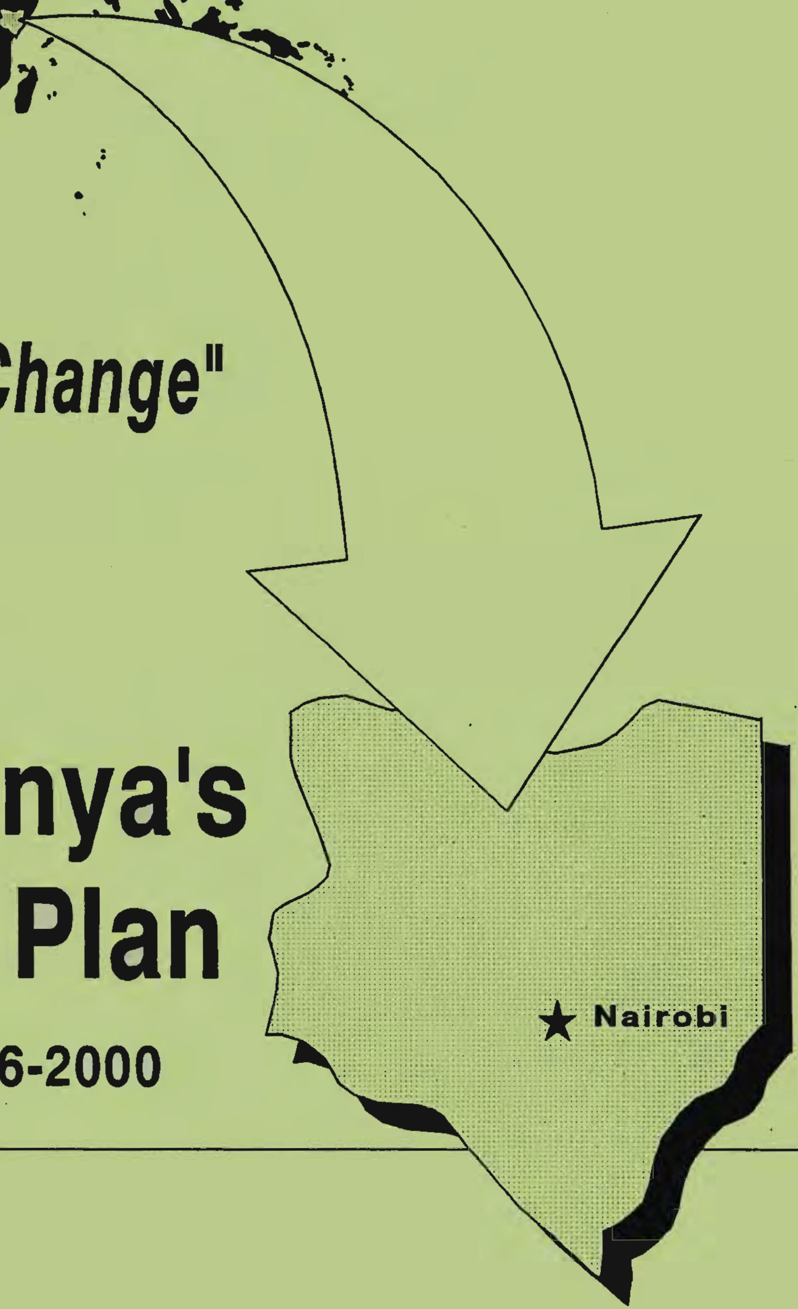
"Coping With Change"



USAID/Kenya's Strategic Plan

Fiscal Years 1996-2000

Embassy of the United States of America

Nairobi, Kenya
February 7, 1996

Mr. John Hicks
Assistant Administrator for Africa
NS 6936
U. S. Agency for International Development
Washington D.C., 20523-0073

Dear Mr. Hicks:

I am pleased to endorse the Country Strategic Plan 1996 - 2000 for the USAID/Kenya program. I have worked very closely with the Mission Director, George Jones, and I am fully supportive of the plan as laid out. The plan has been developed with input from the entire country team and it is consistent with our Mission Program Plan.

This plan deals with three of the most critical development problems in Kenya: good governance, economic growth focussing on the smallholder farmer, and reduction of population growth. While our resources are not large they are critical. The United States leadership is important. USAID is highly respected in Kenya and has been a leader in the population and health and agriculture and private sector fields for 20 years. The precipitous decline in AID resources presents us with a real challenge - how we maintain our leadership role with fewer and fewer resources.

I am committed to seeing Kenya graduate from assistance by the year 2010, if not before. I think the strategy contained in this document begins a transition from dependency on donors to one of more sustainable development.

I look forward to working with the USAID Mission in its successful implementation of this strategy.

With best wishes, I am

Sincerely,

Aurelia Brazeal
Ambassador

USAID/KENYA'S STRATEGIC PLAN - 1996-2000

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INTRODUCTION - USAID/Kenya's Strategic Plan 1996-2000

The first half of the 1990s has variously been characterized as Africa's "second revolution" or "second independence". Not since the decade of independence in the 1960s has the continent seen such a political transition (concomitantly, in many cases, with fundamental economic reform) in almost all sub-Saharan African countries. Some countries have shown encouraging signs of progress towards democratization, while others have collapsed into civil discord.

Despite inevitable transitional ups and downs, Kenya shows some signs of progress and remains a stable island in the sea of crises that is the Greater Horn of Africa. However, like many other sub-Saharan African countries, Kenya faces many long-term developmental challenges and near-term constraints. It must continue to make further progress in political liberalization and democratization, while maintaining stability and sustaining improvement in the living standards of its people. The challenge in USAID/Kenya's strategy must be how best to assist Kenya to manage its on-going economic and political transition peacefully and orderly, while making progress towards addressing its development constraints.

The political change in Kenya since 1991 has been significant, but can not yet be characterized as irreversible. Many of the positive steps Kenya has taken thus far are the result of pressure from the outside. For meaningful, sustainable development to come to Kenya as it heads into the 21st century, the pressure for change must come from inside, from the Kenyan people. overstatement

This concept is what has guided USAID/Kenya in developing its Strategic Plan for the next five years. The Mission plans to target its resources and its programs to help empower the people most likely to facilitate change in Kenya. Given the limitation of how much the United States, or any donor, can directly affect the political or economic course of another nation, the Mission believes this to be the most prudent and logical direction to take.

However, this Strategy is fraught with challenges external to the problems of just making development work. The political leadership of Kenya is reluctant to make many of the needed political and economic changes. And, the U.S. Administration is less inclined in these post-Cold War days to deal with partners it believes to be unwilling to adopt acceptable levels of human rights consideration and democratization. As USAID considers the Mission's Strategic Plan and its own priorities for the remaining years of this millennium, the Agency must not let these difficulties overshadow the development successes USAID has helped to facilitate here.

The Kenya Family Planning Program is a success story for Africa. The country's population growth rate has fallen from one of the highest on the continent to one of the lowest in just over 15 years, in part due to USAID's sustained assistance. The Kenya Health Care Financing Program has set an example that nine other African countries are emulating as they design or modify their own strategies to cope with health care financing issues.

The Mission has broken new ground on venture capital and microenterprise lending, and is preparing to assist a local nongovernmental organization in its transition to a self-sustaining bank modeled on ones in Asia and Latin America. The Mission's agricultural program has developed the best agricultural research and training institutions – Egerton University and the Kenya Agricultural Research Institute – in the region.

These successes are successes in which USAID has played a key role, and in an era when Congress is demanding results for its foreign assistance, Kenya can and has delivered. But these gains are fragile and will need continued support to protect them. In addition, other issues, such as the HIV/AIDS epidemic and slow pace of democratization, need to be addressed if Kenya is to achieve sustainable economic development. And, above it all, one can not avoid the reality that Kenya's economic development is central to development of the entire region.

Taking these competing factors into account, USAID/Kenya has adopted a two-pronged strategy to focus on the immediate and the long-term needs of the country. The more immediate need is tied to the 1997 general elections, providing support to a wide array of players in the political arena who are pressing for fundamental changes to key institutions and to the electoral process. But a balanced development strategy requires democratic changes be accompanied by improvements in the health and wealth of a nation's people. That will be the focus of the longer term strategy.

Towards the 1997 General Election

The priority focus until 1997 will be to encourage peaceful political liberalization in Kenya, i.e, a relaxation of Government controls and its monopoly of political power. Hopefully, this would encourage a greater political expression and association. USAID/Kenya will address this under a Democracy and Governance Special Objective designed to stimulate the liberalization of the electoral environment to improve the chances that the elections will be free and broadly representative of the peoples' desires.

USAID's strategic approach will be to concentrate its resources in two areas – in support of nongovernmental civic organizations who can build constituencies for providing effective voices for political liberalization and in support to the Electoral Commission to increase their ability to run freer and fairer elections. This approach will also help prepare the ground for the longer democratization process, including the capacity building of democratic institutions, such as the judiciary, Parliament, and political parties, and constitutional reform.

Political liberalization and democratization can only be meaningfully sustained in a larger context of improving living standards for the average Kenyan. Democracy can best be sustained with high literacy, a healthy population, some form of established bureaucracy, and a middle class capable of supporting a reasonable tax base. That is the rationale for the second prong of USAID/Kenya's Strategic Plan.

Longer Term Development Agenda

The long term strategy emphasizes the importance of preserving Kenya's hard-won economic liberalization and stability in the short run, while addressing constraints to broad-based economic growth, which includes health and population issues, over the long term.

To preserve Kenya's economic stability, USAID/Kenya's first Strategic Objective will concentrate on assisting the smallholder agriculture and informal small and microenterprise sectors, since, as discussed later in this Plan, there are considerable linkages between the two. Moreover, the majority of the poor, a great many of them women, are concentrated in these sectors. Development in smallholder agriculture and microenterprises has the greatest potentials in terms of impact on job creation, poverty reduction, and increased economic opportunity for women. Consequently, the Mission's strategic approach is to transform subsistence agriculture to market-oriented production and commercialization, while simultaneously stimulating small and microenterprise development. This should help increase income for farmers, while creating jobs off the farms.

However, to sustain improvement in living standards for the poor requires the Mission also to focus on their health. Under the Mission's second Strategic Objective, USAID/Kenya has chosen to address three key areas of public health and family planning services: population growth; the HIV/AIDS epidemic; and major preventable diseases affecting child survival. The emphasis under the last strategic plan was service delivery, which resulted in significant results which USAID can directly claim credit. Sustainability of these services, though recognized, was not the primary focus. Given reduced budgetary levels, the population and health strategy will now focus on promoting sustainability, versus service delivery, of family planning and the HIV/AIDS service delivery system.

Looking to the Future

As recognized by the AFR Bureau, the Kenya program has amassed an impressive record of program impact, which is a product of concentrated, sustained investment, together with strong donor coordination and a dedication to results. Consequently, given the current budget constraints, the Mission chose to focus on one Special Objective and two Strategic Objectives outlined above, and in more detail in the following pages, for the next five years. This is the maximum number of strategic objectives the Mission believes it can realistically manage for results with current resources.

With fewer dollars to go around, the Mission felt it important to protect programs which would bring the greatest good to the largest number of people, while at the same time take advantage of the window of opportunity presented by the 1997 general election to press for improvements on democracy and governance issues.

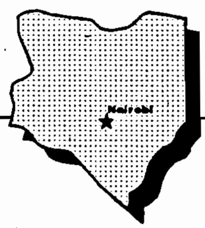
USAID/Kenya is a program in transition, buffeted by external political forces and facing a Government considered by some to be something less than a "good" development partner. The Mission development agenda builds on lessons learned from our highly results-oriented assistance portfolio during the past decade. The adjustments in the country strategy reflect the changing circumstances both with respect to the U.S. Government interest, USAID's own budgetary resources, and the country environment.

The USAID/Kenya program is not a program to abandon. It is a mature, results-producing effort which has had an impact on the well-being of the Kenyan people. Its lasting effect spreads beyond the nation's borders as the work done here, especially in agricultural research, family planning, and microenterprise, provides lessons for other countries in the region to define and solve their development problems.

While the Government of Kenya may appear at times to be a reluctant partner, it is not a monolith. Development has many supporters within the ministries and departments with which the Mission deals. USAID/Kenya has also found very strong support among the community of local and international nongovernmental organizations working in Kenya. These organizations, not the Government, receive the bulk of the money spent by USAID/Kenya and their influence, especially on democratization issues, represents a counterbalance to the Government's. The program cuts faced by the Mission will affect more directly the operations and effectiveness of our development partners than it will the Government's. By these cuts, USAID is hurting the people it most wants to help.

As a final consideration for this Strategic Plan, the Mission looked at Kenya in the context of President Clinton's Greater Horn of Africa Initiative. As one of the largest countries in the Greater Horn, Kenya has a vibrant private sector and the potential to serve as the regional engine of growth. It is already the transportation and economic hub of the region. Kenya also has the leadership potential to serve as a mentor to the Greater Horn countries on social reform issues, such as population and education, and as a functioning example of long-term political and economic stability. Kenya is the current chairman of the Inter-Governmental Authority on Drought and Development and an active participant in revitalizing the East African Community. Conversely, Kenya has the potential to be a very destabilizing force if political change does not happen peacefully. Further, USAID's efforts in the Greater Horn area could be inhibited if Kenya's leadership resists attempts at regional cooperation.

If the core premise of the Initiative is the creation of a new regional identity, where the countries of the region work collectively to solve their food and political security problems, then Kenya's role will be critical. Without full Kenyan participation, it would be difficult to have a meaningful Greater Horn of Africa Initiative.



Part I

USAID/Kenya Strategic Plan - 1996-2000

SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT - USAID/Kenya

Relationship of the Program to U.S. Foreign Policy Interests

USAID in its 1995-96 Agency Strategic Framework document defines the four U.S. national interests it serves as: promotion of U.S. economic opportunity; prevention of humanitarian and other complex crises; enhancement of prospects for peace and stability; and protection of the United States against specific global dangers. The USAID bilateral program in Kenya serves these interests. The Mission goal of promoting "broad-based sustainable economic growth in Kenya contributing to crisis prevention in the Horn of Africa" directly reflects these interests.

Kenya remains crucial to any strategy for equitable, sustainable development in the region because of its size, location, and potential. Although Kenya's per capita income is only $270, it is about twice that of most of its neighbors in East Africa. Kenya is the growth pole for the entire region and, with good weather and better policy, could achieve rapid growth on a sustainable basis. The potential for increased trade between the United States and Kenya is great. There are already more than 75 American companies doing business in Kenya with more coming to set up regional headquarters for East Africa. For example, Coca Cola recently moved a significant number of managers here in a major expansion of their operations. Kenya provides major trading opportunities which are, as yet, relatively under-exploited.

Kenya is pivotal in any efforts to prevent future crises in the region. It is one of the only East African countries which has not faced a major internal conflict in the last 20 years. The cost of such a conflict in Kenya would be astronomical. Costs incurred would not only include relief to Kenya, but it would sharply increase the costs of relief and economic development to the neighboring countries of Uganda, Rwanda and the southern portion of Sudan. The bulk of trade and aid to these countries flows over the Kenyan port, road, and rail network. Disruption in Kenya would extract untold cost from its neighbors. Political and economic stability in Kenya are key U.S. goals.

Kenya is in the slow process of democratization, but this transition is not coming easily. In addition, major ethnic tensions reside in the country which have the potential to become conflict flash points. Our efforts in our democracy and governance program seek to assist in the peaceful evolution of the democratic system in Kenya.

There are several global threats present in Kenya which the program is also addressing, the most noticeable of which is rapid population growth and the spread of HIV/AIDS. Our program seeks to continue its stellar accomplishments in these areas and to provide lessons to the rest of Africa on how to successfully address these highly volatile and complex problems.

Kenya has been an excellent partner when it comes to facilitating access to the regions, such as relief efforts to Somalia and Rwanda. Further, with the closing of the U.S. Embassy in Sudan in February 1996, Kenya has allowed the posting of our Khartoum-based diplomats to Nairobi.

The Kenya program will also play a crucial role in the implementation to President Clinton's Greater Horn of Africa Initiative (GHAI). This interagency, multi-donor program is intended to attack the root causes of food insecurity and conflict in the Greater Horn of Africa. and proposes to:

- Strengthen support for effective regional and national food security strategies;
- Increase the capacity in the region for crisis prevention, response and conflict resolution;
- Improve regional collaboration in promoting sustainable economic growth and reducing population growth rates; and
- Implement regional and national strategies to ensure the transition from crises to broad-based sustainable growth.

As one of the largest countries in the region, Kenya is expected to be a key player in the success of GHAI. The Initiative aims to galvanize donors, nongovernmental organizations, and Africans to "think and act differently" in a concerted attack on the causes of food insecurity, conflict, and human misery. The Initiative is intended to improve the utilization of the resources in the region and to encourage the sharing of successful approaches to development amongst the GHAI countries themselves.

A full description of how the current USAID/Kenya program relates to the GHAI can be found in Annex 1.

Overview of Country Conditions

Macroeconomic Trends

Kenya's macroeconomic environment is relatively stable and has greatly improved over the past two years. The Government of Kenya (Government) has consistently undertaken stabilization policies to correct macroeconomic imbalances. By 1993, these imbalances had deepened, inflation and monetary expansion were high, large budget deficits were persistent, and external reserves were very low. However, due to various stabilization measures the Government undertook, these indicators have been reversed. In addition, the credibility of the Central Bank has been restored and the exchange rate has stabilized. Strong efforts in fiscal management have resulted in a substantial reduction in the budget deficit, good revenue performance, and, for the most part, better expenditure controls.

Under the current Finance Minister and the Governor of the Central Bank, Kenya has implemented an ambitious, but essential, economic reform program over the last two years. Since mid-1993, the Government has significantly tightened fiscal and monetary policy. This has helped reduce the fiscal deficit to an estimated 2 percent of the gross domestic product in fiscal year 1995 from over 10 percent two years before. Broad money supply growth which stood at 34 percent in 1992 is estimated at 15 percent in June 1995. The Government has managed to bring inflation to single digits for the first time since 1987 – to 8.7 percent in May 1995. The market-determined exchange rate appreciated from around KShs. 82 per U.S. dollar in June 1993 to around KShs. 35 in October 1994, and has stabilized at KShs. 55 recently. Similarly, interest rates have declined steadily over the last year, with the treasury bill rate dropping to 15 percent in May 1995 from 70 percent in July 1993.

Consistent with improved macroeconomic policy environment has been the resumption of real economic growth. Gross domestic product growth rose to 3 percent in 1994 and to an estimated 5 percent in 1995, the first significantly positive growth since 1991.

Unemployment and underemployment are serious problems in Kenya. The labor force is estimated at 11 million with 500,000 more people a year looking for work. The formal sector provides jobs to only about 20,000 of these people. The rural labor force accounts for about 80 per cent of the total labor force, with small-scale agriculture and off-farm activities (mostly microenterprises) providing most of the rural employment. The informal sector is more dynamic than the formal sector with informal sector employment growing at 16 percent a year. However, this sector is still only able to absorb about 200,000 new entrants a year.

The Government has made significant strides in implementing structural reforms. Exchange control restrictions have been eliminated (including restrictions on inward portfolio investment) and virtually all trade restrictions have been removed, except for a short list of products controlled essentially for health and environmental reasons. With the liberalization of the maize market in December 1993 and the petroleum market in October 1994, all price controls have been abolished.

However, there have been some delays and temporary reversals in implementing the Government's reform agenda. For instance, since December 1993, the Government has intermittently reneged on maize liberalization, although now it seems to be back on-track. With respect to civil service reform, the reduction in staff and rationalization of ministries was initially slow, but the pace has picked up recently and the Government is meeting reduction targets of 16,000 employees a year.

Of greater concern, however, has been the extremely slow progress in parastatal reform and privatization of public enterprises. This lack of progress has contributed to low investment efficiency and the resulting slow economic growth. Total factor productivity growth during 1986-90 averaged 5.4 percent a year for the Kenyan economy as a whole compared to a negative 1.7 percent for the parastatal sector. A World bank study on parastatals estimates that gross domestic product growth during the same period would have been higher by 2 percentage points if productivity in the parastatal sector had matched that of the private sector. In terms of performance, of the original portfolio of 211 enterprises selected for privatization, the Government has so far only divested 95 (43 were tea factories turned over to tea farmers). The privatization process itself has also lacked transparency.

Still, despite setbacks and delays, policy developments and overall reform progress have been generally satisfactory. However, the constituency for aggressively pursuing economic reform with the Government remains limited, and the consensus in favor of certain reforms continues to be relatively fragile.

Governance Trends

Governance matters have become increasingly visible and critical issues. Transparent management of public resources and strict accountability of budgetary resources are key to improved economic management. Good governance is necessary to re-establish the Government of Kenya's credibility with domestic and foreign investors and the international donor community.

Although, over the past two years, the Government has strengthened and enforced budgetary accountability, more needs to be done. The recent decision to build a new international airport at Eldoret (originally estimated at $84 million, but now scaled down to $67 million) symbolizes much of what is wrong with governance in Kenya. The Government did not identify the project as a priority in the budget nor was it brought to the Parliament for approval. There was a decisive lack of transparency in the way the decision was made to proceed with the investment. Contributing to increasing dissatisfaction with governance is what is perceived by many to be the less-than-aggressive prosecution by the Government of those allegedly involved in the misappropriation of pre-shipment and discount facility funds in 1992 and 1993 (the Goldenberg Export and Exchange Bank scandal involving an apparent misappropriation of approximately $450 million of public funds at the current exchange rate). The Government has already recovered over two-thirds of these funds and more will be recovered with the sale of a hotel. In a recent move, the Government has cracked down on serious corruption at the port of Mombasa. Many top officials have been arrested and may face prosecution.

Political Trends

Over the last four years, Kenya has moved from a single-party state to a multi-party democracy. Opposition parties were legalized in December 1991. A year later, multi-party elections were held and the ruling party, KANU, was returned to power. While events leading up to the elections revealed significant manipulation of the electorial processes by the ruling party, KANU also benefitted from a divided opposition. Despite that, the elections were, in the opinion of most foreign and domestic independent observers, broadly representative of the popular will. However, the holding of multi-party elections has not created meaningful structural changes in Kenya's polity. Although the intensity of inter-ethnic clashes has eased, reconciliation, rehabilitation, and resettlement of victims of ethnic clashes remain elusive. Inter-ethnic tension and renewed conflict is a possibility that cannot be discounted.

