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**USAID/Kenya**

**Assessment of Program Impact**

**February 24, 1995**

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## ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AIDSCAP	AIDS Control and Prevention Project
API	Assessment of Program Impact
AVSC	Association for Voluntary and Safe Contraception
CBFP	Community Based Family Planning
CBS	Central Bureau of Statistics
CIF	Cost, Insurance, Freight
CIMMYT	International Wheat & Maize Improvement Program
CMR	Child Mortality Rate
CPR	Contraceptive Prevalence Rate
CPSP	Country Program Strategic Plan
CSM	Contraceptive Social Marketing
CYP	Couple Years of Protection
DAP	Diammonium Phosphate
DFH	Division of Family Health
DRSRs	Department of Resource Surveys & Remote Sensing
D/VAT	Duty and Value Added Tax
EEC	European Economic Community
EPZ	Export Processing Zone
FPEAK	Fresh Produce Exporters Association of Kenya
EPPO	Export Promotion Programs Office
EPZA	Export Processing Zone Authority
FHH	Female Headed Household
FPMRP	Fertilizer Pricing & Market Reform Program
FY	Fiscal Year
GDP	Gross Domestic Product
GOK	Government of Kenya
HCDA	Horticultural Crops Development Authority
HIS	Health Information System
HIV	Human Immunodeficiency Virus
HYV	High Yielding Variety
IBRD	International Bank for Reconstruction & Development
IESC	International Executive Service Corps
IPC	Investment Promotion Center
IUCD	Intra-Uterine Contraceptive Device
KAM	Kenya Association of Manufacturers
KARI	Kenya Agricultural Research Institute
KCPS	Kenya Contraceptive Prevalence Survey
KDHS	Kenya Demographic & Health Survey
KEDS	Kenya Export Development Support Project
KFY	Kenya Fiscal Year
KHCF	Kenya Health Care Financing Program

KMAP	Kenya Management Assistance Program
KMDP	Kenya Market Development Program
KNFA	Kenya National Fertilizer Association
KNH	Kenyatta National Hospital
KP	Kenyan Pound (20 Kenya Shillings)
KREP	Kenya Rural Enterprise Program
KSC	Kenya Seed Company
LMIS	Logistics Management Information System
MCH	Maternal Child Health
MHH	Male Headed Household
MOA	Ministry of Agriculture
MOH	Ministry of Health
NARC	National Agriculture Research Center
NARP	National Agricultural Research Project
NCPB	National Cereals & Produce Board
NCPD	National Council for Population and Development
NGO	Non-governmental Organization
NHIF	National Hospital Insurance Fund
NTE	Non-Traditional Export
OPV	Open Pollinated Variety
OYB	Operational Year Budget
PAM	Policy Analysis Matrix
PED	Private Enterprise Development Project
PGH	Provincial General Hospital
PGR	Population Growth Rate
P/PHC	Primary/Preventive Health Care
PSI	Population Services International
PVO	Private Voluntary Organization
RPE	Rural Private Enterprise Project
SME	Small and Medium Enterprise
STD	Sexually Transmitted Disease
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

In this final year of reporting under the current CPSP (1990-1995), USAID/Kenya has achieved many of its performance targets in all the three strategic objectives. Examples: Revenues from non traditional exports (NTE) in 1993 surpassed the performance target and employment in these enterprises is estimated to have increased by 10 percent per year, well above the performance target of 8 percent annual increase. All the policy objectives of Kenya Market Development Program (KMDP) were achieved and the performance target of 65 percent of area of production under hybrid maize surpassed in 1993. Extrapolations based on 1993 DHS indicate that total fertility rate (TFR) target of 5.0 has likely been attained and the target of number of sites offering voluntary surgical contraception exceeded. In the other performance targets, significant gains were made. Based on the experience and lessons learned over this period, the Mission is now developing new a strategic plan and performance measurement system for the next five years that will sustain these impressive achievements.

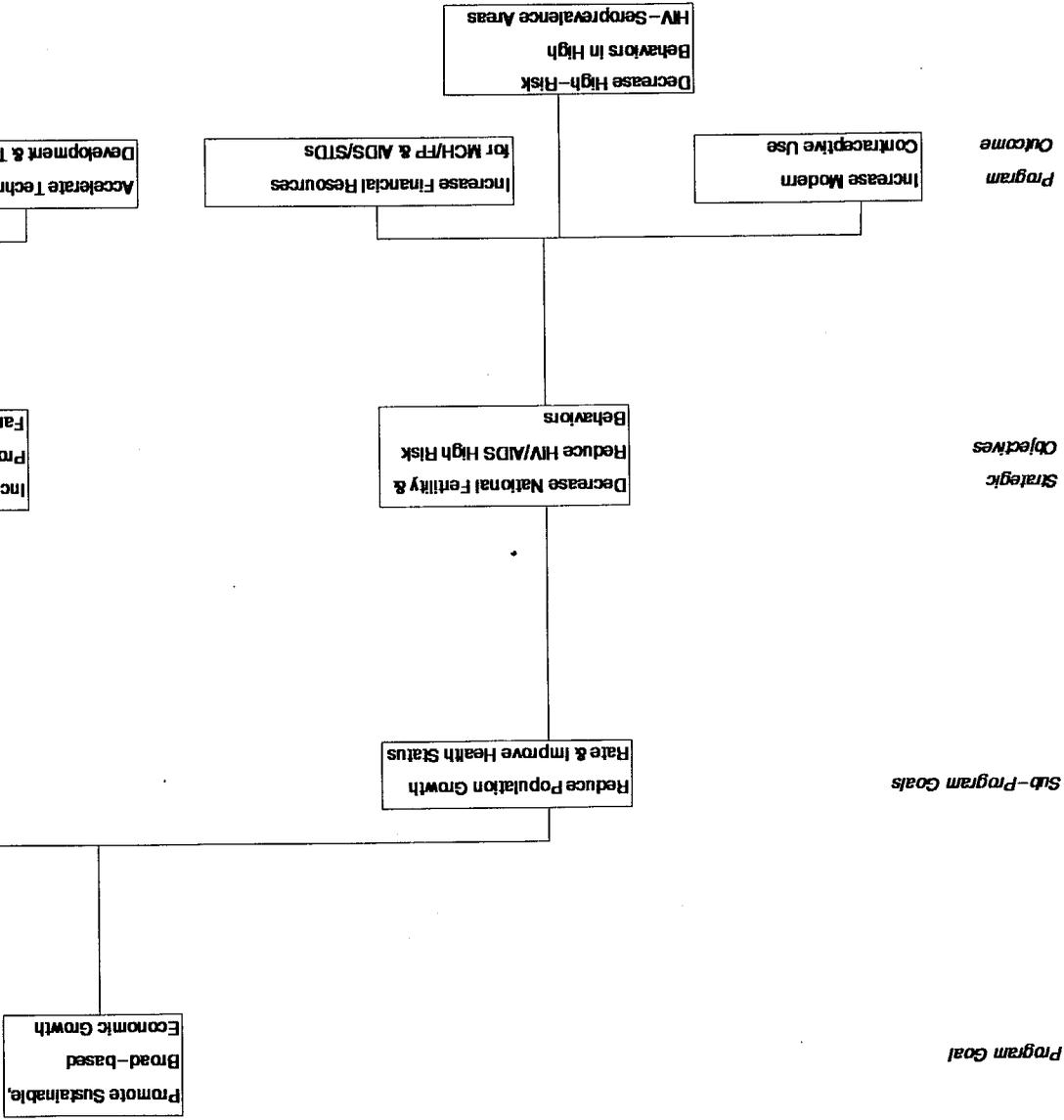
This year's API highlights the Mission's Private Enterprise portfolio. Consequently substantial data is presented on Strategic Objective Three. Reporting in this section is also enhanced this year with the new data on micro, small and medium enterprises (MSMEs) provided by the recently completed National Baseline Survey and other special studies commissioned by the Mission.

Section IV reports progress on two of the four agency priority areas not covered in section III -- protecting the environment and building democracy and good governance. The remaining two areas of Agency emphasis -- economic growth and stabilizing world population and protecting human health -- are covered in section III. Annex A documents modifications to strategic objectives, and describes the indicator changes at each level.

The Mission has paid special attention to gender reporting. In the last few years, and as per Agency guidance, gender considerations have been integrated into USAID/Kenya program activities and thus under each strategic objective, greater emphasis has been placed on gender impact reporting. Since our indicators are not currently gender disaggregated, the Mission plans to incorporate gender disaggregated measurement in both strategic planning and performance measurement and will report this transition next year.

Over the past five years, USAID/Kenya has used performance data presented in the API to refine the program strategic framework, make project and program decisions and to strengthen policy dialogue. As the Mission develops a new strategic plan and performance measurement system, we will build on this experience. We will also, in support of Greater Horn of Africa Initiative (GHAI), attempt to capture the regional impacts of our bilateral programs.

