A NEGATIVE IMPACT ON INDUSTRIAL PRODUCTION, HEALTH AND EDUCATION.

(II) POLITICAL CHANGE AND REFORM. AFRICA SAW

CONSIDERABLE POLITICAL CHANGE IN THE LAST YEAR, AND OUR APIS REFLECTED IT, AS MOST MISSIONS REPORTED A CHANGE OF GOVERNMENT OR POLITICAL EVENTS AS A SPECIAL FACTOR THAT AFFECTED THEIR PROGRAM PERFORMANCE. ANECDOTALLY, THE NARRATIVE SECTIONS OF SEVERAL APIS POINTED OUT THE DIFFICULTY IN PURSUING ECONOMIC REFORM DURING THE TRANSITION TO DEMOCRACY.

APIS

I. OVER THE LAST FEW YEARS, MISSIONS HAVE MADE CONSIDERABLE PROGRESS IN SHARPENING THEIR STRATEGIC FOCUS AND IN PERFORMANCE MEASUREMENT AND REPORTING. BY FY 94, ALL FOCUS, WATCH, FIXED AND OTHER COUNTRIES WILL HAVE PARTICIPATED IN THIS PROCESS. HOWEVER, WE ARE CONCERNED THAT SOME MISSIONS HAVE NOT INTERNALIZED THE CONCEPTS OF PROGRAM PERFORMANCE MEASUREMENT AND ARE NOT USING THE API AS A MISSION MANAGEMENT TOOL. PER PARA 1, ADDRESSEES WILL RECEIVE BY SEPTEL A SURVEY OF THE USES, COSTS AND BENEFITS OF THE API/MER SYSTEM.

J. PEOPLE-LEVEL IMPACT (PLI). THERE IS A CONSENSUS THAT WE HAVE A COMMITMENT TO CONGRESS TO DEMONSTRATE THAT THE DFA IS HELPING CHANGE THE LIVES OF ORDINARY AFRICANS, AND THAT PLI IS BOTH A CONDITION FOR AND THE ULTIMATE OBJECTIVE OF SUSTAINABLE ECONOMIC GROWTH. WE ALSO HAVE A COMMITMENT TO BETTER MEASURE THE RESULTS OF OUR WORK.

(ALTHOUGH THESE TERMS DO NOT EXPLICITLY APPEAR IN THE LEGISLATION ITSELF, THE LEGISLATION IS LACED WITH REFERENCES TO PARTICIPATION, VULNERABLE GROUPS, BENEFICIAL IMPACT ON POOR PEOPLE, AND MEASUREMENT OF OUR PROGRESS AND CONSULTATION WITH CONGRESS). THERE IS CONSIDERABLE DEBATE, HOWEVER, ON WHETHER THE API AS CURRENTLY STRUCTURED CAPTURES LONG-TERM PLI, OR IS OVERLY FOCUSED ON REPORTING FOR SHORT-TERM PLI. THIS MAY BE PARTICULARLY THE CASE FOR THE PRODUCTIVE SECTORS (E.G. NRM, PRIVATE SECTOR DEVELOPMENT, AGRICULTURE), WHERE PLI TAKES LONGER TO ACHIEVE THAN IN THE SOCIAL SECTORS. HOWEVER, THE FACT THAT IN THE SHORT-TERM WE WILL NOT SEE PLI DOES NOT MEAN THAT WE SHOULD SUSPEND ALL EFFORTS TO MEASURE IT; RATHER IT MEANS ASSURING PROGRAM CONTINUITY IN THESE SECTORS. FIELD INPUT ON THIS QUESTION WILL BE SOUGHT IN THE SURVEY

SEPTEL (SEE PARA 31).

K. REPORTING ON CONGRESSIONAL INTERESTS. IN THIS YEAR'S GUIDANCE CABLE, AFR/W ASKED FOR EXPANDED REPORTING ON CONGRESSIONAL INTEREST AREAS. THE RESPONSE WAS MINIMAL.