Continuing harassment of opposition political party representatives by the ruling party persists. The tendency continues within the Government and provincial administration to curtail the rights of opposition Members of Parliament (MPs). Some MPs have been arbitrarily arrested on trumped up charges. Others have been arrested, then released after a few days in jail without being charged with a crime. Further, despite the appointment of a few women in the past couple years to important decision-making positions, the Government has not been overly enthusiastic about the integration of women in politics.

Civil and political liberties, including freedom of expression and association, continue to draw fire from the Government. The growth of a civil society is threatened by the deregistration of NGOs, such as CLARION and Mwangaza Trust, and the difficulties encountered by groups attempting to register like Safina (a new political party). Civil violence against groups protecting the disadvantaged, such as Kituo Cha Sheria, is equally disturbing.

Notwithstanding the problems faced, the NGO sector in Kenya is vibrant and making a significant impact on the nature of the debate on the democratization of Kenya. There are over 400 registered NGOs, many of whom have a very political agenda. Commitment for change runs deep in these organizations and they are a force with which the government will have to deal.

Intermittent attacks by the Government on freedom of the press continue. In 1995, issues of international publications, such as the Economist and the International Herald Tribune, were seized, a church newsletter was closed, and the local private print media was frequently targeted for public criticism by leading politicians in the ruling party. However, the independent press continues to publish information very critical of the Government, provided it can substantiate what is printed. The Government recently introduced a highly-controversial press bill which was shelved following loud protests from the local and international media, NGOs, and donors. The electronic media is still under Government control. The Government continues to monopolize the Kenya Broadcasting Corporation, which transmits only the official view point in its TV and radio broadcasts, while the ruling party, KANU, dominates the news coverage of the Kenya Television Network. The Government has recently granted a radio license to a private party who is a close ally of KANU. Several years ago, Hilary N'Gwano was granted a TV license, but it is not, as yet, operational.

The judiciary is not independent because the President appoints, and can dismiss, the Chief Justice, the Attorney General, Court of Appeal judges, and, with the advice of the Judicial Service Commission, High Court judges. On several occasions, the State has interfered with judicial process. In 1994, the Office of the President declined to renew the contracts of three

High Court judges who had previously made rulings against the Government. There were also two other cases of interference, one where a judge was transferred for ruling against the Government and another where a case was transferred to a pro-government magistrate.

In terms of legislative independence, Parliament functions reasonably well. The presence of opposition political parties in the National Assembly has at times acted as a strong counter-balancing force against the excesses of the Executive. However, the powers of the Speaker of the National Assembly have been used to severely limit the scope of deliberation on many controversial political issues. In addition, the ruling party has used a variety of pressure tactics to entice opposition MPs to defect to KANU. However, despite these defections and a formidable challenge posed by the ruling party, opposition candidates were able to regain seats in stronghold opposition constituencies during by-elections.

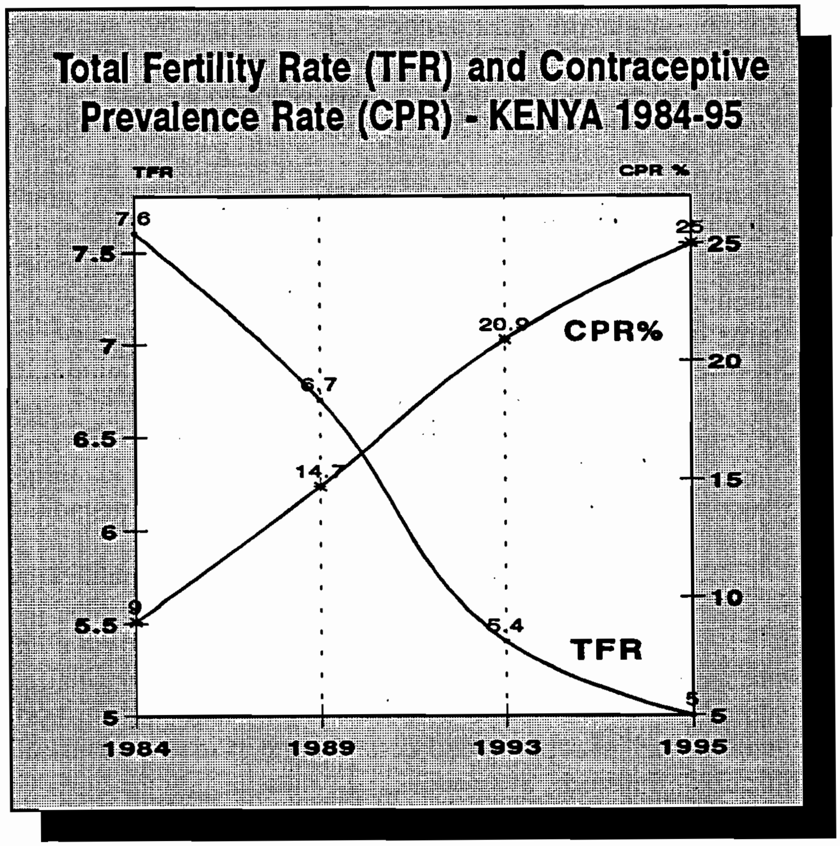
The Government has not followed up on constitutional and legal reform after expressing an initial interest. A growing number of Kenyans believe constitutional and legal reforms are necessary to pave the way towards a more open, transparent, and democratic government.

Environmental Trends

Forest resources and biodiversity are under pressure from increasing competition with the human population. The result is a shrinkage of habitats, encroachment from farming, and pollution of waters, especially in the coastal zone. Aquatic and coastal resources are under extreme pressure from competing usage from the urban, industrial, agricultural, fishery, and tourism sectors. In Lake Victoria, a number of endemic species have become extinct due to the introduction of the nile perch. Essentially all of Kenya's rivers are dammed for power generation, municipal water supply, and irrigation. Deforestation, over-grazing, and cultivation of marginal lands is causing increased sediment loads in some rivers (e.g. the Tana and Yala), decreased storage capacity in the watersheds, and more erratic flooding. The resources of Kenya's 560-kilometer coast are under pressure from fishermen using increasingly unsustainable techniques and from a rapidly growing tourism industry. Except for the 8 percent under management by Kenya Wildlife Service as parks and reserves, management of coastal resources is virtually non-existent. (See Annex 9, Environmental Anaylsis.)

Social and Demographic Trends

Kenya has recently achieved one of the most dramatic declines in fertility and population growth rates ever documented. Kenya's annual population growth rate dropped from 4.1 percent in 1980-85 to an estimated 2.7 percent in 1995. This highly publicized drop in population growth is largely attributed to an unprecedented decline in the total fertility rate from 8.1 children in the late 1970's to 5.4 children during the period covered by the 1993 Kenya Demographic and Health Survey. This represents an extremely rapid decline in fertility over the past 15-20 years, with the decline accelerating since the mid 1980's – a 20 percent drop in the total fertility rate in less than 10 years. This promising decline in fertility and population growth rate has been strongly influenced by impressive increases in modern contraceptive prevalence and a comparatively high proportion of women in Kenya (52 percent) who want no more children.



Since independence Kenya has made substantial gains in improving the health status of its people. Life expectancy has increased from 44 to 60 years. The infant mortality rate has been halved and the child mortality rate reduced by one-third. Most of these gains, however, were made in the first 10 to 15 years after Independence. Between the mid-1970s and the early 1980s, declines in mortality, particularly under-five mortality, began to stagnate.

A primary reason for the limited improvement in mortality in the past decade is that the incidence of the major causes of mortality – malaria, pneumonia, and diarrhea – have not changed. In 1992, malaria, acute respiratory infection, and diarrhea accounted for 54 percent of reported visits to out-patient facilities. The general trend for in-patient care is similar with malaria, pneumonia, and diarrhea the major illnesses requiring hospital admission in 1990.

The major causes of mortality for children under five years are malaria, acute respiratory infection, diarrhea, and complications of birth and the perinatal period. It is also important to note that 34 percent of the under-five population in Kenya is currently estimated to be stunted or too short for age, an indication of chronic malnutrition. There are important regional differences in health status among children. Nyanza and Western Provinces have the highest rates of under-five mortality in the country with malaria as the lead cause of death for children.

The relationship between high risk births and child survival is clear in Kenya. Common high-risk fertility behaviors such as young maternal age may account for an estimated 5 percent of under-five deaths. At present, 61 percent of future births in Kenya can be classified as high risk because of the mother's age, high parity, or too short birth interval. Taken together, high-risk fertility behaviors account for an estimated 14 percent of all under-five deaths.

AIDS has become a major health-related issue in Kenya during the last 10 years, and is likely to continue over the next decade. Some 63,113 cumulative AIDS cases have been reported as of November 1995, though the actual number of cases has been estimated at 190,000. HIV seroprevalence among adults is estimated to be 6.7 percent (15-20 percent urban and 5-7 percent rural) with about 890,000 adults and 60,000 children thought to be infected with HIV.

While the Kenyan Constitution prohibits the enactment of any law that is discriminatory, it does not define discrimination in the context of sex or gender. As a result, sex discrimination continues to exist in Kenya supported by a combination of influences drawn from a variety of traditions, customs, cultural, and religious practices; levels of economic development; and new patterns of social organization. Increasingly, poverty has become feminized in Kenya with the number of female-headed households now at a national average of 30 percent. Despite the near parity in initial enrollment of girls and boys in primary school, the completion rate for girls was only 38 percent, while that of boys stands at 48 percent. Further, there is significant disparity in secondary school participation and completion, reflecting the limited number of places open to girls in national and other Government-maintained secondary schools.

Constraints to and Opportunities for Sustainable Development

Several critical constraints to sustainable development are evident in Kenya and some are being addressed with USAID activities. These identified include: a fragile macroeconomic situation; weaknesses in democratic governance; inadequate agricultural growth; environmental constraints; an inadequate and deteriorating infrastructure; AIDS and other major diseases; and high population growth.

Fragile Macroeconomic Stability

Although Kenya has achieved some degree of success in macroeconomic management over the past two years, the reforms are still fragile and could suffer reversals. A major challenge for Kenya into the next century will be to maintain macroeconomic stability. Kenya will need to protect the progress in reforms it has achieved and continue to adopt a stable and undistorted macroeconomic framework as a foundation for sustainable growth. Kenya will need to watch its fiscal situation, controlling its budget deficit and expenditures. A recurring problem in almost every sector is the inefficiency of state-owned enterprises. Inefficiency of parastatals is one of the most critical factor constraining economic growth in Kenya. Public enterprises which are monopolies in transportation, electricity generation, and telecommunications, have failed to keep up with the demand of the economy, causing bottlenecks which have acted as deterrents to private investment and growth. The National Cereals and Produce Board continues to be a fiscal burden to Government budget and its role in the maize market interferes with the liberalization of this market.

Progress in the Government privatization program has been mixed. Recently the Government sold some of its holdings in Kenya Airways to the Dutch airline KLM. However, the privatization process in the past has not been transparent, though this situation may be improving.

Reforming "strategic" public enterprises as well as speeding up privatization of "non-strategic" parastatals will continue to be important, if the scope for private sector participation is to widened. This participation is critically essential for sustained economic growth. Restructuring of public enterprises will include personnel retrenchment, partial privatization, and improved performance of these enterprises through performance contracts.

Under the civil service reform program supported by the World Bank and the International Monetary Fund, the Government has been able to reduce the number of civil servants by 11 percent, from 269,300 on January 1, 1993, to 239,800 on June 30, 1995. The Government has set a reduction target of 16,000 civil service jobs a year over the 1994-96 period. This fiscal adjustment is intended to contain the growth in the wage bill.

Successful fiscal policy for Kenya will therefore require the Government to make politically difficult spending cuts (wages) and implement more aggressively the divestiture of parastatals. If the government is serious about promoting sustained economic growth and reducing the fiscal deficit, it will need to be bold enough to trim expenditures in the supposedly sacred areas of spending (wages) as opposed to raising taxes.

Weaknesses in Democratic Governance

Kenya's political stability is essential for sustainable development. However, since multi-party elections in 1992, the Government has been slow to undertake any meaningful political liberalization (i.e, a relaxation of government controls on freedom of expression and of assembly). Also, democratization, which is a more demanding process involving the deliberate building of democratic institutions and a supportive political culture, has yet to begin seriously.

In addition, Kenya has experienced serious problems of governance. Behind these problems are political leadership issues, interest group pressures, patronage politics, and a lack of transparency and probity in Government decision-making. All of these factors contribute to an absence of public accountability. For a number of businessmen and investors, corruption in Kenya is often unpredictable and widespread.

Certain laws from the colonial era remain on the books and act as serious constraints to freedom of association, assembly, and speech. The most repressive of these laws include the Public Order Act, the Chiefs' Authority Act, the Preservation of Public Security Act, and the Books and Newspapers Act. As an example of the repressive nature of these laws, the Public Order Act, enacted by the British colonial government in the 1950s during the Mau Mau rebellion, is used to hinder freedom of assembly by requiring meetings of more than 10 people be approved by the District Commissioner. Another, the Chiefs' Authority Act, gives chiefs almost unlimited powers to compel or prohibit activity and confiscate resources.

Selective application of laws restricting association, assembly, and speech has made it more difficult for Kenyans to participate in political life, as has the unresponsiveness of public sector institutions charged with fostering democratization. These institutions include the Parliament, the judiciary, Attorney General, and Electoral Commission. Also, there is a clear division in

Parliament between Government and opposition, primarily because the Government and the cabinet are composed solely of ruling KANU party members. This greatly constrains the ability of the opposition members of Parliament to have an effective impact during the normal course of parliamentary business. However, due to a constitutional provision, the opposition does have oversight functions of the Public Accounts and Public Investment Committees. In this position, the opposition has been able to spotlight the level and types of Government misappropriation. However, the two committees do not have enforcement powers. Discussions and actions in Parliament have assumed an antagonistic, Government/opposition divide, lessening parliamentary effectiveness.

Although the officers of the judiciary are respected, and Kenyans are increasingly taking matters to courts for hearing and disposition, the judiciary is not independent of influence from the presidency. High profile political cases (such as the recent Koigi Wamwere trial), although not an illustration of normal court conduct, raise questions regarding judiciary independence in Kenya. This is in part a consequence of the practice by which judges, the Chief Justice, and the Attorney General are appointed by and serve at the discretion of the President.

The Electoral Commission, which is responsible for supervision of elections, is also not independent of influence from the ruling party. All of its commissioners are presidential appointees. Elections in 1992, and thereafter, regional by-elections, demonstrate that the Electoral Commission gets substantial interference from KANU. The Electoral Commission is also constrained by its limited capacity, and it is not well-prepared to administer the next General Elections expected to take place in 1997.

However, there are a wide range of opportunities for improving democratic governance in Kenya. 1 First, increase support for advocacy NGOs championing the cause for democratic governance. These NGOs are the most dynamic and are becoming aggressive in their actions. Specifically, women's advocacy NGOs are gaining in power and are emerging as an impressive force for social justice. Efforts should be made to enhance their capacity, reliability, and responsiveness. NGOs will be important to promoting civic education and, in the absence of Government interest in constitutional reform, should be used to build grassroots popular pressure for reform.

As the recently-completed USAID Democracy and Governance Assessment of Kenya pointed out, civil society in Kenya has its weaknesses. A large number of new NGOs have neither roots in rural areas nor established relationships with public sector actors. Most human rights and legal sector NGOs are concentrated in Nairobi and are largely perceived to be dominated by one ethnic group. As a result, NGOs have limited capacity, experience problems of transparency and accountability, and have organizational and managerial weaknesses. The ethnic bias of many NGOs causes the Government to view them as being heavily partisan.

2 Second, focus on the forthcoming elections since they will strongly influence the environment for long-term democratization. Significant liberalization is required in electoral administration and the electoral environment to ensure an even playing field for all. This will involve revoking or suspending repressive laws and curtailing abuses which currently prevent opposition parties

from effectively campaigning and which inhibit civil society organizations from educating voters. Civil society efforts in election monitoring and voter education are also critical activities.

Included as part of this focus should be support for emerging institutions of public policy. These independent policy research institutions could develop the alternatives to government policies necessary for open and informed public debate.

3 Third, promote legal and constitutional reform. The Government's reaction to suggested changes for a more open and pluralistic system has been less than encouraging. But for Kenya to make the transition to a more representative democracy, the Government will have to show a substantial improvement in its willingness and capacity to strengthen democratic institutions. Changes here will limit abuses of any party that wins the presidency or a legislative majority.

4 Fourth, strengthen the institutional capacities of all political parties, the Parliament, and the judiciary. The need exists for the development of a more independent and objective judiciary where the rule of law is fairly and consistently enforced. Also, strengthening the capacity of Parliament will be necessary for a better functioning legislature. And all political parties have major long-term needs for institutional building.

5 Lastly, support improved governance by promoting accountability. Transparent government budgeting is a priority so no more hidden accounts are available for discretionary use by the executive branch. There is a need to focus on well-planned investments appropriate to national economic needs and priorities and which encourage open and competitive bidding for large public investment projects. At the very minimum, improved governance would ensure a more efficient use of existing resources.

Inadequate Agricultural Growth

In Kenya, agriculture growth is key to overall economic growth. Agriculture remains the single most important sector in Kenya's economy, employing 70 percent of the labor force and contributing 30 percent of gross domestic product. Three major agricultural exports – coffee, tea, and horticulture – together account for over half of Kenya's foreign exchange earnings. Agriculture also has a significant impact on other sectors of the economy, contributing indirectly another roughly 30 percent of gross domestic product through linkages to industry and service sectors. Two-thirds of industrial output in Kenya is agro-based.

Agricultural gross domestic product growth from 1990 to 1993 was negative, reflecting mainly the impact of a prolonged drought. However, agricultural growth rates had averaged only 1.8 percent a year over the last 10 years. Given the country's current estimated growth rate of 2.7 percent, this is inadequate to feed Kenya's growing population. The slow growth in agriculture has resulted in substantial decline in overall economic growth, despite the rapid growth in the services sector.

The task facing Kenyan agriculture into the 21st century is formidable because it must cope with the needs of a rapidly growing population. A World Bank study suggests the Kenyan economy needs to grow at a rate of about 7 percent annually between now and the year 2000 to provide enough jobs for all the people entering the labor force. But to meet that overall growth rate, the Kenyan agriculture sector must grow at least 4.4 percent a year in production and 1.5 percent in labor productivity. The physical challenges to increasing agricultural growth are also formidable. There is very little high potential agricultural land left in the country which is not already being cropped or grazed. This leaves intensified use of the land as the only viable option for expanding employment and incomes. Agriculture must do all this while trying to reverse the degradation of natural resources which threatens long-term sustainability.

The above challenges require a transformation of agriculture; changing the small subsistence-type farming to a more commercial orientation. This will not be an easy task, but it can be done. Kenya has a large number of smallholder farmers, 33 percent of which are women-owned, in high and medium potential areas who are very responsive to economic incentives and market signals. This entrepreneurial energy can be harnessed to drive the transformation process forward.

Among export crops, horticulture, tea, and coffee offer the greatest potential for growth. In the food crops sector, maize and potatoes offer similar potential, as dairy products do in the livestock sector. However, overall, horticulture has been Kenya's success story. Horticultural production has grown phenomenally in the past 30 years to the point where it contributes about 10 percent of the agricultural gross national product. However, Kenya's export horticulture has a narrow base of products and its market is concentrated in a few countries, primarily Holland and Germany (which account for about 80 percent of exports). Over 50 percent of fresh produce exports are cut flowers, while French beans account for around 20 percent, and Asian vegetables 12 percent. It is unlikely the market base will expand in the near future, but it is imperative Kenya takes steps to preserve its overseas markets and its competitiveness vis-a-vis other export countries.

The primary issue regarding horticulture export markets is maintaining quality. Issues affecting smallholder incentives in horticulture include: availability of good quality planting material; credit for the purchase of inputs; good technical advice; and high transport costs (both inside Kenya and air freight costs). Domestic transport costs are high mainly because of the poor condition of farm-to-market roads, particularly during the rainy season.

Tea production has almost tripled in the past 10 years, mostly from yield increases. The impact of increased production on international markets and on tea prices has to be taken into account, but it is clear Kenya is poised to overtake India and Sri Lanka to become the largest tea exporter in the world. Critical issues facing Kenya's tea industry are: the need to increase yields on smallholdings; existing tea factories are nearing full capacity and their processing capacity needs to be expanded; and the Kenya Tea Development Authority parastatal has to fully divest its shareholding in tea factories.

The declining trend in coffee production now appears to be reversing. Prospects for production reaching the peak of 130 metric tons (recorded in 1987/88) by the year 2000 are good. The challenge for Kenya is to maintain the quality of its coffee and its competitiveness. Productivity increase in the coffee sector is closely linked with food security at the farm level. Farmers will only specialize in coffee production if they are assured their basic food requirements, particularly maize, can be met consistently and predictably at the local market.

The dominant food crop in Kenya will continue to be maize. Yield increases will be possible with better quality seed, greater use of fertilizer, and better husbandry practices. Access to credit is also a factor and priority should be given to having a consistent and credible marketing system. The incentive signals have been compromised by National Cereals and Produce Board's dominant and continuing role in the market. The intended commercialization of the Cereals Board is a step in the right direction.

The livestock sub-sector in Kenya contributes about 30 percent of agricultural gross domestic product. This sub-sector has the potential to meet the foreseeable domestic demand for milk and milk products, meat, and poultry products. Kenya's focus on efficient production of livestock products is to meet domestic demand as export prospects are extremely limited. The development of smallholder dairying in Kenya based on improved dairy cattle, zero-grazed napier grass, and effective simple housing for cows and calves is a success story. The major issue in the dairy sector is how to sustain the liberalized environment for the marketing of milk and milk products so the vibrant private sector participation is not discouraged. There is also an urgent need to liquidate the Kenya Cooperative Creameries parastatal.

Environmental Constraints

Two major interrelated problems – the high rate of population growth and declining farm level productivity – are causing extensification of agriculture through farmer migration into forest areas and from higher potential into lower potential zones. This process is the root cause of widespread actual or threatened degradation and unsustainable use of natural resources on many levels. As pastoral people come under pressure from spreading agriculture, they are forced to overgraze the land, and, this in turn, increases the pressure on wildlife and other biodiversity resources in the semi-arid areas. The extensification of agriculture into watershed zones – for example, the Tana River basin – is causing siltation of estuaries and threatening coastal resources. These problems are compounded by the lack of a coherent environmental policy and legislative framework.