USAID/KENYA PROGRAM LOGFRAME



Protecting the Environment, Building Democracy, Providing Humanitarian Assistance, and Strengthening PVO Institutional Capacity

OTHER PROGRAM OUTCOMES

Accelerate Technology Development & Transfer  
 Improve Agricultural Market Efficiency  
 Increase Non-Traditional Export Revenues  
 Increase Profitability of SMEs

Increase Private Enterprise Employment

Increase Agricultural Productivity and Farm Incomes

Increase Production, Income and Employment, Foreign Exchange Earnings

Promote Sustainable, Broad-based Economic Growth

Reduce Population Growth Rate & Improve Health Status

Reduce HIV/AIDS High Risk Behaviors

Increase Financial Resources for MCH/FP & ADS/STDs

Increase Modern Contraceptive Use

Decrease High-Risk Behaviors in High HIV-Seroprevalence Areas

Program Outcome

Strategic Objectives

Sub-Program Goals

Program Goal

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## SECTION I

### SPECIAL FACTORS AFFECTING THE USAID/K PROGRAM

The USAID/K program, now in its final year under the current CPSP, has evolved to take into account a changing economic and political situation and to respond to opportunities and constraints in the country. A host of positive factors affected the direction of the Kenya program in the past year. The transition from a single party structure to multiparty democracy has opened up new opportunities to support economic reforms, development of democratic institutions and good governance. In 1994 opposition presence in parliament increased opportunities for public debate and public scrutiny of the government. Major progress was achieved in stabilizing and liberalizing the economy. Inflationary pressures were brought down, interest rates have fallen, the budget deficit has been drastically reduced, and trade and foreign exchange controls abolished. Drought, which in the last three years hit Kenya hard and reduced the country's stock of food, subsided in late 1994. Ethnic clashes attenuated during the second half of 1994. While society is more open compared with two years ago, significant problems remain in the areas of freedom of assembly, harassment of opposition politicians and human rights.

*Economic Reform:* As a result of the continuing donor dialogue and pressures, the Government of Kenya (GOK) has attempted to restore economic stability. Inflation which reached over 100 percent in August 1993, was reduced to 13 percent in September 1994 and to less than 9 percent by the end of 1994. The balance of payments position is now very strong, with a current account surplus equivalent to 0.1 percent in 1993 from a deficit position of 1.6 percent of GDP, in 1992. Real GDP is estimated to have increased to 3.3 percent in 1994, the first time since 1990 that GDP growth has surpassed population growth (population growth rate is estimated at 2.7 percent). The government budget deficit (commitment basis) was successfully reduced from 10.4 percent of GDP in FY 1993 to 7.4 percent in FY 1994. The GOK tightened its monetary stance in March 1994 to curb expansive monetary growth. A number of fiscal measures have been implemented and controls of public expenditure have improved. Although these changes cannot erase problems which the country has experienced in the last few years, a good foundation for economic stability is being laid.

Substantial liberalization was achieved across main sectors of the economy during the reporting year. Official exchange rate, exchange allocation control, and import licensing requirements (except for a short list) were abolished. Price controls, including controls on important commodities such as maize and petroleum products, have been lifted. These reforms have resulted in an improved environment for exporters and foreign investors. The value of non-traditional exports increased by nearly 10 percent in dollar terms in 1993. In addition, the macroeconomic policies and economic liberalization (import, exchange, and price) measures implemented since the last API have contributed to improved governance by closing major avenues for rent-seeking behavior and large scale corruption. With respect to privatization and parastatal reform, some progress was made in the former, but only

limited progress in the latter. Privatization of parastatals has been slow. To date, only 52 parastatals have been privatized out of a targeted 207. In addition, transparency of transactions completed has been questioned. Another difficulty in parastatal reform is evident in a few key strategic parastatals, especially the National Cereals and Produce Board and the Kenya Post and Telecommunications Corporation, and The issues have to do with the establishment and implementation of the concept of "corporate governance." With respect to civil service reform, an action plan has been developed with the assistance of the World Bank. The cabinet has approved the plan and a secretariat has been created.

***Democratic Transition:*** The process toward socio-political openness, which began in 1992, continued during the reporting period despite some setbacks. Kenya is now in the transition stage, making progress toward improving democracy and governance. The GOK has announced plans to review the constitution, political corruption has been reduced somewhat and several mid-level GOK officials implicated in major public financial scandals are being prosecuted and sedition charges brought against some members of the press and opposition were withdrawn (while others were lodged). There continues to be a gap between policy statements and the actual conduct of the government in this area. In the realm of public accountability, some progress was made. For example, a former permanent secretary in the Ministry of Finance and a former deputy governor of Central Bank of Kenya were charged with stealing from the government. The government has also closed significant loopholes for rent-seeking behavior by abolishing all exchange controls, eliminating all price controls, abolishing maize movement controls and removing import and export licensing. The Opposition is recognized by the government and it serves to some extent as a counter-balance within the government. Over 80 percent of the members of the Public Investment and Public Accounts Committees, two powerful committees which vet government projects and accounts, are opposition politicians.

Although democratic governance and accountability improved in 1994, the overall record remains mixed. Further progress needs to be made to control government expenditures, increase public sector accountability, improve human rights conditions, and generally continue opening up the society to support a pluralistic democratic transition. USAID is supporting development of a democratic culture, emergence of a pluralistic society and governance and accountability.

***Ethnic Clashes:*** The ethnic clashes which affected the Western and Rift Valley provinces of Kenya in the last three years subsided in 1994. It is estimated that approximately 70 percent of the over 1,000 dead and 330,000 displaced population of subsistence farmers and small business people are women and children. This violence undermined implementation of some of USAID/Kenya's agricultural and private enterprise project activities. While the clashes subsided in mid-1994, the results of the clashes and the tensions which are again mounting continue to have a negative effect on USAID/Kenya's development activities in these areas of the country. The Mission provided humanitarian assistance programs in these areas, using Office of Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) resources.

***Drought/Food Deficit:*** The drought began in 1991 and affected, at its peak, over two million Kenyans. During this period, Kenya moved from being a food surplus to a chronic food deficit country. In 1994 the drought subsided in many of the arid and semi-arid areas, allowing a recovery process to take hold with a concomitant reduction in emergency needs. Drought struck anew in 1994, however, in the southern districts of Rift Valley Province and in Eastern Province, diverting GOK and donor resources to emergency interventions. Due to the Mission's Famine Early Warning System (FEWS) information being used by both the GOK and donors in a timely fashion, donors were able to support targeted interventions which averted large-scale emergency free food distributions in 1994. The Mission supported emergency relief and rehabilitation efforts in affected areas using OFDA and FFP resources.

In summary, we have seen significant progress on economic policy reform, movement toward drought recovery, and some progress on democratic governance issues. The GOK will have to make yet greater progress to encourage greater openness in the political realm, to address ethnic clashes, and to create a political environment which will encourage private investment and overall economic growth. While much remains to be done, indications are positive for further progress.

## PROGRESS TOWARD OVERALL COUNTRY PROGRAM GOALS

### PROGRAM GOAL: *Promote Sustainable Broad-based Economic Growth*

1. **Economic Growth:** The Kenyan economy's performance during the past year has set the stage for continuing growth in the coming years. GDP growth for 1994 is estimated at 3.3 percent, the first significant output growth experienced since 1991. Inflation has been drastically reduced, to single digits, from over 50 percent (end period 1993) to less than 9 percent by the end of last year. Foreign exchange reserves have substantially improved to equal four months' import coverage. The exchange rate has stabilized. The key to these successes has been the improved confidence in economic management. The Government has removed all foreign exchange controls and all price controls. Restrictive monetary policy has been vigorously pursued. Although a sustained and significant increase in per capita income has been an elusive goal in Kenya in the recent past, in 1994 there was marginal improvement in per capita output.

2. **Life Expectancy:** Life expectancy at birth is now 60 years, compared to 54 in 1984 and 45 in 1960. Kenyan women live slightly longer than men -- 62 years compared to 58. Life expectancy in Kenya is above the sub-Sahara Africa average of 52 years. Further improvements in life expectancy may however be jeopardized by the AIDS epidemic. USAID analyses suggest that by the year 2010, AIDS may reduce life expectancy by 10 years<sup>1</sup>.

### PROGRAM SUB-GOAL 1: *Reduce Population Growth Rate and Improve Health Status.*

1. **Population Growth:** Kenya's total population in 1994 is estimated to be 25.5<sup>2</sup> million and growing at just under 3.0<sup>3</sup> per cent per annum -- compared to 4.1 percent a decade ago -- in which case Kenya's economy grew at a faster rate than her population for the first time since 1990. This heartening demographic trend with the attendant health and economic benefits is attributable to a dramatic decline in Kenya's total fertility rate, which in turn is largely due to increases in the use of modern methods of contraception. Had population growth rates which prevailed in the early 1980's persisted, Kenya's projected population would be 120 versus 49 million in 2025.

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<sup>1</sup> USAID, DEMPROJ Model, July 1994.

<sup>2</sup> MPND Document, Long-Range Planning Division, Cameron Short, 1995, forthcoming.

<sup>3</sup> GOK Sessional Paper No. 1 of 1994, pages 24-25.