WE HAVE THE CAPACITY TO REPORT ON PROGRESS USING REGION-WIDE, COMPARATIVE DATA IN FAMILY PLANNING AND MATERNAL/CHILD HEALTH; WE ARE MOVING TOWARD DATA ADEQUACY IN BASIC EDUCATION. WE ARE CONSIDERING A NUMBER OF OPTIONS TO IMPROVE DATA ADEQUACY FOR HIV, NRM AND INCOME-GENERATING OPPORTUNITIES. SUGGESTED OPTIONS INCLUDE REQUIRING MISSION REPORTING ON TARGETS OF OPPORTUNITY; MORE RELIANCE ON AFR/ARTS ANALYTICAL ACTIVITIES; OR HIGHLIGHTING A SECTOR - OR A DEVELOPMENT ISSUE - EACH YEAR AND ASKING THOSE MISSIONS WITH A PROGRAM FOCUS ON THAT

AREA (FOR EXAMPLE, BASIC EDUCATION) TO REPORT MORE THOROUGHLY ON THAT ACTIVITY. AFR/DP AND AFR/ARTS ARE CONSULTING ON THESE POSSIBILITIES; MISSION INPUT WILL BE SOUGHT IN THE SURVEY SEPTEL (SEE PARA 31).

L. NEWLY AGREED STRATEGIES: SHOULD THESE MISSIONS PREPARE APIS? AFR/EA RAISED THIS ISSUE AND SUGGESTED THAT MISSIONS THAT HAVE REACHED AGREEMENT WITH AID/W ON A NEW STRATEGY IN THE LAST THREE MONTHS OF THE FISCAL YEAR NOT BE REQUIRED TO SUBMIT AN API. HOWEVER, QUOTE NEW UNQUOTE STRATEGIES GENERALLY INCORPORATE OR BUILD UPON A MISSION'S LONG-TIME INVOLVEMENT IN A GIVEN SECTOR(S). IN SUCH SITUATIONS, IT SHOULD BE POSSIBLE TO REPORT IMPACT AGAINST THE PARTICULAR STRATEGIC OBJECTIVE(S). ALSO, WE HOPE THE MISSIONS WILL GAIN FROM THE EXPERIENCE AND FROM AID/W FEEDBACK ON THEIR ATTEMPTS. THERE WAS ALSO A GENERAL CONCERN ABOUT THE ABILITY OF MISSIONS WHERE THERE ARE EXTENUATING CIRCUMSTANCES (SUCH AS THE SOUTHERN AFRICA DROUGHT) TO UNDERTAKE THE PREPARATION AND REVIEW OF APIS AND, MORE IMPORTANTLY, ABOUT THE FEW RESULTS THOSE MISSIONS CAN REPORT. FINALLY, CONCERN WAS EXPRESSED THAT THE NUMBER OF APIS SUBMITTED EACH YEAR NOT BECOME TOO LARGE TO PERMIT CAREFUL REVIEW OF EACH ONE. AFR/W WILL UNDERTAKE A CASE-BY-CASE REVIEW AT THE END OF JULY 1993 AND APPRISE FIELD MISSIONS OF ANY MODIFICATIONS IN THE REQUIREMENT TO SUBMIT AN API FOR CERTAIN MISSIONS.

M. SHOULD MISSIONS THAT OPERATE IN A SPECIFIC ZONE OF THEIR COUNTRY REPORT ON REGIONAL CHANGES IN INDICATORS, OR NATIONAL CHANGES IN INDICATORS, OR BOTH? IF BOTH, AT WHAT