To mitigate existing and potential natural resource degradation efforts, population growth must be slowed. It is also important that programs to improve on-farm productivity in high and medium potential areas be continued and made sustainable. There is a consensus among scientists and other professionals that these efforts are being limited and increasingly undermined by depletion of soil fertility – especially loss of available phosphorus. In addition, the lack of availability of improved seed varieties, particularly among smallholder farmers results in wide areas where farms generate insufficient revenues to support fertilizer and improved seed purchases.

Inadequate Infrastructure

The Kenyan economy is heavily dependent on road transport, with 96 percent of domestic passenger and two-thirds of domestic freight traffic moving via roads, according to a recent World Bank assessment of the private sector.

However, most of the road network is considered bad, and road conditions have been deteriorating. The World Bank estimates that only 12 percent of the road network is in good condition and 42 percent in fair condition. The rest is considered in poor or critical condition. A donor-supported agricultural sector review estimates poor road conditions cause post harvest losses of 25 percent of total production. Neglect of routine and periodic maintenance of roads over many years has resulted in much of the network deteriorating to the point where rehabilitation is necessary before maintenance is possible. Funds for periodic maintenance have been extremely limited.

Other critical infrastructure issues relate to rail, port, and air transport; electrical power; and telecommunications. Rail remains an important mode for long distance freight for the export of low value and bulk commodities, such as soda ash, and for transport of bulk imports from the port. The quality and reliability of railway services is considered poor.

Kenya's port, Mombasa, is a primary sea port for the country's external trade transactions, as well as a major sea port for the landlocked countries and regions of East and Central Africa. (Uganda, Rwanda, Burundi, Kivu Province of Zaire, and southern Sudan all rely on the port of Mombasa.) Port service quality is low and a major constraint to development and diversification of the Kenyan economy. Equipment (cranes, forklifts, and front-end loaders) availability and reliability is poor and maintenance of the port infrastructure is inadequate.

Air transport has great economic importance for Kenya, serving both the tourism and horticultural sectors. Limited export cargo space is a major constraint facing the horticultural sector.

Electricity supply in Kenya has entered a critical phase, with the frequency and duration of power outages increasing. Since commercial and industrial establishments account for the bulk consumption of electricity, such power outages have disrupted and affected industrial output. The World Bank study of Kenya's private sector states that more than 60 percent of the firms surveyed experienced production losses from power breakdowns. In the telecommunications area, domestic telephone traffic has been growing at 14 percent a year, while international traffic has been growing at 16 percent a year. However, the demand for telecommunications far outstrips existing capacity with waiting times for telephone service ranging from three to nine months. Problems also exist with the poor maintenance of telecommunications equipment and inefficiencies in running the telecommunications services.

Coping with Kenya's infrastructural challenges will involve tackling inefficiency and waste – both in investment and in delivering services – and responding more effectively to user demand. Good infrastructure will raise productivity and lower production costs. The growth of farm productivity and off-farm employment is closely linked to the condition of the infrastructure. Therefore, providing infrastructure services to meet the demands of business, households, and other users is a major challenge of economic development facing Kenya.

Health Problems and the High Rate of Population Growth

A healthy and stable population is critical for sustainable development in Kenya. Despite remarkable achievements in improving health care and reducing the population growth rate, Kenya still faces challenges. The three top priority public health problems facing Kenya are: high fertility and population growth rates; an uncontrolled and worsening AIDS epidemic; and a stagnation on improvements in child survival.

High population growth is one of the significant impediments to sustainable development in Kenya. It threatens achievement of sustainable per capita income growth and it undermines social development efforts. In addition, the high population growth puts tremendous strain on the country's economy, natural and financial resources, and social services. Although tremendous declines have been experienced in fertility rate and family size, Kenya families, on average, are still growing faster than the replacement fertility rate (two children per family).

Reducing the population growth rate through family planning faces several major constraints, including unmet demand for contraceptives, significant differences in levels of contraceptive use by province, service delivery, and availability. Increased availability of effective and affordable contraceptive services should be emphasized in Kenya as these have proven to be a key factor in reducing fertility and improving maternal and child health. Also, the national family planning program should be expanded and given adequate technical, financial, and managerial support. National information, education, and communication efforts, the role of community based distributors, and other private sector service providers should be enhanced. And finally, family planning services should be better focussed on high-risk provinces if fertility behavior is to be improved.

The rapid increases in AIDS cases and HIV-related diseases are adding to the burden of diseases in Kenya. AIDS is potentially the most serious health concern in Kenya. Containing the looming AIDS epidemic will have a positive impact, not only on the well-being of Kenyans, but also on the future development of the country's economy. HIV transmission is still very much on the rise, and the importance of programs concentrating on HIV/AIDS prevention and control should be emphasized.

Key constraints include the lack of a coordinated and comprehensive HIV/AIDS prevention program and a cultural and policy environment which is not yet fully supportive of needed HIV/AIDS prevention methods, particularly among youth. Also, there are serious procurement problems which will soon affect the availability of condoms and drugs to treat sexually-tansmitted diseases

Some vaccine-preventable communicable childhood diseases such as measles, whooping cough, polio, tetanus, and diphtheria are all on the decline in Kenya. The immunization campaigns against these diseases have contributed greatly to the reduction in mortality and morbidity. A major weakness of the immunization program is that it has been exclusively donor-funded, making it vulnerable should funding be decreased or halted.

A reduction in pneumonia and other acute respiratory infections will require improvements in prevention and treatment. Kenya will need to increase maternal education, improve crowded living conditions, and reduce large families. Treatment could also be improved by making sure appropriate antibiotics are available in health centers and dispensaries.

While treatment of diarrhea in Kenya has improved (treatment includes proper hydration nutrition and occasionally, drugs), prevention has not. More needs to be done to improve the provision of clean water and sanitation and to educate Kenyans about the benefits of observing basic hygiene, including proper storage of water and food.

Malaria continues to be a major health problem in parts of the country. However, eradication may not be feasible in the near future. But the number of malaria cases can be dramatically reduced, although it will require Kenya to implement a combination of measures including environmental control (killing of mosquitoes and elimination of breeding sites), community education (about how to control mosquitoes and when to seek medical treatment), and effective medical treatment.

Customers and Partners

USAID/Kenya is very proud of how it has worked collaboratively and productively with its customers to design and implement this strategy. Exactly how customers were integrated into the development of each objective is covered in detail in each section. In addition, Annex 5 - USAID/Kenya Partners, provides a full list of all our customers by objective, Annex 6 - Donor Groups in Kenya provides a listing of the major donor groups in Kenya by sector, and Annex 7 - Other Donors provides details of USAID/Kenya's work with other donors by strategic objective.

As in many other sub-Saharan African countries in economic and political transition, there are noticeable variations in implementation of development agenda and political reform. Kenya is no exception. The Government's record to date has been mixed with halting progress that came about slowly in response to coordinated pressure for change, both domestically and externally. However, it is important to recognize reasonably sustained and significant progress made in Kenya in specific areas, such as in economic liberalization and stabilization, family planning, microenterprise development, agricultural research and training, and human resource development.

The Government is viewed as less than a reliable partner largely in one important dimension – democratization and good governance. In other areas of partnership, such as in working with the United States in its operations on relief and refugee efforts in Somalia, Ethiopia, Sudan, Rwanda, and Burundi, the government has been a good and cooperative partner. The Mission

reg'l problems.

expects Kenya to remain a reliable partner in the region in these latter efforts. Kenya has important roles to play in the GHAI, and therefore, it is worth USAID's development investment and efforts to nurture and develop a good development partnership.

Governments are the critically important partner in development, but they are by no means the only one. Other partners include NGOs, civic organizations, churches, private firms, entrepreneurs, and business, legal, and other associations or institutions. In general, these private nongovernmental groups are all effective partners in development. In recognition of this, and to take advantage of Kenya's vibrant private nongovernmental sector, USAID/Kenya has underscored the importance of working and developing this sector in the past and will continue to do so in the future. Most of our assistance has been channelled through the private and nongovernmental sector. NGOs are major forces in the delivery of family planning and child survival services to the most needy segments of the Kenyan population. They serve as a means to empower women and increasingly allow them more voice and opportunity to participate in the development process. Similarly, much of our assistance supports directly private sector firms and business associations which advocate for better governance and policy change. For details about how the USAID/Kenya budget is disbursed through the private and nongovernmental sectors, see table 13 in Part III, Resource Requirements section.

Arguably, effective partnership in development is reflected by the degree of commitment, ownership, and leadership in mobilizing consensus. A major lesson from Africa's recent experience has to be that external assistance can help, but the key to change and reform must ultimately come from government's commitment and ownership of the reform process. What is equally clear is that for the reform to be sustainable, there also must be broad-based consensus for reforms to be implemented. To mobilize broad-based consensus requires, in addition to commitment, legitimate and effective leadership.

Over the long haul, commitment and ownership cannot be "bought" by donor aid, as some of the policy-based nonproject assistance has shown. This suggests that aid conditionality works to the extent that it is a codification of the government's own position. It also implies that partnership in itself is an evolving process that needs to be nurtured over time. It is the Mission's view that Kenya has great potential to become a good development partner. As it reaches its economic potential, our assistance can be phased out. Our target date for phasing out development assistance and developing Kenya into a commercial and economic partner is 2010.

Program Scenarios

The next two years (1996-97) of our current five-year (1996-2000) country strategy will be critical as Kenya moves towards the next multiparty general election in 1997. The basic issue is one of effectiveness in using our assistance to help Kenya manage its democratic (and economic) transition in a non-chaotic manner to minimize transition costs, both in economic and human terms.

According to the draft Africa Bureau Guidance Cable on planning parameters, this strategic plan proposes three possible planning scenarios. Recognizing the evolving and uncertain developments of the upcoming 1997 general election, the strategy suggests three possible scenarios: (a) continuing incremental progress in political liberalization and electoral reform with occasional setbacks; (b) a major reversal in reform; and (c) a break through in reform.

Incremental Progress

There has been steady incremental progress and some breakthroughs on economic liberalization and structural reform since 1993. Progress on non-economic issues (political reform, governance, and accountability) remains mixed and, at times, halting with occasional policy setbacks and reversals. This in many respects reflects the transitional nature of the reform process. Despite the mixed record on political reform and accountability, much has changed since the 1992 multiparty election.

Recognizing the progress on economic reform; the upcoming 1997 general election and the uncertainty associated with it; the need to continue strong pressure for change on the non-economic front; and the successes of the Mission's highly results-oriented USAID program; the Mission proposes a minimum "program maintenance" scenario of two strategic objectives and one special objective. The resource level for this scenario corresponds to the Africa Bureau "high" funding level scenario of $18 million per year. This represents over a 50 percent cut from the fiscal year 1995 level.

Under this scenario, the Mission proposes three milestones (two on non-economic issues and one for economic reform) for gauging progress. The first centers around the process of political reform leading to the general election, the election itself, and the post-election developments. The detailed indicative measurement of change will evolve through the process of consultation with donors, governmental, and nongovernmental entities. The election outcome itself should not be an indicator; the emphasis ought to be on the process of political liberalization and democratization.

Second, as a broad proxy indicator of accounting, the extent to which public funds are allocated and spent will be used. The Government must demonstrate serious commitment to eliminating and preventing misuses of public funds. It has to enforce regulations to correct any misuse of public funds. Finally, an indicator of further progress on the economic front will be the agreement reached with the International Monetary Fund and the World Bank on the Policy Framework Paper over the next three years and whether there are no major policy reversals on the reform made to date.

The Mission proposes that for the next two years (1996-1997), until the general elections take place, the USAID program be maintained at least at the Africa Bureau "high" option of $18 million per year. In the event there is flexibility with programming Global Bureau resources, these resources should be considered in addition to the $18-million level for Kenya.

Major Reversal in Reform

In case there are major policy reversals (i.e., little progress on political liberalization and democratization, little movement in the economic reform agenda, or major cases of misuse of public resources) leading to the 1997 election, the Mission proposes the Africa Bureau's "low" option of $12 million per year be adopted beginning 1997 or 1998.

Break Through in Reform

or is the indication how the election takes place?

In the event the Government undertakes more than incremental progress towards ~~reforms~~ for the 1997 general elections, the Mission will propose consideration of restoring some of the program cuts in recent years to a level of a least $25 million per year. This would also imply a revision of the strategic plan to include democracy and governance as a third strategic objective instead of a special objective. under

Some of the broad indicators for suggesting a break through in reform would include political liberalization leading to the 1997 election and beyond; and the implementation on schedule of an economic reform program as agreed to with the International Monetary Fund and the World Bank, especially if the government demonstrates strong commitment in the parastatal reform and public expenditure controls, together with serious efforts in curbing corruption.

Transitional Issues

While USAID/Kenya does not meet the normal definitions of a transitional program (graduation or start up), the precipitous decline in resources poses very serious transition issues which the Mission will have to deal with during the plan period. The "high" scenario of $18 million is actually more than a 50 percent cut in our health and population and agriculture and private sector programs in a one-year period. The rapidity and the magnitude of these cuts pose serious management and program impact problems for the Mission. Further details are provided in each of the following strategic objective sections.

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Part II

USAID/Kenya Strategic Plan - 1996-2000

Country Goal and Subgoal

The goal of the USAID/Kenya program is "broad-based sustainable economic growth in Kenya contributing to crisis prevention in the Horn of Africa". The Mission's subgoal is "increased food security in Kenya." The goal and subgoal are supported by the following special objective and two strategic objectives:

- Creation of effective demand for sustainable political, constitutional, and legal reform (Special Objective);
- Increased commercialization of smallholder agriculture (Strategic Objective 1); and
- Increased sustainability of family planning and HIV/AIDS service delivery systems (Strategic Objective 2).

The Mission Objective Tree for 1996-2000 is presented in page 28 following this narrative. The relationship of these goals and objectives to the Agency's goals and objectives are highlighted on page 29 and detailed below:

Relationship to the Agency Goal: Building Democracy

The USAID/Kenya democracy program seeks to increase civic participation by creating effective demand for sustainable political, constitutional, and legal reform. This program directly supports the Agency's goal of building sustainable democracies. The Mission's program will focus on two areas: 1) strengthening civil society, with an emphasis on women's participation; and 2) developing a more transparent and egalitarian electoral process. USAID will focus considerable resources on both civil society groups and the Electoral Commission in an effort to make the upcoming 1997 general elections reflective of the peoples' will. Over the past year, the Mission has funded 16 grants to politically-active civil society groups. The building of civil society capacity is also an element of the other two strategic objectives of the Mission.

With the assistance of the Global Bureau, the Mission conducted a thorough assessment of the democracy and governance situation in Kenya, as well as an assessment of the potential for civil conflict in the country (ethnic clashes, electoral violence, etc.). (Copies of these reports are available from the USAID/Kenya Desk in Washington.) Despite Kenya's move toward a multi-party system, Kenya continues to struggle with the transition to democracy and is still fragmented by continued political and ethic strife which undermines movement toward increased democratic reform and economic sustainabilty.

Relationship to the Agency Goal: Encouraging Broad-Based Economic Growth.

The World Bank estimates that to fully realize the Agency goal of broad-based economic growth, create more employment, and alleviate poverty, Kenyans will have to make their economy grow by 7 percent a year. The key to economic growth in Kenya lies with its agriculture sector, which is dominated by smallholder farmers. Thus, agriculture remains a primary foci of the USAID/Kenya's strategy of stimulating economic growth.

The Agency's objectives supporting this goal include two areas in which the Mission intends to invest: "Strengthened Markets" and "Expanded Access and Opportunity for the Poor." Commercialization of smallholder agriculture is based on strengthening the private sector and the competitiveness of markets. The Mission's work with the cereals market has resulted in reducing the Government of Kenya's control over grain marketing. Improving efficiencies in the market alone, both domestic and within the Greater Horn of Africa, will not necessarily improve food security in Kenya. USAID/Kenya is also focusing efforts on improving consumers' incomes by increasing employment. The Mission's analysis and assessment indicate the most effective way to maximize employment opportunity in the foreseeable future will be to focus USAID/Kenya resources in the informal microenterprise sector. In 1993, more than half of the new jobs created in Kenya were in microenterprises. USAID/Kenya, other donors, and the Government have continued to emphasize microenterprise growth as the major strategy for reducing poverty, thereby improving food insecurity. A recent survey shows that total employment in micro-and small-enterprise grew at rates of at least 10 percent in recent years, compared to only 5-6 percent in other sectors.

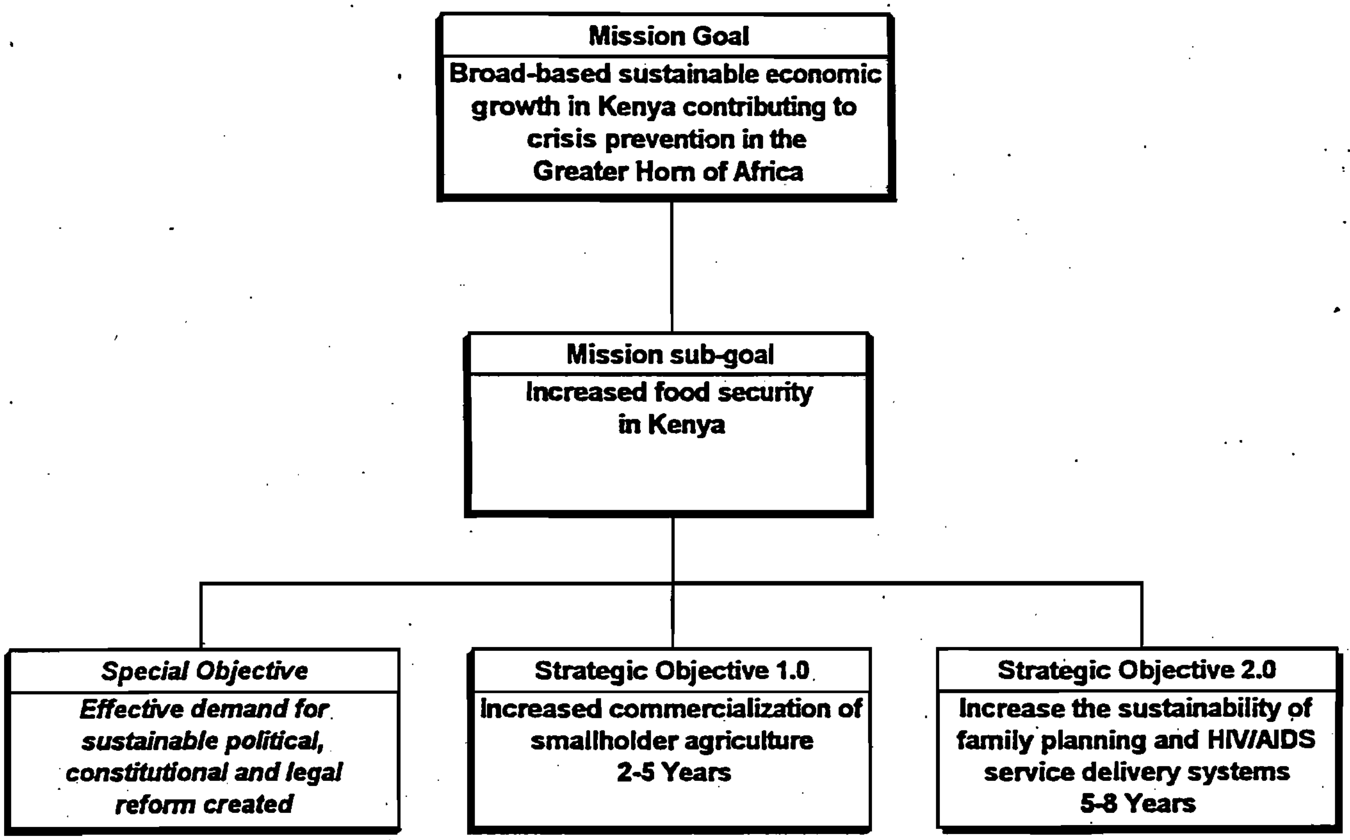
Relationship to the Agency Goal: Stabilizing World Population Growth and Protecting Human Health.

A healthy and stable population is critical for sustainable development in Kenya. Despite encouraging achievements in improving health care and reducing the population growth rate, Kenya faces challenges. High population growth is one of the significant impediments to sustainable development in Kenya. USAID's strategic objective to increase the sustainability of family planning and HIV/AIDS service delivery systems will be achieved through activities aimed at reducing high fertility and risk of HIV/AIDS transmission; and enhancing the ability of the Kenya family planning program to become financially and programmatically sustainable.