## SECTION II: USAID/KENYA PROGRAM GOALS

PROGRAM GOAL	Baseline	Actual					Data
	FY 1985	FY 1986	FY 1988	FY 1991	FY 1992	FY 1993	Source
<b>PROMOTE SUSTAINABLE, BROAD-BASED ECONOMIC GROWTH:</b>							
1) Real GDP Growth Rate (%)	5.1	5.0	4.3	2.3	0.4	3.3	Economic Survey
2) Real Income Per Capita Growth Rate (%)	0.5	1.5	0.8	-1.3	-2.9	-0.1	Economic Survey
3) Life Expectancy at Birth	54	59	60	60	60	60	UNDP Report
<b>SUB-PROGRAM GOAL 1</b>							
<b>REDUCE POPULATION GROWTH RATE AND IMPROVE HEALTH STATUS:</b>							
1) Population Growth Rate	4.1	3.8	3.6	3.8	3.4	3.0	US Bureau of Census
2) Infant Mortality (per 1000 live births)	75	70	68	68	67	61	UNICEF Report
3) Under Five Mortality (per 1000 live births)	147	109	89	80	74	90	UNICEF Reports/ World Bank
<b>SUB-PROGRAM GOAL 2</b>							
<b>INCREASE PRODUCTION, EMPLOYMENT, INCOME AND FOREIGN EXCHANGE EARNINGS:</b>							
1) Private Sector Contribution to GDP (%)	62.7	62.9	60.3	60.0	75	75	Economic Survey
2) Agricultural Production as a percent of GDP (%)	29.4	28.5	28.2	27.3	28	27	Economic Survey
3) Annual Employment Growth Rate (%)	5.5	3.5	5.5	5.1	4.8	4.8	Economic Survey
4) Foreign Exchange Earnings (Total Exports Plus Tourism, \$ in Millions)	\$1,228	\$1,405	\$1,475	\$1,527	\$1,364	\$1,440	Economic Survey

**2. Infant and Under-five Mortality:** The infant mortality rate (IMR) has fallen from 124/1000 in 1960 to 61/1000 in 1993 and the under-5 child mortality rate declined from 150/1000 in the early 1980s to 90/1000 in 1993.<sup>4</sup> Both infant and under-5 mortality rates remain higher in rural areas than in urban areas. However, a recent USAID analysis of 1989 and 1993 DHS mortality data<sup>5</sup> suggests that the slow but steady declines in the IMR and the under-5 mortality rate stagnated in the late 1980s due to continued high levels of morbidity and mortality resulting from common childhood illnesses, notably malaria, diarrhea, and acute respiratory infections. Mortality due to AIDS will likely worsen the outlook.

**PROGRAMSUB-GOAL 2: *Increase Production, Employment, Income and Foreign Exchange Earnings***

**1. Private Sector Contribution to GDP:** The tradition of private initiative continues to be embedded in the Kenyan economy. According to a recent World Bank study, private sector farms and firms account for three-quarters of total output and nearly 90 percent of total employment. The sector also provides half of formal sector wage employment and about half of fixed investment. Therefore, the private sector has a strong effect on the national growth rate.

**2. Agricultural Production as a percent of GDP:** The performance of agriculture (the largest sector in the economy) was depressed in 1993 but experienced recovery in 1994. Severe and prolonged drought, ethnic tension in some major agricultural districts, higher input prices, delayed payments to farmers, poor price incentives and low quality seeds adversely affected agricultural production in 1993. However, an improved policy environment and favorable long rains have contributed to the anticipated recovery in agricultural output. The share of agriculture in overall GDP is estimated at 27 percent in 1994. The production of the principal food crop, maize, is projected to be about 40 percent over the average levels achieved in the drought years of 1993-94.

**3. Annual Employment Growth Rate:** Total employment outside small-scale farming excluding informal sector increased by 1 in 1993. Small-scale agriculture employed 5.5 million persons. There was significant expansion of employment in the informal sector which recorded a growth rate of 14 percent in 1992. Wage employment in the modern sector grew marginally at 0.9 percent in 1993 due to slow economic growth and retrenchment in the public sector. The private sector contributed 53.5 percent of total wage employment in the modern sector. The number of females in wage employment rose from 334,800 in 1992 to 340,900 in 1993.

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<sup>4</sup> UNICEF, *The State of the World's Children 1995*.

<sup>5</sup> Beth Ann Plowman - *An Assessment of Trends in Child Health and Survival in Kenya*, USAID/Kenya, October, 1994.

**4. Foreign Exchange Earnings:** Good performance was recorded in the export and tourism sectors in 1993. Foreign exchange earnings from these sectors rose from \$1,364 million in 1992 to \$1,440 million in 1993 due in part to liberalization of the exchange and trade system. The GOK fully liberalized the exchange and trade system, allowing all exporters and those in the tourism industry to retain 100 percent of their foreign exchange earnings. In addition, the Government removed all exchange controls, abolished export licensing (except for a short negative list for health, environment and security purposes), and eliminated all export taxes. Strong growth in export earnings was realized in the exports of coffee, tea, horticulture, cement, soda ash and pyrethrum products.

## SECTION III

### PROGRESS TOWARD STRATEGIC OBJECTIVES AND RELATED PROGRESS INDICATORS

#### **STRATEGIC OBJECTIVE 1:**     *Decrease National Fertility and Reduce HIV/AIDS High Risk Behaviors.*

The 1993 USAID/Kenya API reported a dramatic decline in Kenya's Total Fertility Rate (TFR) from 6.7 (1984-1989) to 5.4 (1990-1993) -- one of the most precipitous declines ever recorded, with profound implications for the health and welfare of Kenyan women. Extrapolations based on the 1993 DHS indicate that the TFR has fallen further to the 5.0 level, in which case the Mission's TFR performance target of 5.0 has likely been attained. USAID directly contributed to the attainment of fertility targets by being the largest and most dependable source of financial and technical assistance to the national family planning program, accounting for 60 percent of total program expenditures in 1993.

No slowing of the rate at which HIV is spreading has been documented nationally. HIV prevalence among adults increased from 3.5 percent in 1990 to 5.7 percent in 1993 and is estimated to have reached 7.8% in 1994, which means that 1,130,000 adults (out of 12.98 million) may now be infected. As of June 1994, 50,000 AIDS cases had been reported out of an estimated 150,000 actual cases. If HIV prevalence increases to 9 percent by the year 2000, then young adult deaths will increase from 90,000 in 1993 to 280,000 annually, and the number of children dying annually from AIDS could be as high as 50,000 by 2005 (versus 10,000 due to measles and malaria).<sup>6</sup>

There are, however, glimmers of hope. Knowledge and behavior are changing -- 90 percent of Kenyan adults possess basic knowledge of AIDS; 66 percent of men and 50 percent of women believe they are at personal risk; the practice of polygamy is declining; the median age of marriage is increasing; and the age of first intercourse for girls increased slightly. Significant increases in condom use are reported below under program outcome 1.2.

#### **PROGRAM OUTCOME 1.1:**     *Increase Modern Contraceptive Use*

Projections based on the 1993 KDHS and the national contraceptive distribution system suggest that the 1994 contraceptive prevalence rate (CPR) among all women of reproductive age increased from 20.9 percent in 1993 to 21.7 percent in 1994. The continued increase in overall use and the shift to modern methods suggest that the Mission strategy to broaden access to a full range of methods and emphasize the quality of services has been successful. Kenya currently has one of the strongest and most vibrant family planning programs in sub-Saharan Africa.

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<sup>6</sup>

GOK, "AIDS in Kenya", July 1994.

STRATEGIC OBJECTIVE NO. 1

	Baseline	Actual			Performance Target	Data
		1989***	1993***	1994***	1995	Source
<b>STRATEGIC OBJECTIVE 1</b>						
<b>DECREASE NATIONAL FERTILITY AND REDUCE HIV/AIDS HIGH RISK BEHAVIORS</b>						
Total Fertility Rate	7.7 (1984)	6.7	5.4	5.0	5.0	KCPS/DHS
Percentage of Men Reporting 2+ Sexual Partners in the Previous Six Months	31.7 (1993)	-	-	-	-	AIDSCAP
<b>PROGRAM OUTCOME 1.1</b>						
<b>INCREASE MODERN CONTRACEPTIVE USE Modern Contraceptive Prevalence**</b>						
	9%	14.7%	20.9%	21.7%	25%	KCPS/DHS
<b>SUB-PROGRAM OUTCOME 1.1A</b>						
<b>IMPROVE AVAILABILITY OF FAMILY PLANNING SERVICES</b>						
Number of sites offering voluntary surgical contraception	4 (1984)	49	65	100	78	AVSC/DFH
Percentage of district stores maintaining adequate stock (3+ months) of:						
a) low-dose oral contraceptives;	a) 35.5	70.6	74	70	80	LMIS/HIS
b) condoms	b) 18.9 (1989-1990)	34 (1991-1992)	70	83	80	LMIS/HIS
Number of public sector facilities offering family planning services	577 (1984)	750	1,004	1,086	2,404	LMIS/HIS
Number of private sector/NGO sites offering family planning services	181 (1984)	--	800	838	1,000	LMIS/HIS
<b>SUB-PROGRAM OUTCOME 1.1B</b>						
<b>REDUCE UNMET DEMAND FOR CONTRACEPTIVES</b>						
Discrepancy between actual and desired TFR	-	2.7	1.8	1.3	1.0	KCPS/DHS
<b>PROGRAM OUTCOME 1.2</b>						
<b>DECREASE HIGH-RISK BEHAVIORS IN HIGH HIV-SEROPREVALENCE AREAS</b>						
Proportion of people who can identify at least 2 acceptable means of preventing sexually transmitted HIV/AIDS	- (1985)	-	-	-	*	AIDSCAP
Increase in proportion of people (15-49) reporting having used a condom during most recent sexual encounter with a non-regular sexual partner	* (1993)	-	-	-	*	AIDSCAP
Increase CSM sales of TRUST condom	0	319,000 (1990)	2.1 million	4.8 million (Dec. '94)	7 million	PSI/CSM
<b>PROGRAM OUTCOME 1.3</b>						
<b>INCREASE FINANCIAL RESOURCES FOR FP/MCH/AIDS/STDs</b>						
Increase in cost-sharing revenue available at district-level for primary/preventive health care services (P/PHC)	6.8 million (1990-1991)	8.4 million (1991-1992)	14.5 million (1992-1993)	32.7 million (1993-1994)	>40 million	KHCF Secretariat
Percentage Increase in Ministry of Health expenditures allocated to Rural and P/PHC	13.7 (1984)	22.5	28.8	25	30%	MOH/KHCF Secretariat

\* AIDSCAP Data Source and Timing  
 \*\* For All Women of Reproductive Age (15-49)  
 \*\*\* Actual Values

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Pregnancy-related complications pose a serious threat to the health and well-being of reproductive age women. In sub-Saharan Africa, Kenya is second only to Namibia in having the lowest percentage of currently married women (age 15 - 49) at risk of having a pregnancy which is classified as "high-risk" (too young, too old, too soon, too many).