COST? THIS ISSUE CAME UP IN THE SWA AND EA REVIEW, BOTH TIMES WHILE DISCUSSING THE AGRICULTURE/NRM SECTOR, ALTHOUGH IT MIGHT ALSO APPLY TO MICROENTERPRISE AND MICROCREDIT INITIATIVES, SUCH AS THOSE IN NIGER. WHILE IT IS TRUE THAT MISSIONS CAN SHOW PEOPLE-LEVEL IMPACT IN THE NEAR-TERM BY REPORTING ON AN INTENSIVE INTERVENTION WITH A SMALL GROUP OF BENEFICIARIES, RESULTS AT THE STRATEGIC OBJECTIVE LEVEL MUST BE SIGNIFICANT. PROVIDED THAT THE ZONE OF INTERVENTION IS SUFFICIENTLY LARGE TO BE SIGNIFICANT, AND IF THERE ARE CLEAR DISTINCTIONS BETWEEN

NATIONAL AND REGIONAL TRENDS, IT WAS GENERALLY CONCLUDED THAT MISSIONS SHOULD ATTEMPT TO DISAGGREGATE REPORTING SO AS TO SHOW CLEARLY THE IMPACT OF AID'S ASSISTANCE.

N. SCALE INDICATORS, WHICH RATE PROGRESS TOWARD AN OBJECTIVE BY USING A SCALE OF 1 TO 10, WERE USED FOR D/G AND POLICY CHANGE IN THE RWANDA AND GUINEA APIS. THESE ARE INTERESTING AND COULD BE A USEFUL WAY TO DETERMINE IMPACT IN AN AREA THAT IS DIFFICULT TO MEASURE. HOWEVER, IF MISSIONS DECIDE TO USE SUCH A SYSTEM, THEY WILL NEED TO

DESCRIBE THE PROCESS USED TO MAKE THEIR RATINGS.

O. SOME MISSIONS MOVED BASELINES OR PROJECTED FIGURES WITHOUT EXPLANATION, LEAVING AFR/W TO WONDER IF MISSIONS ARE MOVING THE GOALPOSTS. IN SOME INSTANCES, THIS WAS AS A RESULT OF MORE RELIABLE DATA. CHANGES IN INDICATORS THAT REVISE PROJECTED PERFORMANCE ARE DISCOURAGED. CHANGES SHOULD BE MADE ONLY TO IMPROVE THE ACCURACY OF MEASUREMENT OR TO RESET TARGETS ACHIEVED AHEAD OF SCHEDULE. IF MISSIONS DO CHANGE BASELINES OR LOWER THEIR SIGHTS, THIS SHOULD BE DISCUSSED IN ANNEX A AND WILL TRIGGER A REEXAMINATION OF THE VALIDITY OF CONTINUING TO WORK IN THAT STRATEGIC OBJECTIVE.

P. THERE WAS CONSIDERABLE DISCUSSION AT THE WRAP-UP SESSION AS TO: 1) WHETHER SOME STRATEGIC OBJECTIVES SHOULD BE REASSESSED BECAUSE THEY SEEM TO BE BEYOND THE MISSIONIS MANAGEABLE INTEREST; AND 2) WHEN AND HOW THAT REASSESSMENT SHOULD TAKE PLACE. THIS QUESTION WILL BE DISCUSSED FURTHER IN THE COMING MONTHS. MISSION INPUT WILL BE SOUGHT IN THE SURVEY CABLE MENTIONED IN PARA 31.

Q. APIS AND SAPRS. WITH THE POTENTIAL ADVENT OF SEMI-ANNUAL PROJECT REVIEWS (SAPRS), WE IN AID/W NEED TO DETERMINE JUST HOW MUCH OF THIS INFORMATION WE REALLY NEED, AND IN WHAT FORM. THE REPORTING PROPOSED IN THE SAPRS APPEARS TO BE SOMEWHAT REDUNDANT AND POSSIBLY UNNECESSARY FOR AID/W CONSUMPTION. ON THE OTHER HAND, SAPRS WOULD PROVIDE A VENUE FOR PROCESS-ORIENTED REPORTING AND WOULD PERMIT API REPORTING TO CONCENTRATE EXCLUSIVELY ON RESULTS REPORTING. AFR/DP IS ACTIVELY PARTICIPATING IN THE AGENCY DIALOGUE ON REINSTITUTING SAPRS AND IS COMMITTED TO FINDING A WAY TO KEEP THE BURDEN ON MISSIONS TO A MINIMUM.