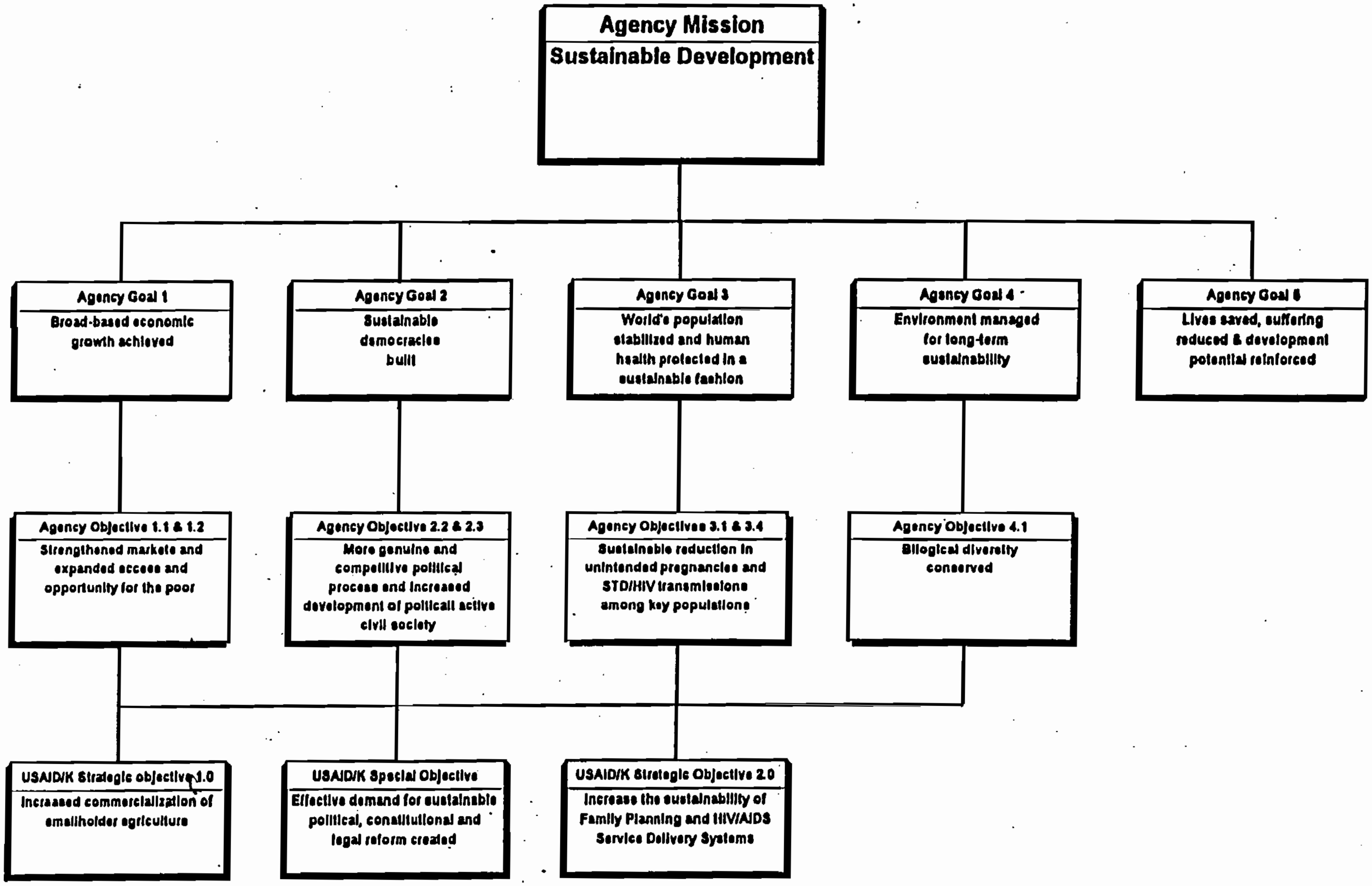
These objectives directly support the Agency's goal of stabilizing world population growth and protecting human health. Continued reduction in Kenya's population growth rate will facilitate broad-based economic growth in Kenya mainly by reducing unemployment, increasing per capita investments in education and health, and increasing per capita income. Stabilizing population growth will lessen the degradation of Kenya's natural resources and maximize the attendant economic benefits.

USAID, as the lead donor in the population and health sector, has contributed to a substantial decrease in the fertility rate from 8.1 in 1978 to 5.3 in 1993, averted an estimated 110,000 HIV infections, and increased financial resources for Government curative and primary/preventive health and family planning services by an average of $3 million a year through Kenya's national health care financing program.

USAID/Kenya Strategic Framework, 1996-2000



The Link Between USAID/K Strategic Objectives and Agency Goals and Objectives



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Despite notable recent efforts to move towards a multi-party system, Kenya continues to struggle with the transition to democracy. The nation is currently fragmented by various forms of political and ethnic strife that undermine movement toward both democratic reform and economic sustainability. If Kenya is to achieve sustainable economic growth, it will need to develop a political system that is fair, equitable, and transparent; and which offers a effective voice to all Kenyans, including women.

USAID/Kenya has designed the Democracy and Governance Program as a special strategic objective: *"Effective demand for sustainable political, constitutional and legal reform created"*. USAID/Kenya will emphasize strengthening civil society and working towards a more transparent and egalitarian electoral process. The Agency Strategic Planning Guidance defines a special objective as one which "...is an exploratory/experimental activity in a new program area which merits further exploration or which responds to new developments in the country." The USAID/Kenya Democracy and Governance Program fully meets that definition.

The development of the Special Objective was greatly helped by the Democracy and Governance Assessment of September 1995, which was carried out by the three-person team funded by the USAID Global Democracy Center.

As a Special Objective, democracy and governance will be allocated $2 million a year under both the "high" and "low" budget scenarios. This constant funding level reflects the importance the Mission attaches to democracy and governance, as well as the absorptive capacity of Kenya's NGO/civil society sector. Under the budget for the break-through scenario of $25 million following a satisfactory 1997 election, the Democracy and Governance Program would expand its focus to include work with both civil society and public sector institutions.

The Mission's democracy and governance program would have three primary concerns:

(1) Seeking appropriate ways to encourage the free and fair conduct of the 1997 elections, to make more likely a general acceptance of the outcome as legitimate;

(2) Strengthening civil society structures, to reinforce the constituency for political liberalization, and open further avenues of participation; and

(3) Helping assist conflict management mechanisms, and develop better early warning antennae for possible inter-communal violence.

Over the five-year period of the Strategic Plan, the Mission would focus the major portion resource allocation on the civil society sector, including conflict management initiatives. This stress is directly compatible with USAID/Washington's strategy for sustainable development and the New Partnerships Initiative. Both support sustainable and participatory development and emphasize partnerships, a common theme throughout our portfolio. More specifically, the New Partnership Initiative will focus resources on "strengthening civil society and helping to restructure the relationships between states and civil societies." USAID/Kenya plans to submit a proposal to become a "leading edge mission" under the New Partnership Initiative.

As called for under the New Partnership initiative, democracy and governance is integrated into all aspects of the Mission's portfolio. Annex 4 - Democracy and Governance Aspects provides full details of the democracy and governance aspects of the Mission's population and health and agriculture, business, and environment portfolios.

Problem Analysis

Due to Kenya's long-standing importance to the United States and specific interests linked to "access", the Greater Horn of Africa Initiative, strategic location, and commercial and economic opportunities, USAID/Kenya believes a concentrated and focussed democracy and governance effort is warranted despite (some would say because of) the less than auspicious political conditions that prevail today.

Concern with democratic and accountable governance in Africa arises in the context of the gains made in economic liberalization in the past decade. A closed political system with a tightly held political monopoly is unlikely to yield the degree of accountability and transparency so crucial to economic as well as political liberalization. Kenya has made several advances in the economic sphere in liberalizing product and factor markets and in reducing the role of the state in economic enterprise. Politically, however, Kenya's transition from a one-party system exercising close control over both political and economic life, to a more competitive polity regulating a liberalized market economy, is proving difficult.

Despite notable efforts in 1991-92 to move to a multiparty system, Kenya continues in 1995 to struggle with the transition to democracy. The nascent political system is fragile, unintegrated, and dominated by KANU, the State/Party system. Multi-party politics have been adversely affected by inter- and intra-party competition and by a concerted effort by government to circumvent the spirit and letter of fair play with legal strategies. The prospects for substantial political reform in the short-to-medium term are uncertain at best, although there remains a possibility that the 1997 elections can be conducted in minimally acceptable fashion. By working together with civil society organizations and internal Government reformists, the international community can bring pressure to bear on the incumbent regime for improvements.

not very encouraging

Opposition political parties, which did not exist from the late 1960s to 1991, have pushed political debate to center stage raising awareness of current sociopolitical issues among Kenyans. Coupled with internal demand for new ways of governing from reformist elements in the Government, broad-based political consciousness is at an all-time high. A majority of Kenyans interviewed by the democracy and governance assessment team were both engaged and outspoken about the need for change in government and for a shift in the balance of domestic power structurally, geographically, and ethnically. What they are pointing to is fundamental legal and constitutional reform. Nurturing and bringing forth this latent "demand" for reform is central to USAID's democracy and governance strategic approach.

Completing the transition to democracy lies at the center of Kenya's hope for peaceful and prosperous development. The nation is currently fragmented by various forms of political and ethnic strife that undermine movement toward democratic reform and economic sustainability. Barriers to efficient and fair legal and constitutional processes are at the crux of Kenya's political and economic dilemma.

There are also major areas of potential conflict within the country. The Mission has assessed conflict management in the context of the Greater Horn of Africa Initiative and has included the executive summary of the consultants' report as Annex 3. The instability that is often engendered in a transition to democracy will need to be managed as effectively as possible given Kenya's linchpin role in the GHAI.

Rationale for Special Objective

Desirable reforms in democracy and governance are constrained by the political impasse over constitutional and legal reform issues. Any improvements that can be made can only be sustained in the long run by the development of multiple and effective constituencies creating effective demand for such improvements. Past attempts by donors to improve governance have been frustrated by the lack of political will and commitment by the Government.[1] USAID/Kenya recognizes that without effective internal demand for governance changes assistance efforts will not be sustainable.

Many of the projects USAID supports in Kenya are designed to help build civic institutions that are responsive, fair, and efficient. Some of these have been funded under a democracy and governance program which currently supports activities such as public interest litigation, journalist training programs, and an independent public policy research institute. In addition, USAID/Kenya has sponsored magistrates training and two parliamentary study tours. State Department 116(e) funds have financed a wide-variety of civic education and human rights awareness projects. All of these are designed to increase constituency demand for responsive and effective public sector institutions.

[1] Supply-side strategies focus on institution-building in political and government agencies, while a demand-side strategy would focus on activities with non-government institutions and NGO-type organizations. USAID/Kenya stresses a demand-side rather than supply-side investment in a logically "prior" effort to build effective constituencies for more open, participatory, accountable, and fair public sector institutions.

From recommendations made by the recent assessment team and deliberations of the USAID/Kenya democracy and governance strategy team, it is proposed USAID/Kenya promote democracy and governance as a Special Objective and support a demand-side strategy focussing on building effective civil society constituencies for reform. There are a number of legal and even constitutional barriers to fair and equitable democratic processes. The strategy includes concern for immediate measures which can ensure the equitable conduct of the 1997 elections. However, its core is strengthening appropriate civil society bodies which can coordinate and sustain longer term effective demand for political, legal, and constitutional reform. This strategic focus will also permit support for civil society organizations with a capacity for and commitment to conflict management. Given the present political circumstances, and the resources available to the Mission, USAID/Kenya believes that this "civil society"-centered strategy is the most realistic approach to the development of democratic governance in Kenya. The Mission proposes to complement this civil society focus by working with the Electoral Commission to bring about a more transparent election in 1997.

A major factor in determining that the Mission's democracy and governance program should be a special objective is the comparatively weak institutional structure of the democracy-related NGOs in Kenya. Most are only a few years old and almost all organizations have weak internal management and controls. There is a very limited absorptive capacity in this sector with many donors "chasing" the same few competent NGOs. USAID conducts management assessments on all organizations with which we work. Comments from a recent management assessment highlight the problems of many local NGOs: no financial books are maintained; no payment vouchers are used; the organization needs an administrator; and the organization has no personnel or travel policies. Comments like these are the norm. The Mission will use the PVO Co-Financing II Project to support efforts aimed at strengthening the institutional capacity of these NGOs.

To effectively deal with these constraints, our current practice is to work with new NGOs initially via the 116e program, keeping grants under $25,000. If the organization proves to be successful and financially accountable, we fund larger follow-on grants through the Democracy and Governance Project.

Identification of Customers and Partners

This democracy and governance strategy relied heavily on the highly participatory assessment undertaken by the USAID Global Bureau in September 1995. The assessment team interviewed over 100 people including members of all of the opposition parties, the clergy, major human rights organizations, civil society groups, and the Electorial Commission. The strategy below is based on the findings of these interviews and on the analysis performed by the team.

By their very nature, civil society and electoral interventions should be broadly participatory and impact on the citizenry of Kenya. In this sense, all Kenyans can be considered customers of USAID/Kenya's democracy and governance activities. However, USAID's immediate customers will be our implementing partners, mostly politically-active indigenous NGOs. This would include organizations such as the Law Society of Kenya, the International Federation of Women

Lawyers, the Public Law Institute, the Citizens Coalition for Constitutional Change, the Kenya Human Rights Commission, the NGO Council, and emergent "think tanks", such as the Institute for Policy Analysis and Research, the Institute of Economic Analysis, and the Kenya Institute for Policy Planning, Research, Analysis, and the various mainly church-related organizations active in the field of ethnic conflict management. Other partners include international NGOs, such as the National Democratic Institute, the International Republican Institute, the International Foundation of Electoral Systems, and the International Commission of Jurists.

In working toward a more transparent and egalitarian electoral process, USAID will focus efforts on the Electoral Commission as a customer and more broadly, on Kenyan voters and political parties. By working with the NGO community, the courts are also a customer with a more specific emphasis on magistrates, advocates, and paralegals.

USAID/Kenya will also rely on the approximately 12 principal foreign donors who contribute democracy and governance resources in Kenya and look to the United States' effort for coordination and leadership in policy dialogue and resource allocation. The donor community recognizes the complex political environment in Kenya and provides important avenues for dialogue and information exchange. Many donors are working more with indigenous NGOs and this approach complements USAID's democracy and governance efforts.

What We Plan To Do - USAID/Kenya Under the 1996-2000 Strategic Plan

As recommended by the Assessment, the USAID/Kenya Democracy and Governance Program *Special Objective* will focus on civil society development and elections with two principal intermediate results:

- Civil society strengthened with emphasis on women's participation; and
- Electoral process more transparent and egalitarian.

Program activities will be tightly focussed on strengthening civil society and collateral activities supporting the growing demand for internal reform in the electoral commission and judicial process. The proposed strategy is incremental and flexible. The strongest strategic impact will come from a near-term strategy focussing on civil society efforts to systematize the civic education effort and limited investments in the electoral arena, which hopefully will influence the political environment for a longer-term strategy. To contribute to the constituency-building, demand-creation strategy, USAID/Kenya will invest in a strategic blend of "civil society" efforts, including advocacy and conflict management efforts and the emerging institutes of policy analysis and information generation over the medium and long term. Following the 1997 elections, USAID/Kenya will reexamine the strategic approach to determine the most appropriate direction for further assistance in light of the election process and the impact of investments in the democracy and governance sector. Throughout the period, special emphasis will be given to enhancing the capacity of Kenyan civil society and government to avert, contain, manage, and resolve violent ethnic, racial or religious conflicts.

Strategic Approaches

In developing the analysis contained in the Democracy and Governance Assessment report, assessment team spoke with lawyers, judges, clergy, civil servants, businessmen, members of parliament, journalists, and other professionals. The Assessment discussed prospects for USAID intervention in several areas, including law and constitutional reform, public sector institutions, political parties, information and media, civil society writ broadly, and particularly opportunities for enhancing the political participation of women. It considered the importance Kenyans accord various types of assistance in each area; opportunities and constraints; and the likely impact of interventions in each area, taking into account the present state of institutional capacity, incentives, and structural constraints. The Assessment concluded that the strongest impact will come from a near-term strategy focussing on some modest, but strategic, investments in the electoral area and by strengthening civil society.

A key focus of the strategy is the empowerment of women based on the concept that the creation of a sustainable, economically-developing democracy in Kenya depends upon the extent to which women have equal access and opportunity to exercise choices in the political sphere. The transition to democracy provides a unique opportunity to help Kenyan women become equal partners in building a more participatory and sustainable democracy. As well, women are rarely the perpetrators of ethnic violence, and a critical resource in the search for reconciliation where violent encounters have occurred. Every proposal will be analyzed for its potential impact on women. A determination will be made, before it is funded, whether the activity can be further strengthened to increase the benefit to women.

Intermediate Result #1:
Civil Society Strengthened With Emphasis on Women's Participation

Civil society may be defined as structured by the myriad organizations and associations that link citizens to the public realm, through direct interaction with government agencies, through political space within which public choice may be debated, and less directly through their aggregation by political parties in search of electoral majorities. Civil society in Kenya has considerable reach and density, and has begun to afford avenues for influence over policy (i.e. through direct interaction with portions of the public sector institutions most critical to policy reform). It has been far less involved in the development of explicit political constituencies and coalitions.

The promotion of increased citizen participation in civic affairs and the related creation of demand for good governance through civil society "vehicles" is a long-term strategy and will require considerable attention to the institutional strengthening of our civil society partners. It will also require careful targeting of civil society sectors which best meet the program objectives. These will include primarily the legal and advocacy groups concerned with constitutional reform, human rights organizations, public policy research institutes, women's organizations, and church-related groups.

As an element of assistance provided for lobbying, litigation, monitoring, and civic education, USAID/Kenya will provide technical assistance to NGOs to enhance management skills support for people with specialized research, drafting, or marketing talents. The Mission currently provides institutional support to the Institute for Policy Analysis and Research through the Democracy and Governance Program, while the NGO Council is receiving similar institutional strengthening through the PVO Co-Financing Project. USAID/Kenya will expand its institutional support to NGOs to address their structural weaknesses through the PVO Co-Financing Project.

USAID/Kenya will promote NGO efforts to advocate for reform, mobilize public awareness, generate information relevant to reform, and interact with relevant government agencies. The churches are pre-eminent among these advocacy NGOs given their rural outreach programs. The legal-sector NGOs including the Kenya Human Rights Commission, the Law Society of Kenya, International Commission of Jurists, Public Law Institute, and International Federation of Women Lawyers are also vital. USAID/Kenya will also work with the emergent think tanks to expand their research on policy analysis and dissemination and policy dialogue with the Government. These include the Institute for Policy Analysis and Research, the Institute of Economic Affairs, the Kenya Institute for Public Policy Research and Analysis, and the Center for Governance and Democracy. Additionally, the Mission will work with the Citizen's Coalition for Constitutional Change to enhance their civic education effort and their work in constitutional reform.

Through the civil society component of the democracy and governance strategy, USAID/Kenya will train paralegals and support the revival of law reports to improve the availability and accessibility of information on legal issues. These activities will be implemented through NGOs, particularly those actively engaged in advancing the rule of law, promoting legal rights awareness, and legal training programs. Possibilities for working through the Magistrates Association to implement the development of law reports will be explored. In addition, this component may be supplemented by the Mission's Human Resource Development Assistance, as is currently the case, or 116(e) grants.

USAID will focus on women's civil and political rights and on civic education efforts, especially in the rural areas, with the goal of increasing the knowledge of democratic processes among the citizenry and utilizing their social capital as a resource for conflict management. USAID will also work with the NGO Council to develop a coordination network for establishing a database on civic education and for building a central repository of civic education materials currently being used in Kenya and the region.

Kenya has experienced serious ethnic violence in the early 1990s, which left thousands dead and drove over 300,000 from their homes. Although tensions have subsided in the clash areas, there is significant conflict potential along various lines of cultural division. Political competition tends to follow ethno-regional contours of society, and thus the electoral process, though indispensable, may heighten ethnic tensions in some areas.

In the wake of the ethnic clashes, which though feeding on historic grievances were generally believed to have been politically fomented, the densely structured civil society infrastructure played an important role in responding to the ensuing crisis. After the initial emergency relief phase, the church organizations and NGOs directed their energies towards community reconciliation and resettlement of clash victims on their lands.

USAID proposes to support this ongoing effort, with several end in view. The development of peaceful means for resolving intercommunal disputes over land rights and use is a critical issue for Kenya, as growing population densities place intensifying pressures on arable land. The conflict management skills and knowledge acquired can serve as a resource for preventing or containing rural ethnic conflict in Kenya, and for the region as a whole, thus serving the GHAI goals. The organizational capacity developed through such conflict management programs can contribute as well to civil society strengthening, and building women's participation. This effort can build upon the capabilities of regional NGOs such as the Nairobi Peace Initiative, the major church groups, women's groups, among others.

Intermediate Result #2:
Electoral process more transparent and egalitarian

A central concern during the next 18 months is to make sure the elections are sufficiently free and fair to win opposition participation and to yield a result Kenyans will respect. Maintaining tight cooperation between the Embassy and USAID/Kenya is essential to the success of this strategy. The Embassy Democracy and Governance Committee supports reforms in the election environment which will lead to a fairer and more transparent election. The Embassy will take the lead in discussing improvement in the election environment with the Government, while the Mission will provide the necessary technical skills to both the NGO community and the Electoral Commission. Both the Embassy and USAID will coordinate closely with other donors.

Although the capacity for USAID and the Embassy to intervene forcefully in this sphere is necessarily limited, even modest efforts can carry a symbolic weight to Kenyan civil society and the government far beyond the modest sums which may be involved. The message conveyed of support for fair play in the electoral process encourages Kenyan citizens who have shown their support for political liberalization on repeated occasions. The assessment team documents a broad consensus that, despite the shortcomings of democratization, the public views the present, more open environment far preferable the climate of the late 1980s. The GOK is clearly concerned with its external image, as well as its domestic audience. The commitment to political liberalization is shared by a majority of other donors; thus the cumulative "leverage" on this front, while far from decisive, is a real significance.

USAID/Kenya will play a role by assisting in the development of a work plan and a feasibility study on the requirements of establishing a continuous registration process. Justice Chesoni, Chairman of the Electorial Commission, has requested this feasibility study be done, as well as, a preliminary assessment of the tasks facing the Electoral Commission in the management of the elections. USAID will work with key U.S. and Kenyan NGOs who have considerable experience with international elections to carry out this element of the strategy.

Subsequent to this assessment, a coordinated appeal from donors for adherence to a certain criteria of fairness will be developed. This list will presumably include:

- Creation of a working group which meets regularly with the Commission;
- The reapportionment of constituencies according to constitutional guidelines and respect for existing laws regarding ID cards and voter registration; and
- An agreement to "suspend" enforcement of laws which require licenses for normal campaign activity.

Monitoring of the election environment will be necessary to help the donor community distinguish fact from fiction. USAID will work within the NGO community to develop an adequate and effective monitoring system, i.e., church-related organizations and legal organizations such as the International Federation of Women Lawyers/Kenya and the International Commission of Jurists. USAID may also work with the Institute for Education in Democracy to monitor the electoral process and the elections.

Working towards a more transparent electoral process will also require USAID/Kenya to work closely with the NGO community. Activities promoting a more transparent and competent electoral process will be closely linked with the civil society component of this strategy. USAID grants will be given to NGOs who have the capacity to coordinate closely with the international donor community to monitor the election process. The strategy aims to communicate publicly through its thrust, and in coordination with Embassy efforts, AID/Kenya supports for reform.