In 1994 special attention was given to the role of males in planning families. A nationwide campaign in the print and broadcast media promoted vasectomy for the first time in Kenya. As a result of the campaign 55 vasectomies were performed in two months. Acceptance of vasectomy is growing and in 1994 231 vasectomies were performed.

#### KENYA METHOD SPECIFIC CONTRACEPTIVE USE

	1989 KDHS (percent)	1993 KDHS (percent)	1994 Projections <sup>7</sup> (percent)
Oral Pills	4.6	7.5	7.9
IUCDs	3.0	2.9	2.9
Injectables	2.7	5.5	5.9
Norplant	0.0	<0.5	0.8
VSC	3.6	3.9	4.2
Traditional/Other	9.2	6.5	6.6
Non-Use	76.9	73.5	71.7

#### PROGRAM OUTCOME 1.2: *Decrease High-Risk Behaviors in High HIV-Seroprevalence Areas*

Increasing condom use is a key intervention supported by USAID to prevent HIV transmission. In the private sector, sales of the USAID-supported "AIDS condom" increased from 2.1 million in 1993 to 4.8 million in 1994. In the public sector, the Ministry of Health (MOH) has distributed 173.1 million condoms supplied by USAID since 1990. Findings from an analysis undertaken for the Mission suggest tentatively that the national condom

<sup>7</sup>

Based on FAMPLAN Model, Contraceptive Distribution data and the 1993 DHS.

program, largely supported by USAID, had averted 110,000 HIV infections by the end of 1993.<sup>8</sup> In the 1995 API, we expect to report on the other two indicators under Performance target 1.2.

**PROGRAM OUTCOME 1.3: *Increase Financial Resources for Family Planning/Maternal Child Health and HIV/AIDS/STD Services***

Since 1989, USAID has supported health sector policy reforms aimed at reallocating financial resources from curative care to preventive/primary health services and increasing resources for the overall health sector. Analyses of recent cost-sharing data demonstrate substantial impact. Cost sharing is in place at Kenya's national referral hospital, Kenyatta National Hospital (KNH), Provincial Hospitals, District Hospitals and Health Centers. In 1994, fees-for-service and insurance reimbursements equalled roughly 12 percent of the non-wage recurrent budget. In the GOK FY 1993/94 budget, Ministry of Health (MOH) cost-sharing revenue equalled 3 percent of the MOH's recurrent budget. While Kenya's national cost sharing program generated more than KShs. 130 million in revenue in FY 1993/94 and is expected to generate KShs. 211 Million in the current the GOK fiscal year, these amounts represent less than 30 percent of the total potential revenue. The public sector doctor's strike (June - Sept. 1994) probably served to impede the realization of revenue potential.

MOH data show that in the last two years, budget allocations to districts for primary/preventive care (P/PH) services have increased. From FY 1987/88 to FY 1991/92, curative health services decreased from 80 to 69 percent of the total MOH recurrent budget while expenditures for rural and primary/preventive health care (P/PHC) increased from 11 to 21 percent of the same recurrent budget. A detailed analysis of the structure of the P/PHC budget shows that family planning and maternal and child care takes the largest share of these resources. In the GOK FY 1993/94 budget, Kenya approved KShs. 3.7 million for use at the district level for P/PHC services. Projected income for the same services in the GOK FY 1994/95 budget is expected to reach KShs. 5.5 million. This shift in budgetary allocations is encouraging and in the desired direction. USAID has played a critical role in this policy change and will continue to monitor budgetary allocations in the Ministry of Health and the share of financial resources allocated to P/PHC services.

While the USAID-supported Kenya Health Care Financing Project has documented significant impact, there is considerable room for improved efficiency in generating financial resources for the health sector. Kenya's experience is being shared with neighboring countries in a regional health information dissemination effort in which Kenya's program serves as a model of one of the most successful cost-sharing and health policy reform projects in sub-Saharan Africa.

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<sup>8</sup>

Based on the Application of iwgAIDS Model, The Futures Group International, February, 1995.

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

USAID/Kenya's Strategic Objective 2, to increase agricultural productivity and farm incomes, focuses on providing support to technology development and transfer, fertilizer and grain market liberalization, market roads rehabilitation, and policy research and analysis. The Mission's geographic focus is on the high and medium potential agricultural areas encompassing 20 percent of land area and 80 percent of the rural population. Agriculture continues to be the largest sector of Kenya's economy, contributing 27 percent of the Gross Domestic Product (GDP), employing 55 percent of the workforce directly, and providing 60 percent of export earnings.

Between 1991 and 1993, agricultural productivity declined, reflecting the severe drought affecting much of Kenya during this period. Over the long term, however, agricultural productivity<sup>9</sup> has continued to grow slowly. Between 1971 and 1992, agricultural productivity grew by an average of 0.6 percent per year. In the face of rapid population growth, however, labor productivity showed zero growth, indicating stagnant real farm incomes. A 1993 study by the World Bank shows that rural agricultural wages would have to grow at 1.5 percent per year to provide incomes to smallholders, that would increase on-farm and non-farm rural employment, on-farm investment, and consequent demand for goods and services.

A 1994 study sponsored by the Mission showed that between 1972-91, roughly one-third of Kenya's agricultural productivity growth resulted from investments in agricultural research, while roughly two-thirds resulted from expenditure on agricultural education and extension. Drought, however, tended to reduce agricultural productivity growth by 1-2 percent over the same period. The agricultural productivity growth which occurred over this period (0.6 percent) is a notable achievement when compared with the average for sub-Saharan Africa of 0.38 percent per year, but is less than the 1 percent recorded in other developing areas such as Asia.

**PROGRAM OUTCOME 2.1:**     *Accelerate Technology Development and Transfer*

The Kenya Agricultural Research Institute (KARI) receives USAID support under the National Agricultural Research Project (NARP II). NARP's purpose is to develop a well-managed national agricultural research system capable of providing farmers with higher yielding technologies for increased productivity on a sustainable basis. During this year, a new maize variety, Katumani Mpya, bred for early maturity under arid and semi-arid conditions, was released in August 1994. In addition, a new sorghum variety, Mtama-1, was released together with Katumani Mpya. Ten other maize cultivars are in the developmental

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<sup>9</sup>

Agricultural productivity is defined as Total Factor Productivity for the Agriculture Sector. Total Factor Productivity is the growth in total output that cannot be explained by growth in total inputs use.

STRATEGIC OBJECTIVE No. 2

	Baseline	Actual			Performance Target	Data
		1992***	1993***	1994***	1995	Source
<b>STRATEGIC OBJECTIVE 2</b>						
<b>INCREASE AGRICULTURAL PRODUCTIVITY AND FARM INCOME:</b>						
Agricultural Value Added / Hectare*	24.1 (1985)	29.1 (1991)	27.7 (1992)	26.82* (1992)	34.86	Economic Survey
Agricultural Value Added / Worker*	148.6 (1985)	150.1 (1991)	140.2 (1992)	235.42* (1992)	181.94	Economic Survey/FAO
Agricultural Sector Value Added, Annual Growth	4.0 (1986-89)	-1.1 (1991)	-4.2 (1992)	-4.1 (1992)	4	Economic Survey/FAO
Maize Yields (MT/Hectare)	2.20 (1985-89)	2.0	1.8*	2.4**	3.3	MOA/DRSRS
<b>PROGRAM OUTCOME 2.1</b>						
<b>ACCELERATE TECHNOLOGY DEVELOPMENT AND TRANSFER</b>						
<b>SUB-PROGRAM OUTCOME 2.1a</b>						
<b>INCREASE ADOPTION OF NEW TECHNOLOGIES</b>						
HYV Maize Seed Sales (tons/year)	18,516 (1985-89)	21,608	-	17,659	22,225	KSC
% Maize Production Area Under HYV Maize	63 (1986-89)	60	71	60	65	KARI/KSC/USAID
% HYV Maize Area Under Smallholder Production	80 (1989/90)	82	77 West 95 Rift	77 West 95 Rift	85 %	KSC/KARI
% New Horticulture Cultivar Sales	Establish 1993			200,000 flower Spikes - Gladioli		
<b>SUB-PROGRAM OUTCOME 2.1b</b>						
<b>INCREASE DEVELOPMENT &amp; TRANSFER OF TECHNOLOGIES</b>						
Number of Seed Varieties & Cultivars Disseminated *****	9	11	11	13	15	KSC/NARC - Kitale
o maize	7	8	8	9	11	
o sorghum	2	3	3	4	4	
o horticulture	Establish 1994			1	ND	
<b>PROGRAM OUTCOME 2.2</b>						
<b>IMPROVE AGRICULTURAL MARKET EFFICIENCY</b>						
<b>SUB-PROGRAM OUTCOME 2.2a</b>						
<b>IMPROVE FERTILIZER MARKET EFFICIENCY</b>						
Percent Over CIF/Mombasa Price Paid by Farmers	60 (1989)	28	33	37.68	30	USAID
<b>SUB-PROGRAM OUTCOME 2.2b</b>						
<b>IMPROVE GRAIN MARKET EFFICIENCY</b>						
Marketing Costs for Maize						
o Average marketing costs of maize (Ksh/Kg)	.62	.62	1.7	.99	ND	KMDP
o Farmgate Price as a % of Retail Market Price	69 (1991/92)	69	66	82.4	85	
Variation in Seasonal and Regional Maize Prices						
o Seasonal average price differentials - surplus markets (%)	38	39	-	13.1	10	USAID
o Seasonal average price differentials - deficit markets (%)	31 (1990)	45	-	15.3	10	USAID
o Regional average price differentials - western Kenya (%)	29	36	-	14.0	10	USAID
o Regional average price differentials - eastern Kenya (%)	36 (1990)	48	-	14.7	10	USAID

\* Constant 1992 Kenya Pounds

\*\* Yield, long rains average

\*\*\* Actual Values

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

ND No Data

stage - two for the lowland coastal region, four for the mid-altitude dry zone, three for the mid-altitude moist zone, and one for the highland areas. The change in breeding focus from high potential highland areas is consistent with research findings which demonstrated that technology constraints are most acute for the medium potential maize production zones. The release of higher and better yielding varieties of maize and sorghum will contribute significantly towards improved household and national food security. Improved agricultural productivity leads to higher farmer incomes, increased on and off-farm employment, and the release of land for higher value crops, such as horticulture.