4. COMMENTS ON THE KENYA API ARE BELOW.

A. QUALITY OF API. THE MISSION RECEIVED A HIGH MARK FOR THE QUALITY OF ITS API WHICH CONTINUES TO BE A MODEL FOR THE BUREAU IN IMPACT REPORTING.

THE INDICATORS FOR THE MISSIONIS THREE STRATEGIC OBJECTIVES WERE WELL DONE AND SHOULD BE A MODEL FOR THE BUREAU. MISSION MIGHT WISH TO CONSIDER REDUCING ITS NUMBER OF INDICATORS AND FOCUS MORE ATTENTION ON THE MOST IMPORTANT ONES. THE API PROVIDED AN EXCELLENT SUMMARY OF REVISED INDICATORS AND THE RATIONALE FOR THESE REVISIONS. IT WOULD BE USEFUL IN THE FUTURE IF THE MISSION COULD PROVIDE INTERMEDIATE TARGET YEARS FOR ITS STRATEGIC OBJECTIVES.

MISSION WAS PRAISED FOR THE EXCELLENT DATA SUBMITTED. TO THE EXTENT POSSIBLE IN THE FUTURE, MISSION SHOULD INCORPORATE GENDER DISAGGREGATED INFORMATION.

B. VALIDITY OF MANAGEMENT CONTRACT. THE REVIEW COMMITTEE AGREED THAT USAID/KENYA HAS CONSISTENTLY FULFILLED THE MANAGEMENT CONTRACT. HOWEVER, TO SOME EXTENT, THE MANAGEMENT CONTRACT HAS BEEN OVERTAKEN BY A.I.D.'S DECISION TO WITHHOLD QUICK-DISBURSING ASSISTANCE TO KENYA PENDING SIGNIFICANT POLITICAL AND ECONOMIC REFORM.

C. A CONCERN RAISED AT LAST YEARIS API REVIEW WAS RAISED AGAIN THIS YEAR. IF THE SUSPENSION OF QUICK-DISBURSING FUNDS FOR THE KENYA MARKET DEVELOPMENT PROGRAM AND THE FERTILIZER POLICY MANAGEMENT REFORM PROGRAM CONTINUES THROUGH FY 1993, CONCERN WAS EXPRESSED WHETHER TARGET 2.2, IMPROVE AGRICULTURAL MARKET EFFICIENCY, WILL BE ACCOMPLISHED?

D. SINCE KENYA IS DESIGNATED AS A PRIORITY COUNTRY FOR AIDS PREVENTION AND CONTROL (AIDSCAP), MISSION SHOULD TRACK, TO THE EXTENT POSSIBLE, AND REPORT IN FUTURE APIS THE IMPACT OF AIDS ON MISSION PROGRAMS.

E. TOWARD ATTAINMENT OF COUNTRY PROGRAM GOAL: UNDER SUB-GOAL 2, THE MISSION LISTS AGRICULTURAL PRODUCTION AS A PERCENT OF GDP AS AN INDICATOR. WHAT KIND OF DECREASES IS THE MISSION EXPECTING TO SEE UNDER THIS INDICATOR?

UNDER STRATEGIC OBJECTIVE I, THE MISSION SHOULD ESTABLISH, WHENEVER POSSIBLE, INTERMEDIATE TARGET YEARS BETWEEN 1992 AND 1995.

FINALLY, UNDER STRATEGIC OBJECTIVE III, SINCE FOREIGN EXCHANGE FLUCTUATES, THE MISSION SHOULD ONLY MEASURE ITS INDICATORS IN CONSTANT TERMS.
WHARTON