Other Issues

A. Key Assumptions

The democracy and governance strategy is circumscribed by key assumptions and conditions related to Government responsiveness and the donor community's efforts to support democratization. The Assessment team considered work with civil society to be basically low risk. However, there are significant tensions between the Government and the NGO community which could have an impact on our success in this area.

The core intermediate result is to strengthen civil society to a point at which it can generate continuous, coordinated, and irresistible demand for political, legal, and constitutional reform. This segment of the strategy is more sustainable as it depends on private sector initiatives and NGO leadership. A strong, vocal civil society should be able to maintain, over the long-term, reform momentum, continue to organize popular support, form coalitions, and bring pressure for change.

Many Kenya reformists, however, maintain they can not succeed without an equal measure of sustained support and policy intervention from the international community. If donors withdraw support or choose to stand on the sidelines, internal momentum for reform will wither.

The strategy also assumes that, out of prudence or as a result of donor pressure, the Government will agree to accept some reforms and agree to abolish or suspend biased enforcement of certain laws restricting political party activity prior to the upcoming general election. Supporting the development of a more transparent and competent electoral process will be considerably more difficult if the Government persists in:

- Arbitrarily enforcing provisions of the Public Security Act and denying opposition parties the permits required to conduct meetings;
- Restricting access to state controlled media;
- Refusing to consult through various advisory mechanisms with the opposition about electoral administration and process; and
- Using repressive legislation to harass opponents or intimidate their supporters.

Furthermore, the new Political Parties Act threatens to thwart the formation of new parties (e.g. Safina) and to require existing parties to sponsor separate presidential candidates; a transparent ploy to divide any unity movement by the opposition.

The democracy and governance Special Objective is very much dependent on the coordinated and timely inputs of USAID's partners. The Ambassador, the Embassy political office, the United States Information Service, and the country team are integral actors, mentors, and purveyors of policy dialogue whose frequent input and review is essential. The political suasion aspect of the program rests primarily with the Embassy.

Continued close Embassy/USAID coordination will clearly be central to the phased implementation of the electoral assistance USAID envisions and the success of the wider donor democracy and governance group.

B. Commitment and Capacity of Other Development Partners

Donor support for democracy and governance activities rests on the principle that it is imperative to enhance the growth of democratization in Kenya to achieve sustainable development. Some donors invest heavily in working directly with the Government with particular emphasis on governance, while others focus exclusively on the civil society sector.

United Nations Development Program (UNDP) support for democracy and governance activities includes working toward constitutional and law reform, improvement of the judicial process, and reform of local governance. UNDP is also supporting the General Purpose Committee of the National Assembly and the Electoral Commission. Support from the Embassy of Finland targets human rights, but they have also contributed to UNDP's efforts. The World Bank has contributed to the task forces on parastatal reform, privatization projects, and the Registrar General and Attorney General's offices. The Friedrich Ebert Stiftung is financing civic education and the political empowerment of small-scale farmers through the National Council of Churches Kenya/Catholic Secretariat and the Kenya Small Scale Farmers Association. The Friedrich Neumann Foundation has supported establishment of a public policy institute, the Institute of Economic Affairs, as well as, having helped to formulate an alternative reform agenda. The Royal Danish Embassy supports constitutional and legal reform, voter education and legal awareness, freedom of the press, journalism training, and human rights activities. (See Annex 7 - Other Donors.)

C. Sustainability

Sustainability is a critical element in the overall "demand-side" strategy to strengthen civil society capacity for supporting democratizing reforms and conflict management. To strengthen the institutional framework which would accommodate this increased political interest requires USAID/Kenya to focus on building the capacity of the local NGO community. Assistance through the democracy and governance program will explicitly support NGOs' programmatic and financial strengthening in an effort to ensure their future viability to meet on-going needs of the Kenyan citizenry.

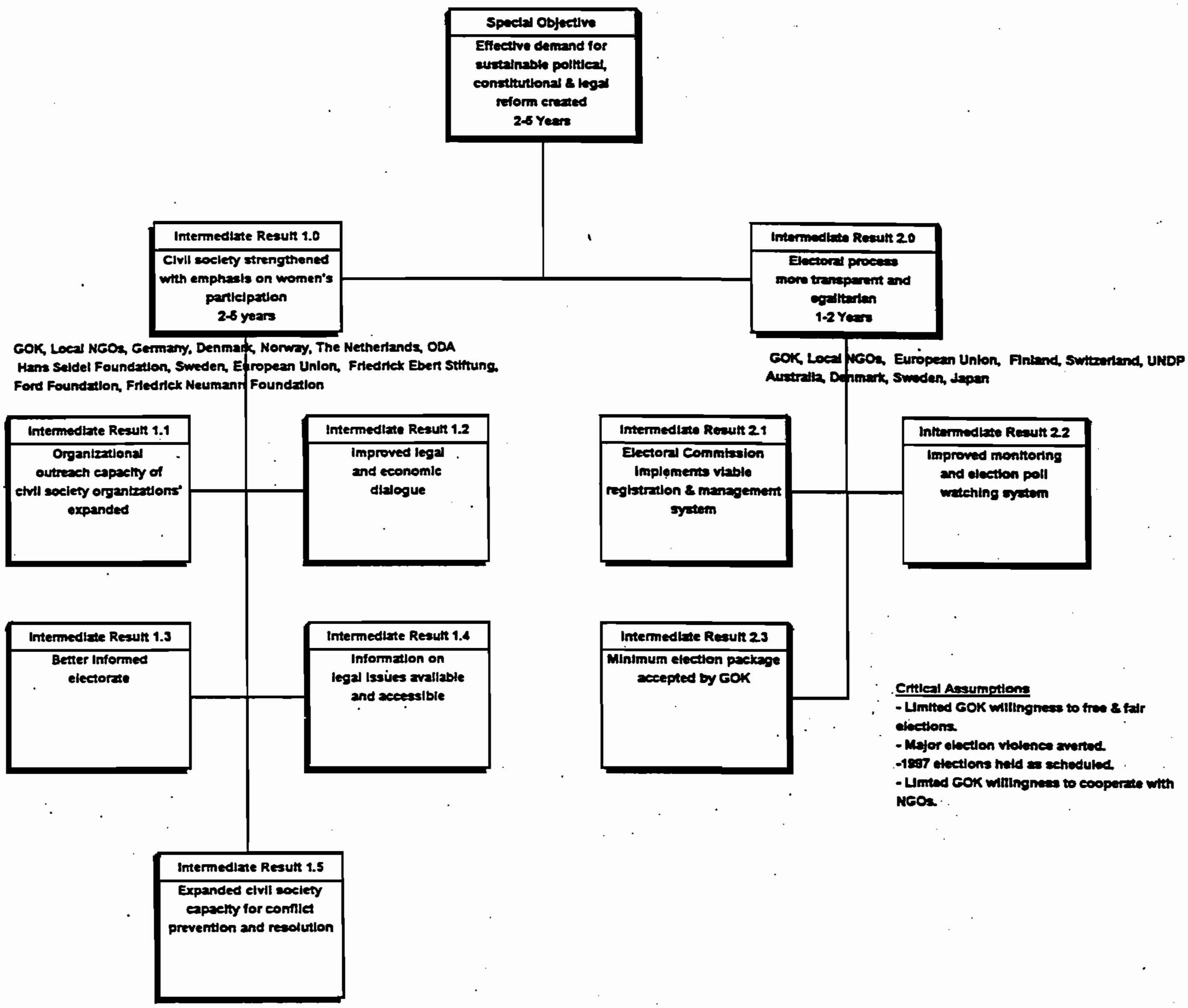
USAID's efforts to increase the transparency and competency of the election process and to increase the transparency and efficiency in the judicial process are expected to have an impact on the long-term development of a more democratic system of governance. These strategy target areas are key to democratic reform and will rely on the network of NGOs already working toward this end.

The elections component builds upon the strengths of the NGO and donor communities and will actively build awareness among Kenyan citizens through civic education and the dissemination of information related to the election process. These efforts alone will bolster the growing political activism found in many segments of Kenyan society. Activities targeting the judicial system in the civil society component of this strategy will serve to enhance the efficiency and transparency of this key government institution. Even minor shifts in efficiency and transparency of the court system will build confidence among court officials and Kenyan citizens, encouraging more active participation in the court system for conflict management. A strong civil society needs a fair and impartial judicial system in which to vet cases.

The conflict resolution dimension of the program reinforces an emerging capacity for conflict management and resolution developed in the NGO community in the wake of the Rift Valley ethnic clashes beginning in 1991. This initiative embeds in the USAID/Kenya program a central element of the GHAI. The Mission believes that this array of conflict management and community reconciliation initiatives stands out in Africa for the diversity of the NGO involvement, the strength of the local-level participation, and the reliance upon indigenous human resources. The conflict management component thus represents a unique opportunity to deepen and build upon invaluable experiences and policy knowledge gained in recent years, and to contribute to civil society strengthening.

Taken together the activities outlined under the democracy and governance strategy will serve to increase the capacity of critical organizations needed for a strong and enduring civil society.

Results Framework for Special Objective ($12.0m & 18.0m)



PERFORMANCE INDICATORS AND TARGETS FOR SPECIAL OBJECTIVE BOTH BUDGET SCENARIOS ($18 million and $12 million)

Special Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Special Objective: **Effective demand for sustainable political, constitutional and legal reform created.**	a. Number of active NGOs providing civic education. b. Number of new GOK/NGO consultative mechanisms established. c. Degree of opposing views expressed.	a. Increases from 10 to 25. b. From zero to an average of two per year. c. Target to be established.	a. NGO council. b. NGO coordination Bureau, NGO Council. c. GOK Legislative reports, Press releases.

PERFORMANCE INDICATORS AND TARGETS FOR SPECIAL OBJECTIVE
BOTH BUDGET SCENARIOS ($18 million and $12 million) (continued)

Special Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 1.0: **Civil society strengthened with emphasis on women's participation.**	a. Percent of NGOs expanding into democracy and governance activities. b. Percent of parliamentary seats held by women. c. Number of NGO representing women's issues. d. NGOs with financial and management manuals.	a. From 10 to 25 of the USAID target NGOs. b. Increases from 2 percent to 5 percent. c. From 10 to 25. d. From 5 to 25 of the USAID funded grantees.	a. NGO council. b. National Council of Women of Kenya. c. National Council of Women of Kenya. d. NGO Council, Special Study.
Intermediate Result 1.1: **Organizational/out-reach capacity of NGO's expanded.**	a. Percent of NGO representation in Districts. b. Time taken to register an NGO reduced. c. Percent of NGOs denied registration by the Government.	a. 50 percent of grantees have rural outreach. b. Reduced from three months to one. c. Reduced from 80 percent to 30 percent.	a. NGO Council, NGO Coordination Bureau. b. Same as above. c. Same as above.

PERFORMANCE INDICATORS AND TARGETS FOR SPECIAL OBJECTIVE
BOTH BUDGET SCENARIOS ($18 million and $12 million) (continued)

Special Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 1.2: **Improved legal and economic dialogue.**	a. Number of laws passed with NGO lobbying. b. Number of policy changes due to NGO advocacy. c. Quality and nature of debate.	a. From zero to 15. b. From 5 to 15. c. To be established.	a. GOK legislative reports, NGO Council. b. Institute of Policy and Research. c. Special study.
Intermediate Result 1.3: **Better informed public.**	a. Percent of voters knowledgeable of election issues. b. Percent of votes spoiled. c. Percent of voters knowledgeable on voting procedures.	a. Current voters knowledgeable 5 percent, USAID target in 2000, 25 percent. b. From x to y percent. (To be determined in consultation with the International Fondation for Electoral Support.) c. From current 5 percent to 20 percent.	a. NGO election monitoring unit. b. Same as above. c. Same as above.

PERFORMANCE INDICATORS AND TARGETS FOR SPECIAL OBJECTIVE
BOTH BUDGET SCENARIOS ($18 million and $12 million) (continued)

Special Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 1.4: **Information on legal Issues available and accessible.**	a. Number of law reports published. b. Percent of Districts receiving law reports. c. Number of Districts with paralegals & public defenders. d. Number of cases taken to court through paralegals.	a. From zero to 50. b. From zero to 100 percent. c. From 2 districts to 10 districts. d. From zx to y. (To be determined.)	a. Law Society of Kenya. b. Law Society of Kenya. c. ICJ Kenya Chapter. d. ICJ Kenya Chapter.
Intermediate Result 1.5: **Expanded civil society capacity for conflict prevention and resolution.**	a. Number of NGOs brought into conflict prevention/resolution process. b. Number of coalitions formed to promote conflict prevention. c. Number of subcommittees of local people dealing with conflict resolution and prevention (committees with NGO lobbying).	a. From 5 to 10. b. From 1 to 3. c. To be established.	a. NGO Council. b. Survey. c. Special study, NGOs annual reports.

Should this be more ambitious — i.e., reflecting a more genuine process w/ greater particip. by opp.

PERFORMANCE INDICATORS AND TARGETS FOR SPECIAL OBJECTIVE
BOTH BUDGET SCENARIOS ($18 million and $12 million) (continued)

Special Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 2.0: **Electoral process more transparent and egalitarian.**	a. Percent of election results published on time. b. Number of petitions against election outcome.	a. From 20 percent to 95 percent. b. Reduced from 10 percent to 1 percent.	a. Electoral Commission, Election monitors. b. Law courts.
Intermediate Result 2.1: **Electoral Commission implements viable registration and management system.**	a. Percent of eligible voters registered. b. Continuous voter registration process. c. Percent of registers on display in registration centers.	a. Increases from 80 percent to 100 percent. b. To be established. c. From 70 percent to 100 percent.	a. Special study and assessments. b. Special study. c. Special study.
Intermediate Result 2.2: **Improved monitoring and election poll watching system.**	a. Number of election violations reported. b. Percent of election centers with monitors.	a. To be established. b. From 80 percent to 90 percent.	a. NGO election monitoring unit. b. NGO election monitoring unit.
Intermediate Result 2.3: **Minimum reform package accepted by GOK.**	a. Percent of meeting permits issued without delays or denials/party. b. Percent of eligible voters issued ID cards. c. Political parties allowed equal access to electronic media.	a. Increases from 10 percent to 50 percent. b. Increases from 80 percent to 90 percent. c. From one to five parties at least six months before elections.	a. Local NGO country reports. b. NGO country election monitoring reports. c. NGO election monitoring unit.

Is this enough?

To raise per capita income, create more employment, and alleviate poverty, Kenyans will have to make their economy grow. More jobs and more income will translate into more opportunities for USAID to sustain the development assistance it has invested in health and population activities and investments it is considering on the democracy and governance front.

The USAID Mission to Kenya considers per capita income growth *the essential factor* in sustaining USAID's investments in population/health and democracy/governance, both of which have implications for the Greater Horn of Africa Initiative (GHAI). A general population with higher incomes is a population with higher expectations for its future and the future of its children. When people are able to pay for population services, those services can be sustained. Likewise, economic growth will create the financial stability for Kenyans to take more interest in the political environment affecting their economic well-being. This, in turn, should accelerate the demand for constitutional and legal reform.

The GHAI requires successful models of sustainable development. Kenya is where we, as an agency, have had the most experience as a learning laboratory for economic growth issues in the Greater Horn of Africa. The lessons here are very important for the region and GHAI. Likewise, Kenya plays a unique role in meeting humanitarian and emergency food security needs in the region, including the cross border flows of maize from Uganda and the purchase of seed and farm implements from Kenya for programs in Uganda, Sudan, Somalia, Tanzania, Rwanda, and Burundi. Annex 1 - Greater Horn of Africa Initiative provides details on how the USAID/Kenya portfolio supports the GHAI.

The key to economic growth in Kenya lies with its agriculture, which dominates the economy and employs 70 percent of the country's work force. Thus, USAID/Kenya believes agriculture should be one of the primary foci of its economic growth and food security goal/sub-goal in the coming years. This objective, *"to increase the commercialization of smallholder agriculture"*, proposes an innovative approach to link microenterprise development with small scale agriculture in a revitalized private sector initiative. This strategic focus breaks down walls between what were formerly separate domains within USAID – the private sector and agriculture – and, by their combination, magnifies the relevant strengths of each.

In the past, USAID/Kenya had the resources to stimulate economic growth in many ways, ranging from improving agricultural productivity and farm incomes, to creating employment opportunities by increasing private sector growth. Bilateral funding levels for such activities have now been reduced from an estimated total of $120 million over the last five-year strategy period (1991-95) to only about $33 million projected for the next five years – a 70 percent decline. In addition to bilateral funding, the Mission received approximately $22 million from central bureau sources over the past five years, which is no longer available due to the cap on the Mission's annual budget.

Given declining resources, USAID/Kenya has had to make tough choices. For example, USAID investments in venture capital and stock market development, privatization, market roads, agriculture market information, and certain aspects of agriculture research will be dropped. Even under the most optimistic annual budget level of $25 million, the Mission will no longer be able to fund a comprehensive growth strategy. Rather, a more select program is required. In making these choices, Mission staff analyzed what has worked, what has not, what is sustainable, and how best to contribute towards eliminating the remaining constraints inhibiting growth. Fortunately, we have a mature, successful program which has enabled us to graduate certain activities, such as the Capital Markets Authority, the venture capital fund, and institutional support to Egerton University. By building on past investments and leveraging resources through strategic partnerships with other donors, the Mission has developed a coherent and mutually reinforcing set of results which preserve and extend the development achievements of previous programs. (See the table on page 65 in this section for a summary of the hard choices made in developing this Strategy Objective.)

Thus, even under declining resource levels, the Mission can still contribute to growth and achieve people-level impact. The proposed strategy is innovative and contributes to key Agency objectives and initiatives, such as the GHAI, the Microenterprise Initiative, and the New Partnership Initiative. In addition, USAID/Kenya can build upon past success in Kenya and provide the Bureau with a continuing series of people-level impact and success stories.

The commercialization of smallholder agriculture in Kenya will require a private-sector led, demand-driven transformation of agriculture from a relatively subsistence orientation to a more market-oriented production. Increased commerialization will mean that farm households will be able to sell more of what they produce and earn cash income. A growing private sector that supplies high-yielding agricultural inputs, provides processing and marketing services, and absorbs surplus labor from agriculture will be critical to support such transformation. As smallholder agriculture is commercialized, agricultural productivity is expected to increase, thereby stimulating positive growth in the agricultural sector. The health of the agriculture sector will, in turn, directly effect economic growth, job creation, and income opportunities for all Kenyans.

Problem Analysis

In contrast to an overall economic growth rate of more than 5 percent between 1985 and 1989, the performance of Kenya's economy in the early 1990s has been dismal, with the gross domestic product growth rate falling as low as 0.2 percent in 1993. This has led to declining per capita incomes, falling standards of living for ordinary Kenyans, and increased unemployment. Though the factors leading to low growth are myriad, prolonged drought and inefficient, controlled markets combined to push down growth in agriculture to as low as minus 4 percent in 1993. Because agriculture employs 70 percent of the labor force, contributes two-thirds of foreign exchange earnings, and accounts for about 26 percent of GDP, this poor sectoral performance was a key factor in Kenya's overall economic decline.

As growth slackened, employment opportunities, especially for good quality jobs, diminished. Employment growth was not sufficient to absorb the nearly 500,000 new job-seekers who enter the labor force every year (World Bank, 1994).[2] The lack of employment opportunities and low incomes have major ramifications for rural agricultural development, which draws more than half of its investible income from off-farm sources. Growth in employment opportunities, especially in small and micro-enterprises, is thus closely linked to Kenya's agricultural development.

Recent World Bank analysis indicates that to arrest declines in per capita income, a minimum of 7 percent annual growth in GDP is necessary. To achieve this, the agricultural sector will have to grow by 4.4 percent a year (World Bank, 1995). A recent USAID study shows that, for Kenya, agriculture has an economic growth multiplier of two to three times greater than the growth multipliers from non-agricultural sectors, providing further evidence of the link between agriculture and overall growth (Block and Timmer 1994). Strategies to promote continued agricultural growth in Kenya are therefore bound to have large pay-offs in terms of economic growth, food security[3], and sustainable development.

Whereas past growth in Kenyan agriculture was largely from area expansion, future growth will have to come from increasing the output from land already under cultivation. Such intensification in high and medium potential areas can reduce pressure to expand cultivation on to fragile marginal lands and thus lead to more sustainable resource use. Furthermore, diversification to higher-value crops, such as horticulture, will be required to fuel the growth in agricultural income.

However, for that growth in agricultural income to take place, Kenya will have to overcome some of the major constraints identified in the recently completed Agriculture Sector Review (Ministry of Agriculture, 1995), led by the World Bank and conducted in collaboration with the Government of Kenya (Government) and other donors working in this sector. USAID/Kenya played a major role in this review (a summary is included as Annex 8) by sponsoring two of the nine review task forces. Among the major constraints identified were:

- Inadequate planting material and breeding stock;

[2] The Mission relied on extensive and recent analysis to develop the Mission's Strategic Objective on Agriculture, Business, and Environment. This annotation and others through this section cite various information sources used and which are listed in Annex 8, the Bibliography and Analytical Underpinnings of the Strategy.

[3] "Food Security" embodies three aspects: (a) availability, primarily through raising yields, improving distribution of commodities, and regional trade; (b) access, primarily by raising household incomes to enable families to buy food needed that they cannot/do not produce; and (c) utilization, primarily through improved nutrition.

- Inadequate access to yield-enhancing commercial inputs;
- Inadequate credit to finance use of commercial inputs;
- Inadequate infrastructure; and
- Incomplete implementation of market reforms.