KARI made significant commercial breakthroughs in multiplication and sales of cut-flower cultivars for horticultural exporters. In the past year, 50,000 cords (seeds) for each of four varieties of a cut-flower type, Gladioli, were multiplied. Concurrent market tests for Gladiolus flower stems indicated commercial success, with KARI unable to keep up with the market demand for 4000-5000 flower stems per week. Under KARI's horticultural research program, extensive evaluation of improved cultivars of fruits and vegetables has started. In the past year, seventeen new cultivars of fruits and forty-eight of vegetables were introduced into Kenya by KARI from the U.S.A, Holland and Israel.

The medium potential zone is typified by greater gender differentiation in technology adoption. For example, while 83 percent of male farmers, and 80 percent of female farmers in high potential maize growing zones use hybrid seeds; only 38 percent of females in comparison to 51 percent of males do so in medium potential areas.

However, more female farmers use open pollinated varieties, than do male farmers in the medium potential zones. For example, 11 percent of female farmers reported using OPVs, compared to only 3 percent of male farmers. OPVs yields are much lower than those for hybrids, but users do not need to purchase seed every year, or apply large amounts of fertilizer -- thus making them most attractive to female farmers.

The Winrock, AID/W centrally-funded African Women Leaders in Agriculture and the Environment (AWLAE) project is collaborating with Egerton University's Center for

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*KARI has paid special attention to developing technologies for easy adoption by both male and female farmers. KARI surveys indicate that technology adoption does not differ significantly between male headed households (MHHs) and female headed households (FHHs). In 1992 70 percent of MHHs and 66 percent of FHHs adopted hybrid varieties while 17 percent of MHHs used Open Pollinated Varieties (OPVs) compared to 19 percent of FHHs. In addition, FHHs applied 28 percent more fertilizer at 87kg/ha than MHHs at 68 kg/ha. In term of non-adoption, 11 percent of both MHHs and FHHs had never bought improved seed and 45 percent and 46 percent of MMHs and FHHs respectively had never bought planting fertilizer.*

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Women's Studies and Gender Analysis in promoting women professionals and increasing awareness of discrepancies in gathering and analysis of statistics with regard to the status of females in agriculture and the environment. Research grants have been awarded to conduct research on gender issues. Additionally the project supported development of a "Women in Agriculture and Environment" paper for the Dakar and Beijing Conferences.

## **PROGRAM OUTCOME 2.2**

### ***Increased Agricultural Market Efficiency***

#### **SUB-PROGRAM OUTCOME 2.2a:**

#### ***Improve Fertilizer Marketing***

The purpose of the Fertilizer Pricing and Marketing Reform Program (FPMRP) is to increase small farmer fertilizer use through policy reform. Reforms encouraged fertilizer price decontrol, achieved in early 1990, and the development of competitive retail and wholesale markets. Such markets would over time lead to increased availability and usage of fertilizer by smallholders, which would lead to increased agricultural productivity.

FPMRP created a growing demand for Diammonium Phosphate (DAP) fertilizer, particularly among maize, wheat and horticultural growers, primarily sourced from the United States. DAP has increased from 21 percent of all imports in 1983/84 to 33 percent in 1993/94 season, becoming the most important fertilizer in use in Kenya. Because of policy changes pursued under FPMRP, since 1992 all imported DAP is distributed by private traders. Between January and September 1994, about 60,000 tons of DAP were procured by private traders from the USA, comprising 65 percent of total DAP imports.

*Monitoring data shows that the majority of urban fertilizer retailers are women. Since price decontrol has led to more competitive fertilizer wholesaling, these women are benefitting from greater retail margins and greater access to wholesale fertilizer.*

In the past year, prices for DAP fertilizer fell from Kshs 1,250 in mid-1993 to Kshs 950 by mid-1994. The 24 percent price drop reflected the appreciating shilling, and low effective demand arising from reduced purchasing power by farmers. The Mission estimates indicate that less than half of Kenya's smallholder maize farmers use fertilizer regularly. While gains have been made in the intensity of on-farm fertilizer application, appropriate use is a significant constraint, particularly in smallholder food production. For example, while fertilizer application rates have risen from 27 to 47 Kgs per ha in maize farms, nearly a third of the 71 percent of smallholders using hybrid maize seed do not apply any fertilizer, despite the fact that hybrid seed requires it to achieve optimum yields. Although there is no gender difference in the proportion of farmers reporting fertilizer use in high potential areas, female farmers applied 60 percent more fertilizer than males. In the medium potential areas, the males applied 12 percent more fertilizer than females, while more males (28 percent versus 18 percent for females) reported having used fertilizer in low potential areas.

## **PROGRAM OUTCOME 2.2b : *Improve Grain Market Efficiency***

The Kenya Market Development Program (KMDP) achieved all of its policy objectives in 1994. In 1991, the GOK decontrolled minor grain (sorghum and millet) markets, achieving the first policy objective. In the following year, 1992, the government further decontrolled the beans markets, achieving the second policy objective. The third and final policy objective of decontrolling maize markets was achieved in December 1993 when the government lifted the ban on maize movement. Maize marketing is now fully liberalized.

At the beginning of 1994, the food deficit was estimated at nearly a million tons. The liberalization of maize marketing at a time when the country faced a major grain shortage (due to three consecutive years of insufficient rain and poor maize seeds), resulted in immediate involvement of the private sector in commercial maize imports. It is estimated that between January and September 1994, nearly 400,000 tons of maize were imported by the private sector, providing the government with foreign exchange savings of about \$60 million. At the same time, the liberalized markets became increasingly competitive despite the high maize prices. Increased competition led to declining marketing margins, as farmgate prices as a proportion of the market price rose in response to free trading. Farmgate prices averaged over 80 percent of the market price in 1993/94, reducing the marketing margin to less than 20 percent; in 1991/92 the equivalents had been 69 and 31 percent respectively for farmgate prices and marketing margins. Seasonal price differentials were also reduced to an average of 15 percent between seasons, down from about 34 percent in 1991/92, while regional price differentials fell from an average 33 percent to 14 percent in the same period.

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*Initial results from the 1993 beans rapid appraisal show that women play an important role in bean marketing, particularly in assembly and transportation of beans from surplus to deficit areas. This rapid appraisal was carried out after bean decontrol, and confirms the 1990 KMDP maize and beans marketing baseline survey which showed women's participation being stifled by movement and price controls. Women benefitted from maize liberalization, particularly those trading in small volumes.*

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Since June 1994, producers have made major gains on farmgate prices. Maize markets, freed from inefficiencies arising from movement permits and the National Cereals and Produce Board's market control, became more efficient, reducing margins from a third to a fifth of the market price. Both male and female producers are equally likely to benefit from the markets, as there are no appreciable differences in their marketing behavior. In 1992, 22 percent of males and 23 percent of females reported selling grain to NCPB, while 39 percent of males and 38 percent of females reported selling on the open markets. For both genders, 39 percent reported making no sales at all.

An economic analysis of the KMDP roads program in 1994 showed substantial impact, with investment in market to market road rehabilitation providing a benefit-cost ratio of 2.7 and an internal rate of return (IRR) of 64 percent. In 1994 the investment of US \$1.57 million in rehabilitating 102 km of roads in 1993 yielded agricultural benefits of US \$313,000 through reduction of post-harvest losses and of US \$738,000 in transport benefits. Most of the agricultural benefits were realized from reduced post-harvest losses in dairy and horticultural products, while the transport benefits were from reduced vehicle operating costs.

**STRATEGIC OBJECTIVE 3: *Increase Private Enterprise Employment***

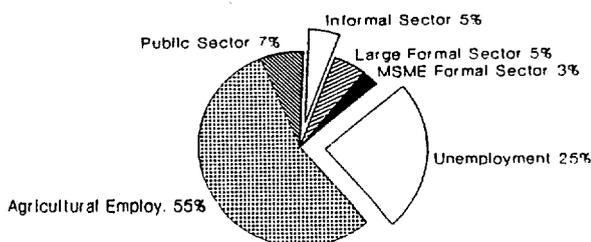
USAID/Kenya's third strategic objective, to increase private enterprise employment, addresses the need to create jobs for the 490,000 people that enter the Kenyan labor force each year. USAID/Kenya contributes to the creation of these essential jobs by encouraging economic growth among two high potential groups of private enterprises: non-traditional exporters (all exports except coffee, tea and petroleum) and micro, small and medium enterprises (all firms with fewer than 100 employees). USAID/Kenya strengthens Kenyan institutions, primarily non-governmental organizations (NGOs) to provide support services to entrepreneurs, on the one hand, and to advocate for policy reform, on the other.

**Highlights:**

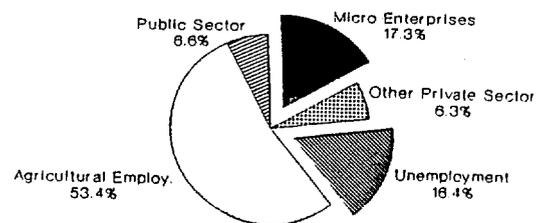
- \* New data shows private enterprises employ 24% of the labor force.
- \* Non-Traditional Export (NTE) Revenues surpassed the target of \$600 million, providing almost half of all export revenues.
- \* NTE employment grew by 10%, higher than the 8% target; 39% of NTE employees are women.
- \* 14 percent annual growth in informal sector employment surpassed the 11% target.
- \* New survey reveals: Micro-enterprises created 250,000 jobs in 1993; in contrast, larger firms created only 25,000 jobs.

Private enterprise employment grew by 6.5 percent in 1992, the last year for which aggregate data was available. This comes close to achieving the Mission's performance target of 7 percent in 1995. The largest contributor to this growth was informal sector employment, which grew at 13 percent. In 1993, the estimates of total private enterprise employment were radically changed by a USAID/Kenya and the Government of Kenya (GOK) Baseline Survey of Micro, Small and Medium Enterprises (MSMEs). Whereas the old data suggested that private enterprises employ 14 percent of the labor force (1.4 million people), the new data from this survey suggests that private enterprises employ 24 percent of the labor force (2.5 million people) (See charts below). Whereas in the past, women were estimated to constitute some 23 percent of the employed workforce, their participation is now estimated at closer to 35 percent.

**EMPLOYMENT PICTURE  
BEFORE BASELINE SURVEY**



**EMPLOYMENT PICTURE  
AFTER BASELINE SURVEY**



STRATEGIC OBJECTIVE No. 3

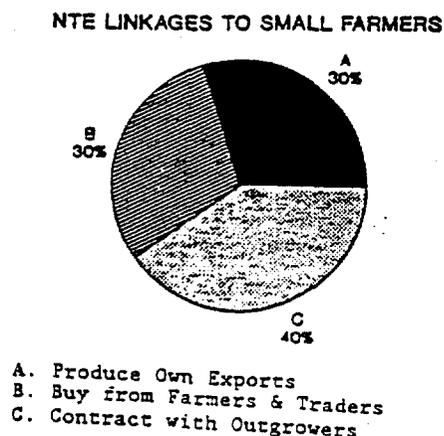
	Baseline	Actual***	Performance Target 1995	Data Sources
<b>STRATEGIC OBJECTIVE 3</b>				
<b>INCREASE PRIVATE ENTERPRISE EMPLOYMENT</b> Private Sector Annual Employment Growth Rate	5.2% (1985)	6.5 % (1992)	7.0 %	Economic Survey
<b>PROGRAM OUTCOME 3.1</b>				
<b>INCREASE NON-TRADITIONAL EXPORT REVENUES</b>				
Non-traditional Export Revenues	\$486* mil.	\$615 mil.	\$600 mil.	Economic Survey
Number of NTE Enterprises	1488	1946	2000	USAID Survey
Total Employment in NTE Enterprises	122,264*	163,631	179,646	
Annual Increase	- (1990)	10% (1993)	8%	
<b>SUB-PROGRAM OUTCOME 3.1a</b>				
<b>IMPROVE POLICY ENVIRONMENT FOR EXPORTS</b>				
A. Taxes and Tariffs: Number of Tariff Bands Highest Tariff	25 100% (June '90)	6 45% (June '94)	3 40%	Budget Speech and KEDS Policy Matrix
B. Foreign Exchange: Overvaluation of Currency	18% (June '91)	0% (Oct '93)	0%	
C. Regulatory Policy: Percent Imports Requiring Licenses	100% (June '92)	0% (June '93)	0%	
D. Infrastructure: Jet Fuel Charges	\$1.75 (June '92)	Price Decontrolled (Oct '94)	Price Decontrolled	
<b>PROGRAM OUTCOME 3.2</b>				
<b>INCREASE PROFITABILITY OF SMALL &amp; MEDIUM ENTERPRISES</b>				
Average Annual Real Revenues per SME Formal/modern sector Urban informal sector	Ksh 24.4 mil. Ksh 99,000 (1990)	-	5% Ann. Incr. Ksh 31 mil. Ksh 126,000	CBS/USAID Study
Total Employment in SMEs Formal/modern sector Annual Increase Number employed	- 221,829 (1985)	-1.5% 271,873 (1991)	5.0% 361,336	Statistical Abstract/ Economic Survey
Informal sector Annual Increase Number employed	- 254,457 (1985)	14% 556,028 (1992)	11% 722,510	Economic Survey
<b>SUB-PROGRAM OUTCOME 3.2a</b>				
<b>IMPROVE ENABLING ENVIRONMENT FOR SMEs</b>				
A. Regulatory Policy: Number goods under Price Control	61 (1985)	0 (1994)	0	Budget Speech
B. Financial Policy: Interest Rates	Controlled	Decontrolled (1991)	Decontrolled	"
C. Infrastructure: Percent GOK expenditure on Infrastructure	21.4% (June '88)	17% (1993/94)	25%	GOK Budget
D. Tax: Corporate Tax Rate	45.0% (June '89)	37.5% (June '91)	35.0%	Budget Speech
<b>SUB-PROGRAM OUTCOME 3.2b</b>				
<b>EXPAND SUPPORT SERVICES FOR SMEs</b>				
Number of Organizations with Support Programs for SMEs	56 (1990)	74 (1992)	80	USAID Survey
Number of Loans Disbursed to SMEs	2,200 (1990)	8,900 (1992)	15,000	
Number of Individuals in SMEs Trained or Counseled	4,040 (1990)	9,500 (1992)	12,000	

\* Data revised from 1992 API.  
\*\*\* Actual Values

### **PROGRAM OUTCOME 3.1: Increase Non-Traditional Exports Revenues**

Revenues from Non-Traditional Exports (NTEs) increased by 25 percent in 1993, more than the previous year's 12 percent increase. In fact, 1993 revenue surpassed the 1995 performance target of \$600 million. NTEs earned 49 percent of Kenya's export revenues last year, up from 46 percent in 1992. In contrast to previous years, manufactured exports, rather than horticultural products, contributed most to the 1993 increase. This increase was primarily due to increased trade in the Preferential Trade Area, a result of trade liberalization in the region. Although statistics are not yet available, prospects for 1994 are less certain due to the substantial appreciation of the Kenya shilling, making certain products less competitive in international markets.

Since 1990, employment in NTE enterprises is estimated to have increased by 10 percent per year, well above the targeted 8 percent annual increase. Most employees are full-time workers and 39 percent are women. Manufacturing employment made up 32 percent of NTE employment in 1993, compared to 25 percent in 1990. This reflects the gains in exports mentioned above. But, exporters of agricultural products remain the largest employers in the NTE sector (68 percent). In addition, a large proportion of these agricultural exporters purchase their goods from small farmers. (See graph).



The additional/indirect employment provided by these traders and farmers is estimated at 50 percent of agricultural NTE employment. In other words, for every 2 people working in an agricultural exporting firm, there is one person employed on a small farm or in a small trading business. Indirect employment is much more difficult to estimate for manufacturers, because the majority (75 percent) purchase inputs from diverse domestic and foreign suppliers.

USAID/Kenya's primary contribution to increasing NTE revenues and employment has been facilitating an improving policy environment. Since the beginning of the project, Kenya Export Development Support (KEDS) position papers, technical advice to the GOK, and policy dialogue sessions between the public and private sector, have contributed to a multi-donor effort making major progress in the following areas:

- o Import licenses have been eliminated and tariffs reduced and simplified.
- o Foreign exchange has been liberalized and foreign exchange Act repealed.
- o The export compensation scheme (which has been abused in the past) was replaced with the more widely used and transparent Duty/VAT tax incentive system.
- o Export taxes were eliminated.

- o Fuel prices, including that of jet fuel, were liberalized.

In addition, KEDS has enhanced the performance of exporting firms through its Export Development Fund (EDF) and by building the capacity of exporters' associations which provide services to firms. For example, KEDS has assisted the Kenya Association of Manufacturers (KAM) to organize group participation in regional trade shows. 29 members of KAM paid their own expenses to participate in a Uganda trade show under the KAM umbrella; the firms generated an estimated \$2 million in sales during the show. The KEDS EDF has assisted 40 firms (out of a targeted 50), most of them small and medium enterprises. Women make up 23 percent of EDF firm managers. Fresh produce exporters are typically using EDF funds to export new products, improve product quality and open new market opportunities, for example pre-packaged vegetable exports to Europe. Kenyan manufacturers are primarily marketing more developed products and packaging to PTA markets, as well as the emerging market of South Africa.

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*Case Study: KEDS EDF*

*A small Kenyan firm, called Ngure Gakirwe, with 20 female and 1 male employees, exports dried herbs. The herbs are grown by 150 rural families. KEDS assisted the firm to establish a distribution network in Italy, which has more than doubled production and increased employment by 3 people.*

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**PROGRAM OUTCOME 3.2: *Increase Profitability of Micro, Small and Medium Enterprises:***

In the last few years, USAID/Kenya has faced a major challenge of collecting and tracking data on the financial performance of micro, small and medium enterprises (MSMEs). This data is expected to be available next year. However, this year USAID/Kenya was able to collect financial data on firms receiving USAID-funded management counselling services. Firms assisted by the International Executive Service Corps (IESC) increased annual sales by an average of \$75,000 and assets by an average of \$79,000 per firm. Firms assisted through Kenya Management Assistance Program (KMAP) increased sales by an average of \$53,000 and assets by an average of \$ 11,793 per firm. These figures are particularly impressive since this growth

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*CASE STUDY: Microenterprise Lending*

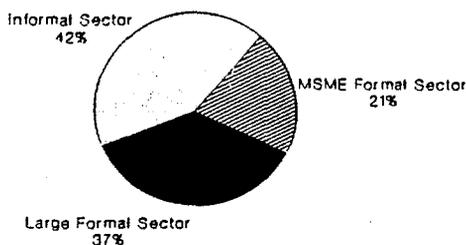
*Mrs. Peninah Ogoro borrowed \$220 from Kenya Rural Enterprise Program to increase the stock in her retail grocery shop. After the loan, her income increased from around \$125 to \$225 per month. She is now able to feed and clothe her family of six without difficulty. She has purchased a radio, a piece of land, and a sewing machine which she will use to start a second business.*

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occurred during a two year period when Kenya's economy registered low economic growth. The majority of firms assisted by USAID/Kenya, however, receive very small loans that increase income by much less. Nevertheless, these loans have a significant impact on clients (see box). The Mission will present substantial data next year on this indicator when the first national survey on the contribution of MSMEs to economic growth will be undertaken.