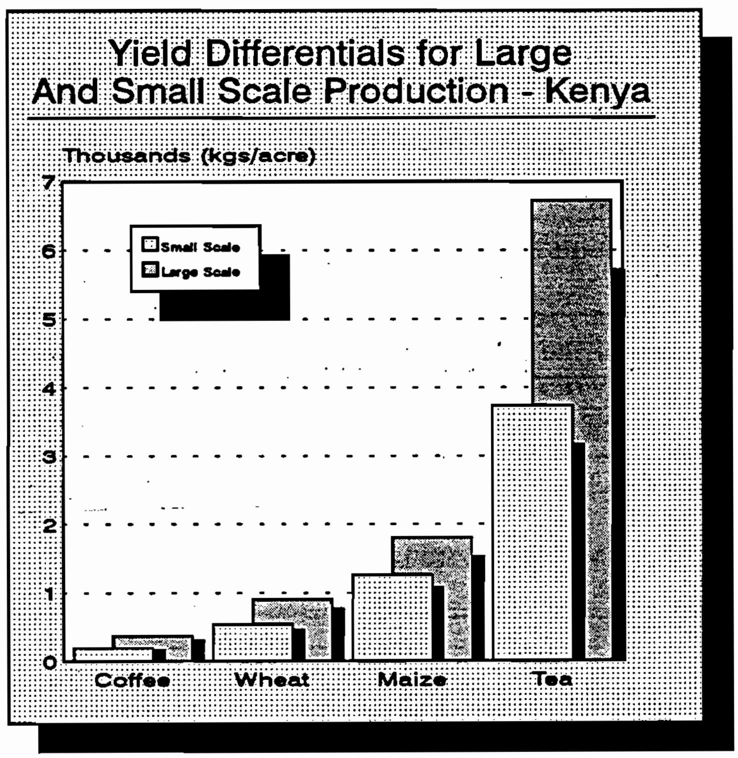
The Review concludes that land and labor productivity increases will depend on a policy environment which encourages farmer incentives and private sector participation in well-functioning agricultural input and output markets. Since women own or operate a high proportion of smallholder farms, they will need to be included in any programs which aim to increase agricultural productivity.

What We Plan to Do - USAID/Kenya Response Under the 1996-2000 Strategic Plan

Overall Strategy

In developing this strategic objective, USAID/Kenya reviewed the state of agriculture in Kenya to try to determine where was the best potential for improving agricultural output and overall income. It became clear that smallholders (defined as farm households owning 0.4 to 8 hectares – 1 to 20 acres – of land) offered the greatest opportunity for improvement.

These smallholders occupy more than two-thirds of agricultural land in Kenya, yet their yields on average are as low as one-third that of large-scale farmers in the same areas (see graph this page). These numbers become even more important when you consider that there are over three million smallholder households, most owning less than three acres of



Land (World Bank, 1994). As a group, smallholders contribute roughly 75 percent of the country's agricultural production.

However, the average farm size declined from 2.0 hectares to 1.6 hectares during 1982-92, and the incidence of landlessness increased during the same time period (World Bank, 1994). Declining farm size and stagnant yields have contributed to sharp declines in the share of agricultural income in total rural income, particularly for the poor. Many of those considered poor are smallholders – more than two thirds of Kenya's poor are found in districts which contain both high and medium potential agricultural land where smallholders predominate. Given the paucity of well-paying, formal sector job opportunities, the rural poor have increasingly turned to low-paying wage labor and self-employment. Therefore, sustainable approaches to increasing productivity must be developed to help the agricultural sector recover momentum in per capita income and production.

The greatest potential for increasing smallholders' production is through the greater use of agricultural inputs, especially improved seed and fertilizer. But other factors, such as a combination of macroeconomic stability, availability of appropriate technologies and inputs, efficient agricultural marketing systems serving smallholders, and the robust responsiveness of Kenyan smallholder households to the opportunities to earn cash, will also provide the stimuli for growth. To support food security and sustainable economic growth objectives, smallholder farms must be provided with opportunities to accelerate change in the mix of farming activities to add more value per unit of land and labor (World Bank, 1995).

Expanding off-farm activities that are directly linked to smallholder households is key to increasing smallholder productivity and income. For example, increasing the demand for smallholder output will require continuing growth in non-traditional agricultural export firms and growth in micro, small, and medium-sized processing and marketing firms. Expanding labor opportunities for smallholders will require the growth of micro and small enterprises, which offer the highest potential for job creation. The summary of the Gemini study (Annex 8B) concludes that "microenterprise development will be tied unavoidably to the development of the agriculture sector" (Parker, 1995).

Such synergy between agriculture and micro/small enterprises is exemplified by the predominance of agriculture-related firms in the economy. Currently, 78 percent of all micro and small enterprises are located in rural areas and approximately one-half of these enterprises are directly related to agriculture, inexorably linking the agricultural sector and the micro-enterprises in Kenya. While agriculture provides the raw material for the products from micro-enterprises, growing enterprises:

- Provide marketing and processing services essential to smallholder producers and farm households;
- Create the demand for products of commercialized smallholder agriculture;

- Provide job opportunities for many rural Kenyans who own little or no land, or are unable to realize the commercial potential of their land; and

- Provide over one-half of smallholder income, which is used, in part, to purchase farm inputs.

Therefore, to address the twin problems of economic growth and unemployment, the Mission has developed a private-sector led strategy to pursue the strategic objective of increased commercialization of smallholder agriculture. The way in which this is accomplished will depend on which of the budget scenario allocations – "high" or "low" – USAID/Kenya receives.

USAID/Kenya Customers

The ultimate customer of this strategic objective is the smallholder households of Kenya. These households, who are predominantly subsistence-based, constitute the majority of Kenya's poor. Thirty-three percent of Kenya's smallholdings are owned by women, and overall, women control production on 45 percent of the farms.

Micro and small private entrepreneurs (entrepreneurs) are another set of ultimate customers. Members from smallholder households often enter into business to supplement their agricultural income. Kenyan farmers earn up to 50 percent of their income from these non-farm activities and use some of this off-farm income to finance farm production. Micro-entrepreneurs who provide farmers with essential goods and services and market and process agricultural goods will therefore be served by this program. More than 43 percent of small and micro-entrepreneurs in Kenya are women and so supporting their growth has positive gender implications.

USAID/Kenya's intermediate customers are those private and public organizations providing support services to smallholder and microenterprises. Private sector associations such as the Kenya Association of Manufacturers and the Fresh Produce Exporters Association of Kenya provide important services to production and marketing firms wishing to increase their businesses and to export their products. Others like the Kenya Small Scale Farmers Association provide contract farming assistance, credit, and training to small farmer groups producing export crops.

A major credit NGO in Kenya, the Kenya Rural Enterprise Program, has been identified by USAID/Kenya as a prime intermediate customer which the Mission will support in making a transition to a microenterprise lending bank – the first such transition in Africa. In addition, the Mission will work with the Kenya Agricultural Research Institute (KARI) and the Egerton University Policy Analysis Matrix team to create incentives through policy analysis and dialogue for commercializing technology development and dissemination.

USAID/Kenya's customers were identified in discussions with its partners in NGOs, universities, private and public sector institutions, and other donor organizations. The Mission identified the critical needs of smallholder farmers, in part, by funding country-wide farm surveys, which interviewed more than 3,000 farmers. USAID/Kenya identified other customers through 2 USAID-funded national surveys of more than 9,000 micro and small entrepreneurs. The poorest customers were identified through a vulnerability assessment study done by the USAID Famine Early Warning Systems project, and other survey work conducted by Catholic Relief Services, World Vision, and Food for the Hungry International through USAID's Title II program. Both ultimate and intermediate customers were involved in focus group discussions for the three main Intermediate Results of this strategy. In addition, the overall Strategic Objective was presented to a group of NGOs, private sector, other donor, and Government participants to get their recommendations and input.

ABEO Strategy Under the "High" Budget Parameter

Under the high budget scenario, USAID/Kenya proposes to increase the commercialization of smallholder agricultural production through achieving three interlinked results:

- Strong and competitive agricultural markets that deliver yield-enhancing inputs to smallholders, allowing them to grow a commercially marketable surplus which can be sold in competitive markets;

- A vibrant off-farm entrepreneurial sector which provides services and labor opportunities for smallholders. Growth of micro and small entrepreneurs will increase the demand for agricultural products and provide off-farm income opportunities for smallholders; and

- A diverse choice of profitable farm enterprises in which a smallholder can engage as he/she responds to commercial incentives. Increasing non-traditional agricultural exports provides opportunities for smallholders to diversify.

The causal relationships and illustrative approaches being proposed by the Mission are discussed on this and the following pages.

Intermediate Result #1: Increased Strength and Competitiveness of Agricultural Markets

For farm households to sell more products, both markets that supply their inputs (i.e., seed and fertilizer) and markets that "buy" their final product must work. This will require an improved policy environment and the development and transfer of improved farming technologies (such as high-yielding seed) that will enable these households to produce a surplus for the market. The availability in markets of affordable yield-enhancing agricultural inputs for both traditional agricultural commodities and high value crops, such as horticulture, is essential for the commercialization of agriculture.

Inefficient markets have been a key constraint to smallholder commercialization. Past agricultural policies encouraged the domination of input and output markets by public parastatals and a few large firms catering to large farmers. USAID will continue the successful policy analysis and dialogue activities led by the Policy Analysis Matrix team in Egerton University. This continued support should lead to breaking the monopolies of parastatals, like the Kenya Seed Company, and to encouraging a greater participation of the private sector in seed multiplication and distribution. Other areas of focus are expected to be the fertilizer, dairy, and cereals markets subsectors.

USAID/Kenya will continue to promote coordinated government and donor support to agricultural research to facilitate introduction of improved technology into markets. While the Government and other donors will continue to support research for basic food crop production on smallholder farms, USAID/Kenya will focus its resources on supporting research on sustainable horticulture production for smallholders. The Mission will also seek to make sure technologies appropriate for smallholders, particularly for female-headed households and women farmers, are developed by the Kenya Agricultural Research Institute (KARI) by supporting its socioeconomic unit in setting research priorities and conducting impact analyses.

**Intermediate Result #2:
Increased Services and Labor Opportunities for Smallholders**

The growth of microenterprises will stimulate commercialization by increasing the availability of input and output marketing services and by making more jobs available to smallholders. This will increase their ability to buy farm inputs and decrease the number of family members dependent on farm production for subsistence.

The strong linkages between farm and non-farm income have been well-documented in recent research. The research results establish that off-farm employment and the farm productivity agendas are linked, in that off-farm income is a critical means to pay for farm inputs and investments. This is especially true in Kenya, where available agricultural credit satisfies less than 10 percent of the demand. Nearly one-half of informal micro-enterprises in Kenya rely exclusively on domestic agriculture for inputs, and the figure is closer to two-thirds when one includes forestry products (Parker and Torres, 1994). A recent agribusiness sub-sector study commissioned by USAID/Kenya showed there are several sub-sectors, including dairy, fruits, vegetables, maize, and oilseeds, that demonstrate good potential for Kenyan micro-enterprises in terms of high-quality job creation, strong market growth and value-added potential, good opportunities for women, and strong backward linkages to small farmers (Kristjanson et al., 1995). In addition, the Mission has documented promising results in wildlife and natural resource-based enterprises which indicate good potential for income generation while protecting the environment. Therefore, the mission will target agriculture-related, wildlife, and natural resource-based enterprises.

USAID/Kenya's microenterprise and community wildlife activities will stimulate rural employment and support businesses that serve farmers. To support the growth of micro and small entrepreneurs, USAID/Kenya plans to work with Kenyan NGOs and community organizations to provide cost-effective financial, non-financial, and policy support to micro and community-based enterprises. Agriculture and natural resource-related micro and small entrepreneurs will be the focus of non-financial assistance, such as technology, marketing, and association development. To develop sustainable financial services, credit will not be targeted at specific sectors, nor will it be subsidized. In addition to these critical interventions, USAID/Kenya, in collaboration with other donors and the Government, will address the many policies and regulations which make it difficult for enterprises to register, license, locate near markets, and grow.

Intermediate Result #3:
Increased Growth of Non-Traditional Agricultural Exports

Increasing non-traditional agricultural exports provides opportunities for smallholders to diversify into higher-value products in place of lower-value subsistence food crops, an essential shift in transforming agriculture. In Kenya, non-traditional exports include all commodities except tea, coffee, and refined petroleum products. Over the last five years, non-traditional exports have increased significantly leading to a more diversified export base, freeing Kenya from its traditional reliance on coffee and tea. Such exports have led to a 26 percent increase in overall exports revenues during 1990-93 and now account for one-half of all exports.

Leading these non-traditional exports have been agriculture products, primarily horticulture (fruits, vegetables, and flowers). Agricultural firms, which account for nearly 70 percent of direct employment in the non-traditional export sector, are more labor intensive than manufacturing firms and tend to employ more women. Women are also finding increasing opportunities in this sector not only as employees, but also as owners and managers of export marketing companies. In addition, it has been shown through the Kenya Export Development Support project that significant employment opportunities are generated through the development of horticulture outgrower schemes, which are predominantly smallholders.

There are opportunities for further expansion in non-traditional agriculture exports in many sub-sectors, such as cut flowers, leather, and fresh/processed fruits and vegetables. Problems similar to those faced by micro and small entrepreneurs, confront the non-traditional export sector. These include the availability and access to finance, poor infrastructure, and a policy and regulatory climate which has improved, but still needs work. Non-traditional export producers, particularly smallholders, must also adopt environmentally-safe techniques for pest control to maintain and expand their very important European market.

Our efforts to support this subsector during the five-year strategy period will focus on increasing the private sector's capacity to respond to market forces. An important feature of such support is strengthening the ability of targeted associations to serve export producers and to facilitate actual sales. Our experience in this area has already had a high payoff – every $1 investment has resulted in $20 of additional export sales (USAID/Kenya KEDS Midterm Evaluation). Special emphasis will be placed on working with outgrowers to ensure they share in this growth potential. A recent study for the Kenya Export Development Support project, entitled "The Kenya Green Bean Revolution", demonstrates the gains made by contract farmers and the further potential these smallholders have for expanding their operations. Another critical element of support envisaged is the promotion of dialogue between relevant Government ministries/institutions and private sector exporters to develop solutions to policy and infrastructural constraints. Such efforts by USAID and other donors have enabled these private sector associations to begin to become an effective voice for better services and regulatory reforms that help the export sector to grow.

ABEO Strategy Under the "Low" Budget Parameter

If USAID/Kenya's strategic objective in promotion of economic growth is subjected to a reduced level of funding from $6-7 million to $3-4 million per year, USAID/Kenya is prepared to work towards an alternative strategic objective of:

> **"Increased efficiency and participation in selected markets serving smallholder agriculture."**

Although the Mission believes the commercialization of smallholder agriculture is key to stimulating growth in the agriculture sector, as well as in the overall economy, USAID/Kenya, at greatly reduced funding levels, will no longer be a major player in that transformation. Our contribution to this larger objective will instead focus on increasing the efficiency of and participation in selected critical markets serving smallholder households. However, achieving this alternative strategic objective will still contribute to private sector job creation and food security in Kenya.

This revised objective will be realized through an integrated strategy which includes:

- Policy dialogue leading to implementation of key reforms bearing on the competitiveness and efficiency of markets; and

- Increasing the participation of the private sector in smallholder markets through the development of financially sustainable credit mechanisms for private sector entrepreneurs and by increasing the organizational and financial management capacity of key NGOs and trade associations providing services to entrepreneurs in agricultural sector input and output markets.

The main differences between the $6-7 million "high" budget strategic objective and the $3-4 million "low" budget strategic objective are that under the "low" objective:

- USAID/Kenya will abandon its huge past investment in agricultural technology development at a time when seed varieties developed through this assistance are beginning to be distributed in the GHAI region;

- The Mission will reduce its delivery of non-financial services to microenterprises, which have shown great potential for growth and job creation. This will reduce employment opportunities for underemployed and poorly paid rural men and women;

- The Mission will reduce firm-level assistance under the Kenya Export Development program by approximately $1.5 million. An estimated 2,000 new jobs would be lost from this reduction; and

- The Mission will reduce lending assistance to micro-enterprises by about $1.5 million under the Micro-PED program. The direct people impact would be the loss of approximately 10,000 new jobs.

Consequently, the Mission will no longer have a direct contribution in several important results. USAID/Kenya will not be working to increase development and adoption of high yielding variety seeds, inputs, and environmentally sustainable farming practices, and will no longer be involved in further development of KARI as an institution of regional importance to the development of agriculture. Also, USAID will not be making investments explictly to maintain biodiversity in Kenya.

USAID/Kenya believes the lesser strategic objective we have developed is nonetheless a very important contribution to the ultimate objective of commercialization of smallholder agriculture. More competitive and efficient markets will better serve smallholder agriculturalists through lower prices for inputs, higher prices for harvested produce, and through better quality inputs delivered on a timely basis.

Other Issues

A. Critical Assumptions

For Strategic Objective no. 1 to be successful, several critical assumptions were made regarding various activities outside the control of USAID, namely that there will be:

- Stable macroeconomic policies and political climate;
- No major disruptions from internal or regional conflict;
- Continued Government willingness to implement policies and regulations critical for the commercialization of agriculture;
- Continued Government and donor support for infrastructure improvement;
- Continued improvement of investor confidence;
- No serious drought in the medium term;

- Other donors will step in to support applied agricultural research programs in Kenya related to yield-enhancing technology;

- Improved farm-to-market and market-to-market infrastructure; and

- Other donors will support the development of sustainable credit programs for smallholder agriculture.

B. Commitment and Capacity of Other Development Partners

With decreasing resources, the Mission will be more reliant on the commitment and capacity of our partners to undertake various critical intermediate results as indicated in the result framework. Such commitment will be necessary in the following areas.

Private Sector Participation in Agricultural Markets and Technology Development: As a follow-on to the just concluded Agricultural Sector Review, the Ministry of Agriculture, Livestock Development, and Marketing is being restructured to provide only those services that the private sector cannot perform effectively. The Government seems committed to provide an enabling policy and regulatory environment for private sector-led productivity growth. This commitment is reflected in a new strategy recently drafted by the Government, which will be supported by the World Bank's Agriculture Sector Investment Program.

USAID's assistance to KARI and Egerton has focused on institution building. These organizations have demonstrated their commitment by developing systems to ensure that work in technology development and policy analysis will continue even under reduced USAID assistance. This includes the "Agricultural Research Fund" set up by KARI and an institute for policy analysis established by Egerton. Both of these institutions can receive funding from governments, the private sector, and universities. Other donor countries have pledged to support KARI's research programs, including the British Overseas Development Agency, the World Bank, the European Union, the Rockefeller Foundation, and the Government of the Netherlands.

Infrastructure: Investment in infrastructure that allows cost effective delivery of goods and services to farmers in all areas of the country and improves the ability of farmers to transport their goods to local, regional, and international markets for fair prices is critical. USAID has in the past supported the improvement of selected farm-to-market roads in areas of high agricultural potential. However, this support was limited and will end in fiscal year 1997. USAID will continue to encourage Government and donor investments to this sector. Several donors including the World Bank, Japan, the European Union, Great Britain, Denmark, Sweden, the Netherlands, and Germany are funding rehabilitation and maintenance of Kenya's trunk and feeder road network. These donors are expected to continue funding the road infrastructure in the future.

Policy Reform: Support is expected to continue from the International Monetary Fund, the World Bank, and the European Union for continued implementation of macroeconomic stabilization policies.

Microenterprise Development: USAID remains a leading donor in microenterprise development. However, the British and the Belgians are reinforcing USAID support to sustainable microenterprise lending institutions and to policy and regulations supportive to micro and small enterprises. Germany, the Netherlands, the European Union, and the United Nations Development Program also have programs focussing on credit and training for micro and small enterprises. Also, the Netherlands assists in the development of technologies appropriate to small-scale enterprises.

Export Development: The World Bank, the African Development Bank, Germany (GTZ), the European Union, and Japan support non-traditional export development. These donors are involved in infrastructure development for export processing zones and firm-level assistance to Kenyan exporters. World Bank and the International Monetary Fund have also been instrumental in pushing for enabling policy environment for exports.

C. Sustainability

Sustainability will be accomplished using several different approaches. First, and most important, the program will assist the private sector in taking over functions which were previously being performed inefficiently by the public sector. Private sector participation in the agricultural economy depends on the Government continuing to see the value of a liberalized economy, of macroeconomic stabilization, and of the private sector playing an effective and efficient role. It is therefore vital that the Government be provided with convincing analytical results on the impacts of liberalization and privatization on agricultural growth, food security, employment opportunities, and increased incomes. USAID/Kenya's support to the development of an independent policy analysis group with Kenyan analysts has provided that link. Plans to further institutionalize the efforts of this group of respected analysts will be a priority.

The sustainability of commercial smallholder agriculture also depends on strong, healthy enterprises to participate in marketing and processing agricultural products and by-products, and in providing goods and services necessary for smallholder production. The sustainability of these enterprises will be affected by the policy and regulatory environment in which they operate, and the availability of financial and non-financial services. The USAID/Kenya strategy to ensure their sustainability is to establish a policy forum to facilitate public-private sector dialogue towards implementing policy and regulatory change in support of micro-enterprises. Micro-enterprise associations will be strengthened to ensure micro-entrepreneurs themselves participate in policy dialogue.

Concerning sustaining microenterprise lending, USAID/Kenya's strategy will be centered around increasing the ability of micro-enterprise lenders, mostly NGOs, to reach levels of outreach and sustainability achieved in Latin America and Asia. This will be done by assisting in converting a credit-providing NGO into a formal financial institution. In addition, the Mission will grant funds to lending institutions serving micro-enterprises, which have a reasonable chance of attaining institutional and financial. -

Association development to strengthen policy lobbying will ensure sustainable development for both micro and small entrepreneurs and for the non-traditional export sector. USAID/Kenya will assist these NGOs to strengthen their management capacity, as well as to provide services to their members.

As explained in more detail in Annex 9 - Environmental Analysis, this program contributes to natural resource sustainability by intensifying agricultural production and relieving pressure to expand into fragile lands. In addition, the Mission will coordinate with other donors who are supporting soil fertility and natural resource management activities.

D. Relation of the Strategic Objective to USAID/Kenya's Subgoal: Increased Food Security – Availability and Access

Achieving the objective of increased commercialization of smallholder agriculture supports the Mission's food security sub-goal in the following ways.

Availability: Greater commercialization of smallholder farms will raise productivity, thereby increasing yields. As a result, Kenya should attain greater self-sufficiency in basic food grains. Agricultural products and by-products produced for export markets will increase the country's foreign exchange earnings and permit Kenya to import basic food grains as necessary to supplement domestic production.

Access: Greater commercialization of smallholder farms will over time raise rural household incomes, a primary means of gaining access to food. Incomes will also increase through job opportunities created by strengthening the growth of micro- and small enterprises and non-traditional agricultural export firms.