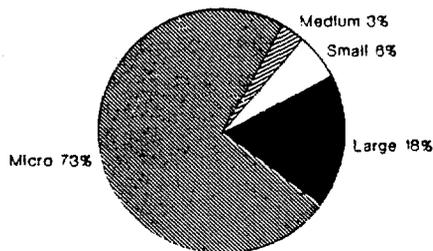
In 1992, the last year for which data is available, employment in the informal sector grew by 14 percent, surpassing the performance target of 11 percent. By contrast, formal sector MSME employment declined, falling far short of the target of 5 percent annual growth. In Kenya, however, the distinction between formal and informal is increasingly obscured as many so-called informal enterprises are now licensed and recognized in some manner by the GOK. This trend, and the growth of employment in the very small firms that make up the "informal" sector, prompted USAID/Kenya to undertake a baseline survey of MSMEs. The most significant finding from this survey is that the bulk of private enterprise jobs - 73 percent or almost 2 million - are in microenterprises, firms with 10 or fewer employees. Women constitute 46 percent of microenterprises owners and 40 percent of employees.

PRIVATE ENTERPRISE EMPLOYMENT PICTURE  
BEFORE BASELINE SURVEY



1991

PRIVATE ENTERPRISE EMPLOYMENT PICTURE  
AFTER BASELINE SURVEY



1993

Although only a third of microenterprises are growing, these microenterprises created some 250,000 jobs in 1993. In contrast, firms with more than ten employees created only 25,000 jobs. From these growth patterns, it has become clear that microenterprises have the greatest potential for resolving the unemployment problem in Kenya.

**SUB-PROGRAM OUTCOME 3.2a: *Improve the Enabling Environment for MSMEs:***

USAID/Kenya has played a key role in policy reform by strengthening a private sector association to undertake research and advocacy work on issues that are of paramount importance to business people. The Kenya Association of Manufacturers (KAM) with USAID/Kenya assistance, has been particularly active in advocating for the elimination of price controls, which has been virtually achieved. In addition, interest rates were liberalized

in 1991 and the GOK increased expenditure on infrastructure from 6.8 percent of the 1993/94 budget to 17 percent of the 1994/95 budget, issues which KAM supported. USAID/Kenya's approach to policy reform is likely to continue in the future, with a stronger emphasis on policies that affect microenterprises.

***SUB-PROGRAM OUTCOME 3.2b: Expand Support Services for MSMEs:***

USAID/Kenya's strategy of strengthening Kenyan NGOs to provide support services has resulted in the evolution of cost-effective mechanisms for microenterprise service delivery, particularly in the field of credit. A 1992 survey documented that the number of MSME enterprises receiving loans and training has increased significantly in the last few years, with the vast majority of loans being provided by USAID-assisted NGOs. Despite this growth, the national baseline survey revealed that the majority of micro and small enterprises (85 percent) have never received assistance. USAID/Kenya is likely to continue to strengthen private sector organizations to expand credit and other support services for MSMEs in its new strategy and activity.

## SECTION IV

### OTHER PROGRESS IN PRIORITY AREAS

#### PROTECTING THE ENVIRONMENT AND BUILDING DEMOCRACY

##### A. PROTECTING THE ENVIRONMENT

***Conservation of Biodiverse Resource Areas Project (COBRA):*** The Conservation of Biodiverse Areas Project (COBRA) represents a Mission Target of Opportunity. The project focuses on community-based wildlife resources management through Mission support to Kenya Wildlife Services (KWS).

KWS continues to pursue the formidable challenge of continuing implementation of a privatization effort while simultaneously undertaking major institutional development. Good progress has been made in the area of transforming KWS itself from an "enforcement-oriented" toward a "partnership-oriented" organization, with clear benefits in terms of increasingly positive relations with communities around parks. Several years' investments of time, effort and money in community dialogue and assistance are clearly beginning to bear fruit in the form of changing community perceptions and attitudes. With the operationalisation of the Wildlife for Development Fund guidelines, developed under the Project, communities are now directly sharing in the proceeds of park revenues. Resulting incentives have prompted various communities living around protected areas to seek assistance from indigenous NGOs in the development of land use and enterprise schemes in order to share further in tourist revenues.

*Monitoring data on revenue sharing sites developed under the AWF "Neighbors as Partners" Program indicate that Maasai women are primary participants and beneficiaries in many revenue generating enterprises under these programs, such as "Cultural Boma" tourist visit sites. The Mission will continue to monitor these enterprises as the project progresses.*

Progress in the training activities initiated under the project are already reaping noticeable benefits both within and outside of the KWS. Support for the participatory approach and its philosophy in wildlife management with affected communities is rapidly replacing the wildlife protection by enforcement philosophy of the former KWS system. The resulting empowerment of local populations over their own destiny as well as over their natural resource base will provide the sustainable incentive structure to protect and manage the valuable wildlife resource base in Kenya.

***National Agricultural Research Project (NARP):*** In the past year, NARP, through KARI, contributed to the Agency's objective of protecting the environment by developing research methodologies designed to ensure that production improvement practices incorporate

environmental considerations. Agricultural technology produced by KARI is environmentally sustainable. For example, technologies aimed at increasing productivity incorporate soil and water conservation objectives, maximizing organic farming approaches, and minimizing pesticide and other chemical uses. KARI is undertaking a major soil survey which will form a logical basis for selection of areas suitable for various land uses at National, Provincial and District levels. The extensive database gathered through reconnaissance surveys on soils and other environmental attributes enables planners and other users to take into account the potential as well as vulnerability of soils in the different agro-ecological zones of Kenya.

Emphasis during this period was on converting information available on quarter degree map sheets at the district level. A number of district soil maps and land suitability rating were compiled and issued at scale 1:100,000 and 1:250,000 (Kwale, Kisii, Nyamira and Trans Nzoia Districts). At the same time specific research projects to address priority soil and water management related agricultural production constraints in the arid and semi-arid areas were also initiated.

**Role of the Private Sector:** USAID encourages the private sector to analyze environmental impact and to be pro-active in minimizing potential environmental hazards. For example, in this reporting year, USAID encouraged the development of the Lake Naivasha Riparian Society, an association of landowners surrounding Lake Naivasha, a major tourism and flower production area. The society has completed a study of secondary source material on the environmental conditions of the lake and plans to begin collecting primary data to monitor the environmental impact of flower production on the lake's ecosystem. USAID also supported the efforts of the Fresh Produce Exporters Association of Kenya to educate farmers to take proactive steps to comply with upcoming European Union environmental regulations, particularly minimum residue levels for pesticides on vegetables and flowers.

## **B: BUILDING DEMOCRACY AND GOOD GOVERNANCE**

**Democracy:** Through 116(e) grants and the Democracy and Governance (D/G) project, USAID is supporting development of a democratic culture, pluralistic politics and governance and accountability. While human rights activities have not been specifically targeted at women, however, they have been the major beneficiaries. The Mission assistance in this reporting year focused on activities relating to the consolidation of the progress made to date in the D/G arena. The activities conducted (primarily through 116(e) grants) include:

- production of 1993 Annual Human Rights Report documenting the incidence of human rights violations in Kenya. The report was widely distributed both within and outside Kenya and serves to increase and heighten human rights awareness.
- a human rights awareness program that developed a drama series on civil rights issues. The first play is educating Kenyans on the criminal trial process and has been

seen by over 1,200 people thus far, mainly in various slum areas of Nairobi.

- training of 727 women in arid areas of Eastern Province, a disadvantaged part of the province, in topics such as multi-party democracy, voter rights, leadership representation and citizen participation in development activities.
- a conflict resolution process through sponsorship of a national conference on "Democracy in a Multi-Ethnic Society" with emphasis on resolution of ethnic conflict. 80 participants including Members of Parliament from different political parties (the ruling party did not attend), teachers, scholars, church leaders, etc. attended.
- a human rights seminar which culminated in the formation of a special constitutional reform committee to redraft the Kenyan constitution in keeping with multi-party democracy. The group has expanded and has produced a draft constitution which is serving as a basis for constitutional reform discussions currently underway.

The impact of USAID support has been significant, especially in strengthening civil society. Many Kenyans are becoming more aware of their rights. The GOK announcement of plans to invite foreign constitutional lawyers to review the constitution has been welcomed by several segments of society in the hope that a revised constitution will greatly enhance openness of the political environment and create opportunities for competition in the political arena. In addition, USAID is supporting the establishment of an independent policy analysis research institute which is currently in the process of seeking a permanent Director.

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*A grant was provided to a group of women lawyers for establishment of a legal clinic in Nairobi. Under the grant, two full-time lawyers visited children and women prisoners around the country and provided free legal services. Under another activities, 727 women have been trained on civil education matters and women parliamentarians have participated in study tours.*

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Since gender-disaggregated impact of assistance in the D/G area is weak, the Mission has requested assistance from the Global Bureau for development of indicators to specifically track the impact of interventions in the sector.

**Governance:** USAID, together with other donors, has continued conducting a dialogue with the GOK aimed at improving public sector transparency and accountability. Recognizing that the main weapon against corruption is to reduce opportunities for its practice, donors have successfully pressed the GOK to liberalize the economy. The Government has improved economic governance by allowing market forces to allocate foreign exchange to the private sector by abolishing all exchange controls; eliminating all price controls; abolishing restrictions on maize movement; removing import and export licensing and

deregulating markets for agricultural inputs. Confidence in the stability of the financial system is growing due to improved prudential regulation and supervision by the Central Bank of Kenya (banking scandals seem to be a thing of the past). However, transparency in the sale of parastatals remains an elusive challenge.

There are several cases in Kenyan courts related to the prosecution of those implicated in previous illegal banking practices and false export compensation claims. The process of prosecution appears slow and it may be some time before the outcome of the cases is determined.

Under the Mission Democracy and Governance Project, support is to be given to the Public Accounts Committee (PAC) and the Public Investment Committee (PIC), two pivotal institutions for ensuring accountability of Government to Parliament. The PAC and the PIC are functioning reasonably well and during the past year, attempts by the ruling party, KANU, to dilute the independence of these committees were thwarted by a united opposition (a rare unity for the Kenyan opposition groups). The PAC and PIC are chaired and controlled by opposition members of Parliament and possess the power, which they exercise, to summon Permanent Secretaries of Government Ministries, Managing Directors of state enterprises and other persons to give evidence on financial abuses. These committees can potentially perform watchdog or investigative functions and therefore act as a deterrent to diversion of public resources and to corruption.

For transparency in tax administration and equity in the tax system, the Mission has been supporting tax modernization reform program. The Personal Identification Number (PIN) system is functioning satisfactorily and bringing those Kenyans with ability to pay into the tax net. Similarly, the Mission efforts in computerizing the GOK budget has laid a basis for a transparent public finance system.

### **C: USAID/Kenya Involvement in PVO Institutional Capacity Building**

Over the last ten years, USAID has been providing assistance to the PVOs in Kenya through the PVO Co-Financing project to assist them to increase their developmental impact by strengthening their institutional, implementation and beneficiary outreach capabilities. The impact of the project, as highlighted below, has been great:

- Through the training component, the project trained 21 females and 18 males. The PVOs who have benefitted from this project felt that such training enhanced the confidence of their staff and increased skills that were immediately applicable, thereby greatly improving staff performance. Out of a sample of trainees surveyed, all had been promoted after their training.
- 71 percent of the PVOs increased their beneficiary outreach during the project grant period. 70 percent of the assisted PVOs expanded the services they offer subsequent to receiving project assistance. The two indicators, increase in number of

beneficiaries reached and increase in services provided, amount to a substantial impact.

- Of the 15 firms that received technical assistance for improving their internal systems, 66 percent remodelled and streamlined their systems, thus contributing to the development of organizational structures which enable them to contribute effectively to Kenya's development.
- Only a few assisted PVOs focused specifically on gender activities. Six of them target women specifically for training, income generation, etc. and two aim at increasing female participation in their projects. The Mission is planning to assist PVOs to develop indicators to better measure impact of gender in PVO activities.

One of the findings of the impact assessment was that gender considerations needed to be better integrated in NGO support activities. As a result, gender is to be addressed in the design of the follow-on activity.

## ANNEX A

### A NOTE ON REVISION OF USAID/KENYA PROGRAM

In this final year of reporting under the current CPSP, no major revisions were done to the Mission's Program Logframe. The Mission revised Strategic Objective (SO) One in FY 93 to integrate HIV/AIDS into the Mission's portfolio. Based on USAID/W guidance, the Mission has now revised the SO from "...reduceHIV incidence" to "reduce HIV/AIDS high risk behaviors". This revisions clarifies the principal focus of the Mission's Population and Health portfolio, without altering the original intent of the objective or its supporting investments.

Strategic Objective One now becomes decreasing fertility and reducing HIV/AIDS risk behaviors. This change reflects USAID/Kenya's confidence that it has sufficient leverage to directly influence fertility on a national scale, as well as high risk sexual behaviors.

### REVISION OF INDICATORS AND EXPECTED LEVELS OF ACHIEVEMENT

The following provides a description of revisions made to elements of strategic indicators presented in the 1992 iteration of the API. Changes in indicators were based on research which demonstrated the original indicators did not capture impact of related programs activities or were not operational in terms of data availability or quality.

**Program Goal:**        *Increase Sustainable, Broad-Based Economic Growth:*

-        No revisions made

**Sub-Program Goal 1:**        *Reduce Population Growth Rate and Improve Health Status*

-        No revisions made

**Sub-Program Goal 2:**        *Increase Production, Employment, Income and Foreign Exchange Earnings*

-        No revisions made

**Strategic Objective 1:**        *Decrease National Fertility and Reduce HIV/AIDS High Risk Behaviors*

-        Based on analyses of AIDS's projected toll on the nation's health and development, an HIV/AIDS component was added to SO 1 in 1993. Based on USAID/W guidance, the Mission revised the SO from "...reduce HIV incidence" to "reduce HIV/AIDS high risk behaviors". In the 1995 API we expect to report progress against this benchmark.

**Program Outcome 1.1:**     *Increase Modern Contraceptive Use*

-     No revisions made

**Program Outcome 1.2:**     *Decrease High-risk Behaviors in HIV-seroprevalence Areas*

-     No revisions made

**Program Outcome 1.3:**     *Increase Financial Resources for FP/MCH/AIDS/STDs*

-     No revisions made

**Strategic Objective 2:**     *Increase Agricultural Productivity and Farm Incomes*

-     No revisions made

**Program Outcome 2.1:**     *Accerelate Technology Development and Transfer*

-     No revisions made

**Sub-Program Outcome 2.1a:**     *Increase Adoption of New Technologies*

-     No revisions made

**Sub-Program Outcome 2.1b:**     *Increase Development and Transfer of Technologies*

-     No revisions made

**Program Outcome 2.2:**     *Increased Agricultural Market Efficiency*

-     No revisions made

**Sub-Program Outcome 2.2a:**     *Improve fertilizer Marketing*

-     No revisions made

**Sub-Program Outcome 2.2b:**     *Improve Market Efficiency*

-     No revisions made

**Strategic Objective 3:**     *Increase Private Enterprise Employment*

Due to the completion of a new National Baseline Survey in Kenya in 1993, the GOK has revised its estimates of total employment and employment growth rates. The new rates are not comparable to the 1985 baseline and the 1995 performance targets, so the old 1992 data was reported again. The 1993 series will be used to establish a 1995 baseline and year 2000

performance target for the new strategy.

**Program Outcome 3.1:**                    *Increase Non-Traditional Export Revenues*

- Total Employment in NTE Enterprises : A 1994 survey revealed that data provided by the National Social Security Fund grossly underestimates employment, presumably due to under-reporting for tax reasons. A new survey was conducted using data reported by firms to an independent researcher. This established a new baseline and current figure. The survey also attempted to estimate indirect employment, which is reported in the text.

**Sub-Program Outcome 3.1a:**            *Improve the Policy Environment for Exports*

A more defined Policy Matrix was developed for monitoring the export environment. It is a qualitative tool for tracking policies in the major categories listed in the table. This matrix is too long for inclusion in the API, but serves as an imperative management tool and reliable source of information for the API text. The API table reports key quantifiable policy targets that broadly reflect policy changes in the important categories of the matrix.

**Sub-Program Outcome 3.1b:**            *Expand Support Services for NTE Enterprises:*

This sub-program outcome was removed. USAID/Kenya's firm-level assistance program only plans on targeting some 50 firms and 2 associations. While this is loosely expressed as "increasing support services," the measure of increasing the number of associations in Kenya and the number of firms receiving assistance does not reflect the level of investment of USAID/Kenya resources and is not in USAID/Kenya's manageable interest at this time. It cannot be compared to the approach used in reaching the similar target for MSMEs where USAID/Kenya initiated the establishment of an umbrella organization to increase the capacity of numerous organizations who are now reaching thousands of firms using methods developed by the umbrella organization. The evaluation of the export project is examining the potential for the project to have a wider impact in its firm-level assistance.

**Program Outcome 3.2:**                    *Increase Profitability of Micro, Small and Medium Enterprises*

The word "Micro" was added to reflect the Mission's increasing recognition that the smallest firms, those employing fewer than ten employees, are providing the bulk of private enterprise employment in Kenya. Regarding the measurement of employment, old data is presented due to the completion of a new baseline survey in 1993. The GOK has revised its estimates of informal sector employment and employment growth rates. The new rates are not comparable to the 1985 baseline and the 1995 performance targets, so the old 1992 data was reported again. The 1993 series will be used to establish a 1995 baseline and 2000 performance target for the new strategy.

**Sub-Program Outcome 3.2a:**      *Improve the Enabling Environment for MSMEs*

The goal of a key policy indicator - interest rates - was changed from "positive" to "decontrolled". This reflects two issues. First, the method the GOK used in reporting interest rates favored the calculation of a positive real interest rate despite the fact that real interest rates were largely negative in 1993 due to irregularly high inflation rates. Because the GOK reported the highest rate charged by banks, instead of an average rate, this fact is not revealed in the national statistics. Second, the actual goal is for interest rates to be decontrolled and market driven, a goal which was achieved in 1991. The fact that market rates were negative last year reflected a temporary disequilibrium.

**Sub-Program Outcome 3.2b:**      *Expand Support Services for SMEs*

-      No revisions made