E. Relationship of the Strategic Objective to the Agency's Goals and Objectives

Broad-based Economic Growth

USAID/Kenya's objective to increase the commercialization of smallholder agriculture support the Agency's first goal, "broad-based economic growth achieved. The Agency's objectives supporting this goal, and to which our objective directly corresponds, are two: Strengthened Markets and Expanded Access and Opportunity for the Poor.

USAID/Kenya's strategy to increase commercialization of smallholder agriculture is based on strengthening the private sector and the competitiveness of markets. Domestic firms must now compete with one another and with foreign firms. Prices of agricultural inputs and marketed grains will be determined by open markets. The strategy will also expand opportunity and access for the poor by focusing on smallholder agricultural households who constitute Kenya's poor majority. Fully one-third of these households are headed by women. The Mission chose to provide sub-sector support to agriculturally-related micro and small enterprises because of their links to creating demand for agricultural production, and because employment opportunities for women are greatest in this sub-sector. The same holds true for the Mission's decision to focus its support for non-traditional exports to those firms engaged in agricultural production and export.

Environment Managed for Long-Term Sustainability

The key causes of natural resource degradation in Kenya are population growth and declining farm-level productivity resulting in the extensification of agriculture into forest areas and low potential areas where it is unsustainable. To mitigate this process, programs to improve on-farm productivity are key. (See Annex 9 - Environmental Analysis for a complete discussion.) This strategic objective contributes to the Agency's goal of "environment managed for long-term sustainability" by encouraging the intensification of agriculture and by increasing the opportunities for communities surrounding park and reserve areas to increase their income and employment from natural-resource-based enterprises.

F. Contribution of the Strategic Objective to the GHAI objectives

The Greater Horn of Africa Initiative (GHAI) is a priority regional effort to enhance food security and prevent conflict in the 10-nation Greater Horn region and Kenya plays a pivotal role. The Mission's proposed agricultural policy reform, agricultural research, exports, and microenterprise activities under this strategic objective will directly impact on the GHAI, and are discussed in more detail in Annex 1.

G. Relation of Strategic Objective to Government priorities

Each component of this strategic objective is linked directly to high priority elements of the agricultural sector as articulated by the Government in their recent official response to the findings of the multi-donor agricultural sector review. Based on the sector-specific and non-sector-specific constraints identified by the review, the Government has now articulated their major priority areas for intervention during the next five years, including:

(a) Food crops (intensified use of fertilizers and quality seeds);

(b) Industrial crops (increased smallholder productivity and improved efficiency of institutions responsible for crop marketing);

(c) Agricultural inputs (increased extension efforts for fertilizer use and seed production reform to promote increased production of quality seed and provision of a credit fund to enhance privatization of livestock related services);

(d) Non-traditional cash crops (increased growth of both exports and production diversification);

(e) The macroeconomic policy setting (increased support in the implementation of policy reforms); and

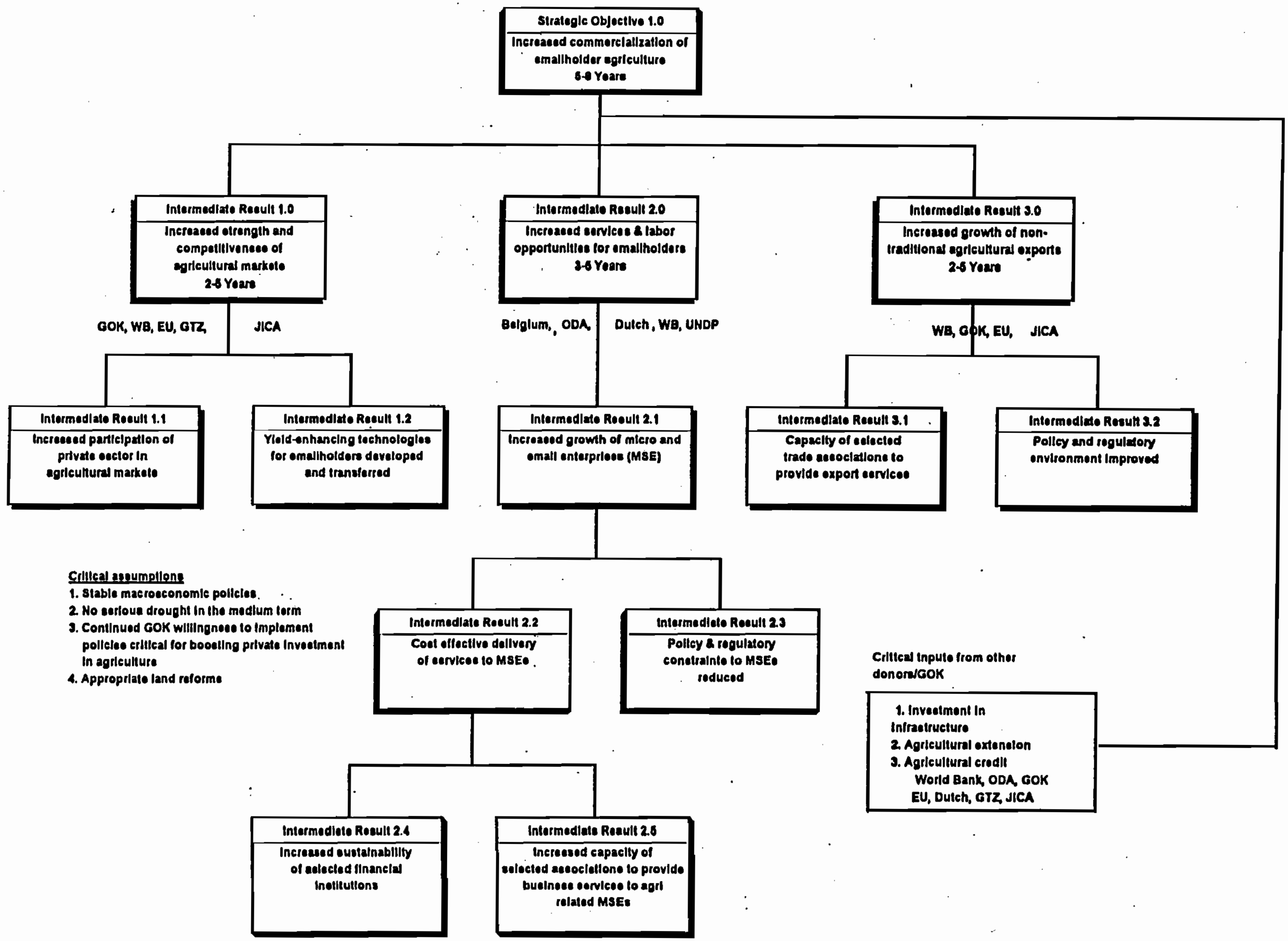
(f) Agricultural and agriculture-industry linkages (develop better linkages between agricultural production and industrial uses of farm products and by-products).

The intermediate result, "Increased Participation by Private Sector In Input Markets", is linked directly to the Government's priorities (a), (b), and (c) as described above. The intermediate result, "Increased Growth of Non-traditional Agriculture Exports", is linked directly to priority (d), and the element, "Increased Growth of Off-farm Micro and Small Enterprises", is linked directly to priority (f).

ABEO'S PORTFOLIO: MAKING HARD CHOICES

OLD STRATEGY – AREAS OF INVESTMENT 1990-1995	NEW STRATEGY 1996-2000
1. Investment Promotion - IPC	Dropped - U.S. legislation prohibiting aid.
2. Capital Markets Development - CMA & NSE	Dropped - Results achieved.
3. Privatization of Public Enterprises - ESTU	Dropped - Non-performance.
4. Venture Capital Development - SCB, IPS, KEM	Dropped - Results achieved/High cost.
5. Medium-Term Lending - BBK, SCB & KCB	Dropped - Results achieved/High cost.
6. Micro-enterprise Lending K-REP & PRIDE	Retained.
7. Small Business Management Assistance - KMAP	Retained with agriculture sector focus.
8. Industrial Policy Analysis/Dialogue - KAM	Refocused agriculture exports.
9. Export Trade Policy Analysis	Dropped - Results achieved.
10. Trade Finance for Small Exporting Firms	Dropped - High cost.
11. Export Processing Zones Development - EPZA	Dropped - U.S. legislation prohibiting aid.
12. Development of Manufactured Exports - KAM	Dropped - Focus on agriculture exports.
13. Development of Horticultural and Agro-processed Exports - FPEAK & KAM	Retained.
14. Institution Building in KARI & Egerton Univ.	Dropped - Results achieved.
15. Biodiversity Conservation - KWS	Retained.
16. Non-Project Assistance (NPA) for Agricultural Policy & Market Reform - MOF	Dropped - Results achieved.
17. Roads Infrastructure Development - MOPW	Dropped - Results achieved.
18. Market Information Service Support - MOA	Dropped - Results achieved.
19. Agricultural Policy Analysis, Market Reform, and Development of Improved Seed Varieties	Refocused - private sector input distribution.
20. Technology Transfer to SMEs-IESC	Dropped - Results achieved.
21. Policy/Regulatory Reforms for SMEs - KIPPRA/ICEG	New Area.
22. PL 480 Title II	Transferred from Projects Office.

Results Framework for Strategic Objective 1.0 ($ 18.0m)



PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0 "HIGH" BUDGET SCENARIO ($18 million)

Strategic Objective and Intermediate Results	Performance Indicator	Performance Target (1996 to 2000)	Data Source
Strategic Objective: **Increased Commercialization of Smallholder Agriculture:**	a. Percentage of smallholder production marketed.	a. Maize increased from 35 percent to 50 percent in 2000. Milk increased from 45 percent to 60 percent in 2000.	Ministry of Agriculture, Livestock Development, and Marketing Economic Survey and special studies.
	b. Agricultural value-added per hectare.	b. Increased from Kshs 580/ha in 1994 to Kshs 700/ha by 2000 at constant prices.	
	c. Agricultural value-added per worker.	c. Increased from Kshs 79.80/worker in 1994 to Kshs 100/worker by 2000 at constant prices.	

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicator	Performance Target (1996 to 2000)	Data Source
Intermediate Result 1.0: **Agricultural Markets Strengthened and More Competitive.**	a. Seed privatization policy fully implemented. b. Ratio of farmgate price to marketing price.	a. Policy matrix tracking removal of restriction in registration of seed multiplication firms, progress on IPBR, import clearance procedures, etc. b. Increased from 80 percent in 1995 to 90 percent in 2000 for maize.	GOK, KARI, KSC, etc PAM and surveys.
Intermediate Result 1.1: **Increased Private Sector Participation in Agricultural Markets.**	a. Percent of maize and horticulture seed multiplied by private sector. b. Sales of selected commodities to state corporations.	a. Maize - zero percent in 1995 to 40 percent in 2000. Horticulture - TBD. b. Maize sales to NCPB reduced from 45 percent in 1994 to 15 percent in 2000. Milk from 40 percent in 1995 to 25 percent in 2000.	Kenya Seed Association and surveys.
Intermediate Result 1.2: **Yield-Enhancing Technology for Smallholder Developed and Transferred.**	a. Sales of HYV maize seeds. b. Number of new horticultural varieties released and adopted through AID support.	a. Increase 30 percent by 2000 from 17,600 tons in 1995. b. Zero in 1995 to 4 in 2000.	PAM and economic survey. KARI.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicator	Performance Target (1996 to 2000)	Data Source
Intermediate Result 2.0: **Increased Services and Labor opportunities for Smallholder.**	a. Net annual change in MSE employment (male and female). b. Microenterprises receiving credit.	a. Increased from 1.2 million in 1994 to 1.7 million in 2000 (40 percent women). 2. From 10 percent to 15 percent by 2000.	USAID and GOK surveys. Financial institutions.
Intermediate Result 2.1: **Increased Growth of Micro and Small Enterprises.**	a. Average annual real revenues of MSEs.	a. Increases from $1,130 to $1,585 a year per MSE by 2000.	USAID and GOK surveys.
Intermediate Result 2.1.1: **Increased Cost-Effective Delivery of Services to SMEs.**	a. Cost-recovery of value-added non-financial service provision by USAID partners.	a. Increases from 20 percent to 50 percent on average by 2000.	Partners' Reports and USAID studies.
Intermediate Result 2.1.2: **Increased Sustainability of Selected Financial Institutions.**	Number of institutions achieving: a. Full financial sustainability. b. Break-even status.	a. Zero to 1 by 2000. b. Zero to 2 by 2000.	USAID studies and evaluations.

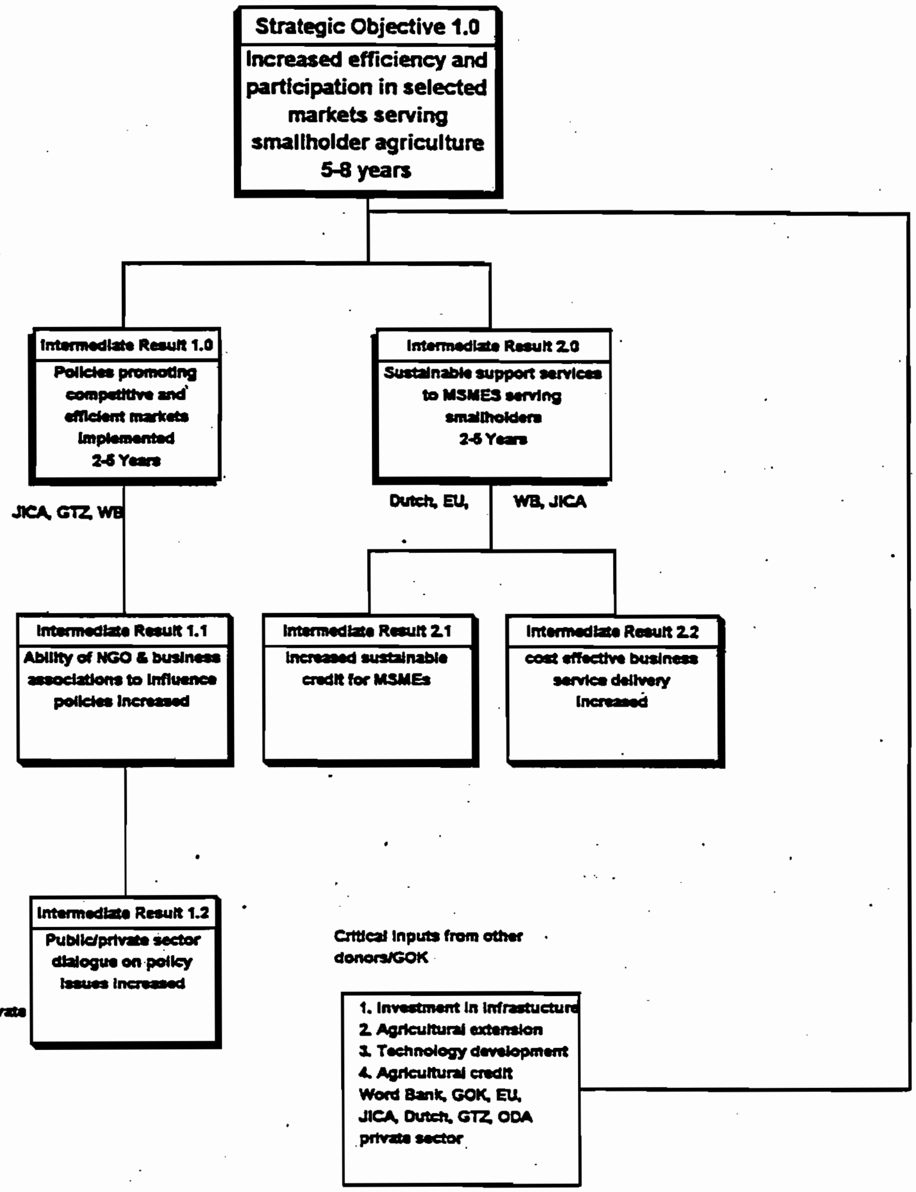
PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicator	Performance Target (1996 to 2000)	Data Source
Intermediate Result 2.1.3: **Policy and Regulatory Constraints to SMEs Reduced.**	a. Policy/regulations changed and implemented.	a. Policy tracking matrix including progress in removal of restrictive practices, licensing, and reducing harassment. (Index zero percent to 100 percent by 2000).	Special studies, partners reports, and evaluations.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicator	Performance Target (1996 to 2000)	Data Source
Intermediate Result 3.0: Increased Growth of Non-Traditional Agricultural Exports (NTAE).	a. NTAE earnings as a percent of total export earnings. b. Forex earnings from EDF-assisted NTAEs.	a. Increases from 22 percent in 1995 to 35 percent by 2000. b. Increases from $20 million in 1995 to $44 million in 2000.	Economic Survey, KAM, and FPEAK.
Intermediate Result 3.1: Improved Policy and Regulatory Environment.	a. Export Development Policies improved and implemented.	a. Policy matrix index (zero to 100 percent) tracking jet fuel taxation, infrastructural investment, corporate taxes on NTAE firms, and port handling.	GOK, MOPW, EPC, and ESTU.
Intermediate Result 3.2: Increased Capacity of selected Associations to Provide Export Promotion Services.	a. Proportion of KAM and FPEAK revenues generated from fee for services. b. Number of paid-up agribusiness members of FPEAK and KAM. c. Number of firms assisted annually by FPEAK.	a. 14 percent in 1995 to 40 percent in 2000. b. 235 in 1995 to 400 in 2000. c. 327 in 1995 to 400 in 2000.	KAM and FPEAK reports.

Results Framework for Strategic Objective 1.0 ($ 12.0m)



Critical Assumptions

1. Stable macroeconomic policies.
2. No serious drought in the medium term.
3. Continued GOK willingness to implement policies critical for boosting private sector invetment in agriculture.
4. Appropriate land reforms.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0 "LOW" BUDGET SCENARIO ($12 million)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996 to 2000)	Data Source
Strategic Objective: **Increased Efficiency and Participation in Markets Serving Smallholder Agriculture.**	a. Ratio of farmgate price to wholesale market price. b. Number of private sector organizations firms involved in selected markets. c. Proportion of HYV seeds multiplied and distributed by private sector.	a. Ratio increases from 80 percent in 1994 to 90 percent in 2000 for maize. b. Increases from zero in 1995 for cereal HYV seeds to 5 in 2000. c. Increases from zero in 1995 to 35 percent in 2000 for cereal seeds.	MOA&LD. Economic Survey and special studies.
Intermediate Result 1.0: **Policies Promoting Competitive and efficient markets implemented.**	a. Privatization policy changed and implemented.	a. Policy matrix tracking removal of restriction in registration and operations of private firms, transparency in parastatal reform, import clearance procedures, etc.	GOK, PAM, and surveys.
Intermediate Result 1.1: **Ability of NGO & Business Associations to influence policies increased.**	a. Public and private sector dialogue.	a. Three policy studies undertaken by NGOs and/or private associations. b. Two transforming workshops involving private and public sector representatives.	Partners' reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 1.0
"LOW" BUDGET-SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996 to 2000)	Data Source
Intermediate Result 2.0: **Increased sustainable credit for MSMEs.**	Number institutions achieving: a. Full financial sustainabilty. b. Break-even status.	 a. Zero to 1 by 2000. b. Zero to 2 by 2000.	USAID studies and evaluations.
Intermediate Result 2.1: **Cost effective business service delivery to MSMEs.**	a. Cost-recovery of value-added non-financial service provision by USAID partners.	a. Increases from 20 percent in 1995 to 50 percent on average by 2000.	Partners' reports and USAID studies.

INCREASE THE SUSTAINABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS

Kenya offers an emerging family planning success story. The fertility rate has fallen from one of the highest in the world to one of the lowest in sub-Saharan Africa. As a result, the population growth rate is coming into alignment with economic growth rates, making it more likely that Kenya will be able to make sustainable gains in per capita income.

USAID has been the key donor contributing to this success. For over 20 years, USAID has been a reliable provider of technical, financial, and commodity assistance to the family planning program, and for 10 years has been a lead donor to the HIV/AIDS prevention and health care financing programs. USAID has also made important contributions to child survival in Kenya by focussing on increasing access to family planning, reducing HIV transmission, and increasing local funding for child survival programs through the national cost-sharing program. USAID/Washington-funded Child Survival and Matching Grant programs have long-played an important complementary role.

At present, the USAID population and health program in Kenya is the Agency's largest in sub-Saharan Africa, averaging $20 million annually in fiscal years 1993-95. Due to its success, Kenya is serving as a model for countries in the region as they develop their own strategies to meet family planning and health care financing challenges.

The basic tension central to the USAID population and health strategy for Kenya has long been related to the balancing of two strategic priorities:

- **Service delivery** – meeting the immediate needs of millions of Kenyans for the skills, knowledge, and services they need *now* to prevent unwanted pregnancies, abortions, HIV infections, and other illness;

- **Sustainability** – strengthening the viability of Kenya's public and private sector service delivery system to meet *future* needs as external technical and financial assistance is phased-out.

Relatively abundant resources through fiscal year 1995 allowed USAID to adequately address both priorities. While service delivery has been emphasized, increasing attention has been given over the years to the challenge of sustaining services. The prime example of USAID's work to date on the sustainability problem is our 10-year partnership with the Government of Kenya

(Government) in designing and implementing the region's first national health care financing and cost-sharing program.

Sudden, sharp budget cuts force stark choices between these two competing priorities. Resource levels for Kenya may decline 50 to 66 percent from pre-fiscal year 1996 levels. It is, therefore, imperative to significantly heighten the focus on sustainability. The allocation of USAID/Kenya resources will shift from roughly two-thirds devoted to service delivery to two-thirds devoted to sustainability. USAID will intensify the focus on sustainability strategies by seeking to increase financial contributions from other donors, the Government, and customers; improving the viability of key nongovernmental organization (NGO) service providers and selected public sector service delivery support systems (e.g. training, supervision, logistics); and maximizing the potential of the national cost-sharing program.

A focus on sustainability is forward-looking. Some present impact in terms of pregnancies and HIV infections averted may be lost in exchange for gains in the viability of a system which will be better able to sustain services independently and meet future needs. Given USAID/Kenya's past prominence as a provider of service delivery support, Kenya could experience a loss of family planning program momentum, causing encouraging demographic trends to stall. Through intensified donor coordination we hope to avert or minimize momentum loss.

The rapidity of budget cuts have greatly accelerated the sustainability timetable. Phase-out periods for long-time USAID grantees have been highly condensed. NGO graduation from USAID funding is pressured and, for some, premature. At this rate, there will likely be some mortality among USAID Cooperating Agency and Kenyan NGO partners. Ideally, more Global Bureau field support over the next five years would lessen the shock on service providers, help to ensure family planning program momentum is maintained, and increase the chances that USAID will leave Kenya an immensely important legacy – a viable family planning and HIV/AIDS service delivery system which can meet the needs of future generations.

Problem Analysis

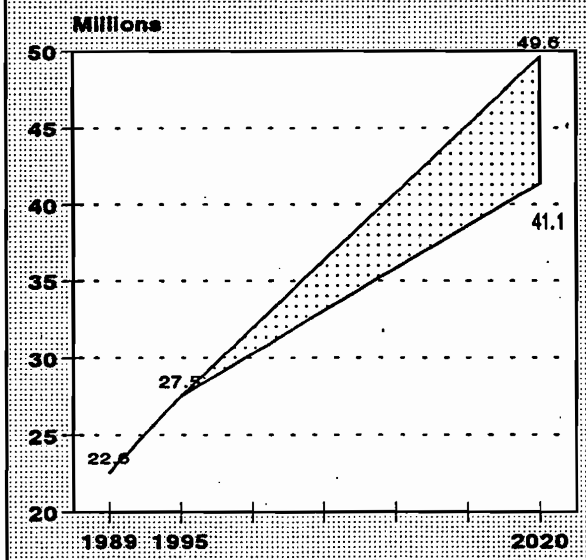
Three interrelated public health problems combine to constrain Kenya's political and economic development: high fertility and population growth rates; a worsening AIDS epidemic; and stagnation of improvements in child survival.

High fertility rates and population growth

The Kenyan population has grown from 8.7 million people at Independence in 1963 to an estimated 27.5 million by mid-1995. This rapid population growth threatens to outstrip the country's ability to feed itself. Because of the attention and development assistance given this problem by USAID, the Government, and other donors, Kenya has developed a relatively successful family planning program which has achieved a significant increase in the use of contraceptives. As a result, the annual population growth rate has begun to decline, from an estimated 3.4 percent in 1984 to an estimated 2.7 percent in 1995.

Despite these encouraging demographic trends, Kenya's family planning program remains in an adolescent phase – growing fast and heavily dependent on external assistance. Should this vulnerable program falter and demographic trends stall, by the year 2020, there could be 8.2 million more people to feed, educate, and employ (a total projected population of 49.6 million versus 41.4 million). The average number of people per 100 hectares of arable land will increase an additional 20 percent (from an estimated 356 to 427), putting even more strain on the land to feed these additional people.

Population Projections
KENYA 1989-2020



The estimated population of 49.6 million is based on a constant PGR of 3.2 percent from 1995-2000, while the 41.4 million is based on a PGR that drops to 2.75 percent in 1995 and to approx. 1.7 percent by 2020.

The strength of current demand for family planning suggests the demographic transition will continue *if the supply of services is expanded*. Millions of Kenyans are in immediate need of family planning services. One and half million married women want to stop childbearing or delay their next pregnancy, but lack access to services. The 1993 Kenya Demographic and Health Survey shows a gap persists between actual average family size of 5.35 children and that desired by Kenyan women – 3.7 children. Additionally, one in six births is unintended and one in three mistimed.

If family planning services are not expanded, or at least maintained at present levels, many Kenyan women and men will not have access to services and will be denied the human right to plan families and control fertility. Without that access, we expect a further increase in unintended pregnancies, unwanted abortions, and associated maternal morbidity and mortality. Given that 14 percent of all deaths under five years of age are related to high-risk pregnancies, child mortality is also likely to increase. Future generations will suffer from any loss of momentum in the family planning program.

The AIDS Epidemic

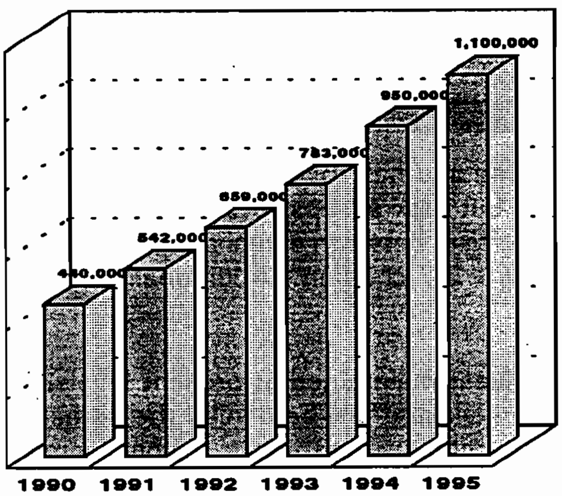
The AIDS epidemic flourishes in Kenya in an atmosphere of tepid official concern and flagging donor commitment. Although the cumulative AIDS death toll in Kenya to date is thought to be about 100,000 people, another 2.7 million people are expected to die from AIDS and related diseases during the next 10 years.

Kenya has the highest number of officially reported AIDS cases in Africa – 63,113 through November 1995 (although the actual number of AIDS cases is estimated to be about 190,000). In 1994, HIV sero-prevalence among adults was 6.7 percent, which means that approximately 890,000 adults and 60,000 children were living with HIV in 1994. Should HIV prevalence increase to 9 percent by the year 2000 (a conservative estimate), we could expect a quarter of a million people to develop AIDS every year in Kenya.

The burden of an uncontrolled AIDS epidemic on Kenyan's health and productivity will be heavy. Deaths of young adults are projected to double – reaching 330,000 a year by 2010, and the yearly death toll of children is projected to reach 50,000 within 10 years. Under the worst case, AIDS mortality is projected to shorten significantly the average Kenyan's life expectancy from 68 to 40 years by the year 2010.

The death and illness associated with AIDS are overwhelming the Kenyan health care system. As of August 1995, an estimated 20 percent of all hospital beds were occupied by patients with HIV-related infections. Some hospitals are reporting they cannot accept any more AIDS in-patients. The costs of meeting the growing demand for HIV/AIDS treatment are projected to increase from 17 percent of the Government's health budget in 1990 to 79 percent by 2010.

Estimated Number of People Infected With HIV Kenya 1990-95



Not just the health care system, but the general economy will feel the effect of AIDS deaths. Essential sectors of the Kenyan economy will be adversely affected by the loss of skilled labor, particularly in banking, insurance, mining, transportation, manufacturing, and the military. In addition, farms could face seasonal labor shortages as the prevalence of AIDS increases in rural areas. Within the next 10 years, the epidemic could reduce per capita income by 10 percent due primarily to a staggering increase in AIDS-related health care costs, a decline in savings, and a decline in formal sector employment.

Although AIDS will have a significant impact on population size, even under the worst case scenario, Kenya's population will still increase 50 percent by 2010.

Child Survival

Child survival trends in Kenya are disquieting. After steady declines, infant and child mortality rates have stagnated. Almost half of all infant deaths occur during the neonatal period (birth to one month), many related to high-risk pregnancies, prematurity, low birth weight, and complications of pregnancy and delivery. Leading causes of post-neonatal death include diarrhea, malaria, and acute respiratory infection. AIDS complicates the prognosis for improvements in child survival. By 2010, under-five mortality could be 70 percent higher than it would have been in the absence of AIDS. In addition, the number of children orphaned by AIDS is projected to increase to 1.1 million by 2010. AIDS orphans will also suffer higher than average incidence of childhood illnesses.

What We've Done - USAID/Kenya Response Under the 1990-1995 CDSS

The Population and Health program in Kenya is currently the Agency's largest in sub-Saharan Africa. Combined Development Fund for Africa and Global Bureau field support allocations averaged $19.8 million from fiscal year 1993 to fiscal year 1995. USAID/Kenya allocated on average 40 percent of its operating year budget (i.e. program budget) and 51 percent of total resource allocations (including Global Bureau funds) to Population and Health in fiscal years 1990 through 1995. The Population and Health program consisted of 4 bilateral projects, 15 contracts and cooperative agreements with U.S. organizations, sub-grants with 25 Kenyan NGOs and 41 private sector organizations, social marketing through 6,000 commercial outlets, and a variety of Global Bureau and regionally-funded activities.

Kenya is important to the region as it serves as the regional hub for USAID population and health cooperating agency technical and implementation capability. Nairobi is home to 12 cooperating agency country or regional offices, all but one of which manage key elements of the USAID Kenya program.

Results to Date

USAID support for family planning, HIV/AIDS prevention, and health care financing has made a major difference in the lives of millions of Kenyan women, men, and children.

1. Family Planning: USAID has been the lead donor to the Kenyan national family planning program, accounting for over one-half of annual program expenditures. In part due to the magnitude, duration, and dependability of USAID support, Kenya offers one of sub-Saharan Africa's few emerging family planning success stories.

- The modern method contraceptive prevalence rate among all women of reproductive age increased to an estimated 25 percent in 1995 from 9 percent in 1984.
- The total fertility rate fell from one of the highest in the world (8.1 in 1977-78) to one of the lowest in sub-Saharan Africa (5.35 in 1990-93).

- And, the population growth rate decreased from 4.1 in 1980-85, which was one of the highest in the world, to an estimated 2.7 in 1995.

Kenya is well-positioned to reap the benefits of these demographic trends. As women are empowered to exercise their right to plan families and control fertility, they are increasingly able to participate in Kenya's political and economic development. As economic and population growth rates come into alignment, sustainable per capita gains in income will become more likely.

2. HIV/AIDS Prevention: USAID has been one of the lead donors to the national HIV/AIDS prevention program accounting for roughly one-quarter of the annual national program expenditures, including most of the costs of the burgeoning condom program. In part due to USAID support, many of the essential components of a national HIV/AIDS prevention program are in place and there are hopeful indications the AIDS epidemic can be slowed.

Knowledge and attitudes critical to HIV prevention are widespread. Surveys show 99 percent of Kenyan women and men were aware of AIDS, and 66 percent of men and 50 percent of women believed themselves to be at personal risk from the disease. Protective behaviors are being adopted, albeit slowly. Condoms distributed by the public sector increased from 9 million in 1989 to 45 million in 1994. Likewise, condoms sold in the private sector through the USAID social marketing program increased from 40,000 a month in 1993 to 500,000 a month in 1995. The number of men using condoms regularly more than doubled between 1989 and 1993 (from 3 percent to 7 percent), while the percentage of men who have used a condom at least once increased from 17 to 27 percent during the same period.

Due to increases in condom use, USAID/Kenya has estimated as many as 110,000 HIV infections and 1,300,000 sexually-transmitted disease cases were averted through 1993.

3. Health Care Financing and Sustainability: USAID is the lead donor and the single largest source of financial and technical support to the national health care financing program. Primarily due to USAID support, the Ministry of Health national cost-sharing program has generated over $12 million in local revenue since 1990 to improve health care. More than $3 million of that money was targeted for child survival activities at the district-level. Also, USAID/Kenya helped to create the first private sector managed-care programs (i.e., health maintenance organization) in sub-Saharan Africa to improve the coverage and efficiency of health and family planning services.

4. Regional Impact of Kenya's PH Program: The Kenya PH program is a regional asset with cross-border impact and is a leader by example for neighboring countries. Nine countries in the region are learning from Kenya's health care financing experience as they design their own strategies to cope with the rising costs of health care. Kenya is the regional hub for family planning training and the principal exporter of family planning expertise and innovation in the region. Examples of promising approaches pioneered in Kenya which have been replicated or have influenced programs in the region include: the integration of HIV/AIDS services into family planning programs; tubal ligation and vasectomy; community-based distribution; private sector family planning; university peer counseling; and high-risk clinics.

What We Plan To Do - USAID Response Under the 1996-2000 Strategic Plan

Background

Based on the assumption that USAID would continue a strategic emphasis on population and health in Kenya and could continue $17-$20 million a year funding levels, USAID/Kenya developed a new strategy and designed a (fiscal years 1995-99) $100 million program entitled "AIDS, Population and Health Integrated Assistance" (APHIA). Under APHIA, USAID would continue its leadership in family planning, HIV/AIDS prevention, and health care financing. APHIA anticipates a careful and responsible phase-out of USAID support by 2010, and consequently features sustainability as a primary focus, while maintaining major support for family planning and HIV/AIDS service delivery.

Throughout the APHIA planning process, an effort was made to anticipate and employ emerging reengineering and Joint Country Programming precepts. APHIA embodies an unprecedented degree of strategic and programmatic unification and establishes a framework for consolidating and focusing all USAID support to the population and health sector in Kenya – bilateral, global, and regional – under one Agency strategy and a single Strategic Objective, Results Framework, and integrated budget.

The APHIA planning process was marked by an unusual degree of participation by USAID/Washington, REDSO, donor, and Kenyan partners. The core APHIA planning team consisted of 20 people from the Government and USAID and was led by the USAID/Kenya Office of Population and Health, the office ultimately accountable for results. The core team was guided by a 32-person public/private sector Kenyan advisory committee, a USAID/Washington Joint Planning Team, and by the views of over 200 Kenyan customers. Representatives from four Government ministries and nine donor organizations participated in the design. Under the Government of Japan's Global Issues Initiative for Population/HIV/AIDS, staff from the Japanese Embassy and the Japan International Cooperation Agency (JICA) participated as *defacto* team members, resulting in the identification of a set of synergistic activities for potential funding by the Japanese Government.

To ascertain customer and partner needs, 30 surveys and assessments were done, including a nationally-representative demographic and health survey of 7,540 women and 2,336 men and a comprehensive inventory of current and planned assistance from 20 donors.

However, in June 1995, projected budget cuts resulting from the effort to balance the U.S. Federal budget – deepened considerably by the USAID/Washington requirement that field support be included in the Mission's fiscal year 1996 operating year budget – led to a 40 percent cut in proposed APHIA funding. On August 30, 1995, the APHIA program was therefore authorized at $60 million over five years rather than at the initial $100 million planning level. The "high" and "low" budget parameters given to USAID/Kenya in October 1995 to guide its fiscal year 1996-2000 Strategic Planning process resulted in the Population and Health budget being reduced even further – by 50 percent under the "high" and 66 percent under the "low".

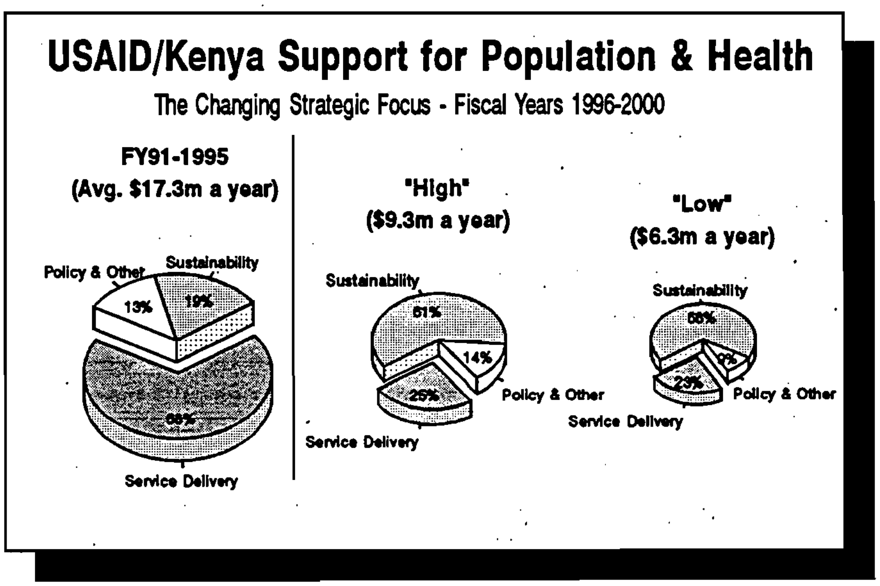
Overall Strategy

As stated in the opening of this section, the USAID PH strategy for Kenya has involved balancing two strategic priorities:

- **Service delivery:** meeting *immediate needs*; and
- **Sustainability:** strengthening the delivery system to meet *future needs*.

The service delivery priority is shorter-term and present-oriented with significant people-level impact attributable directly to USAID. Meanwhile, the sustainability priority is longer-term and future-oriented with USAID's connection to people-level impact less direct.

The service delivery priority emphasizes subsidization of the direct costs of services to meet current demand. On the other hand, the sustainability priority emphasizes support to develop the policies, personnel, systems, and organizations necessary to sustain services over the long haul with local resources.



But now, the prospect of sudden and severe budget cuts force tough choices between these two priorities. With such low funding levels, it is imperative to protect the investment in family planning and health USAID has made over the past two decades. For that reason, the Mission feels it necessary to heighten its emphasis on sustainability. If annual population and health resource levels drop from $17-$20 million to $6.3-$9.3 million, the relative allocation of resources will shift from roughly two-thirds devoted to service delivery to roughly two-thirds devoted to sustainability. USAID will, therefore, focus more on improving the viability of key NGO service providers, selected public sector service delivery support systems (e.g. training, supervision, logistics), and the national cost-sharing program.

Rationale

The relative shift in focus to sustainability in USAID/Kenya's Population and Health program makes sense because:

- The continued high degree of uncertainty surrounding the future of the USAID program in Kenya and the extent of imminent budget cuts make rapid progress on sustainability urgent to ensure the large U.S. Government investment to date is not dissipated.

- USAID has had a long and productive partnership with key Kenyan NGOs and key Ministry of Health departments, and it has a responsibility to improve the viability of these organizations and systems before it may be forced to depart the scene.

- USAID has a comparative advantage among donors to achieve results in sustainability, particularly with respect to the national health care financing program.

- An emphasis on sustainability responds to concerns expressed by Kenyan colleagues throughout the prolonged population and health planning process and is firmly-grounded in new Government health policy.

- The time has come for the Government, NGOs, and customers to incrementally assume a larger share of population and health financing responsibility, particularly for family planning.

Although a greater focus on sustainability is forward-looking, over the short-term, some unmet needs may remain unmet. Some "present" impact in terms of pregnancies and HIV infections averted may be lost in exchange for gains in the viability of a system which will be better able to sustain services independently and meet future needs. This is a trade-off USAID will have to accept given the current proposed funding levels.

PH Strategy Under the "High" Budget Parameter

Resources and Strategic Objective

With $9.3 million annually, the USAID/Kenya Population and Health strategic objective is to increase the sustainability of the family planning and HIV/AIDS service delivery system. Under both "High" and "Low" scenario, the Mission's new consolidated APHIA program will be the mechanism for financing all USAID activities in the sector related to the achievement of this objective. APHIA was designed to facilitate the transition to reengineering and to enable obligation by strategic objective. Implementation under APHIA is expected to include an institutional contract for health care financing and sustainability activities; field support to selected cooperating agencies for service delivery, policy work, logistics, training, and supervision; direct grants to Kenyan NGOs and U.S. private voluntary organizations for service delivery; and operating year budget transfers for contraceptive procurement. Through APHIA, USAID will address public sector needs, but no USAID funds will go directly to the Government.

Intermediate Results and Illustrative Approaches

To attain the strategic objective USAID will plan to achieve six Intermediate Results:

Intermediate Result #1:

Increase non-USAID donor assistance for family planning and HIV/AIDS prevention and improve the effectiveness of donor coordination by:

- Intensifying collaboration with the Government of Japan and JICA under the U.S.-Japan Common Agenda/Global Issues Initiative on Population and AIDS and to plan and launch "Common Agenda" partnership initiatives with the European Union and the German Government;
- Intensifying coordination with the Government and World Bank to increase World Bank disbursements for long-pending, agreed-upon family planning and AIDS/HIV commodity procurement;
- Intensifying participation in the population and health donors group to obtain consensus on priority policy issues and conditionality, better utilize donors' collective leverage, and rationalize external assistance;
- Continuing to play a lead role in the design of the new United Nations AIDS program (UNAIDS) in Kenya; and
- Intensifying advocacy for the establishment of a Vaccine Independence Initiative to stabilize the financing and supply of these essential child survival commodities.

Intermediate Result #2:

Increase public sector financial resources for family planning and HIV/AIDS. Approaches include:

- Decentralizing, improving, and expanding the national cost-sharing program to increase revenue to $9 million annually – from 25 to 50 percent of potential revenue;

- Strengthening capacity of District Health Management Teams and Boards to assume primary responsibility for many essential cost-sharing management functions;

- Intensifying advocacy for an increase in Government funding for child survival in absolute terms and as a percentage of the overall health budget; and

- Establishing and contributing to the capitalization of a revolving fund for contraceptives and other key public health commodities.

Intermediate Result #3:

Increase organizational capacity and self-sufficiency of selected private sector family planning and HIV/AIDS service providers. Approaches include:

- Improving cost-effectiveness and management efficiency;

- Establishing and strengthening marketing capacity; and

- Establishing and strengthening cost recovery capacity (e.g. fees-for-service; the establishment of endowment funds; launching of managed care schemes).

Intermediate Result #4:

Strengthen key family planning and HIV/AIDS service delivery support systems. The main approach will be to institutionalize centrally-coordinated logistics, training, and supervision systems.

Intermediate Result #5:

Identify, disseminate and implement policies and program approaches promoting cost-effective, sustainable family planning and HIV/AIDS services. The main approach will be to intensify technical assistance, policy dialogue and donor coordination to ensure lessons learned, best practices, research findings, and survey and surveillance data are incorporated into policy and applied to service delivery programs.

Intermediate Result #6:

Selected NGOs and cooperating agency sub-grantees will provide family planning and HIV/AIDS services.

PH Strategy under the "LOW" Budget Parameter

Resources and Strategic Objective

With $6.3 million annually, the USAID PH strategic objective would remain the same – to increase the sustainability of the family planning and HIV/AIDS service delivery system.

Intermediate Results and Illustrative Approaches

USAID/Kenya believes that a sudden 66 percent reduction in the size of the USAID/Kenya Population and Health program would be counterproductive to our customers, and if such a reduction should occur, we would hope it would be short-lived. Therefore, the strategy under the "low" scenario is to protect and maintain the core of the program (like a lungfish in the dry season) and to retain activities where USAID has the greatest comparative advantage and the highest level of confidence in successful outcomes. Therefore, five of the six Intermediate Results under the "high" scenario would be maintained, though indicators would expectedly show less impact.

The Tradeoffs – What We Will Lose Under Both Budget Scenarios

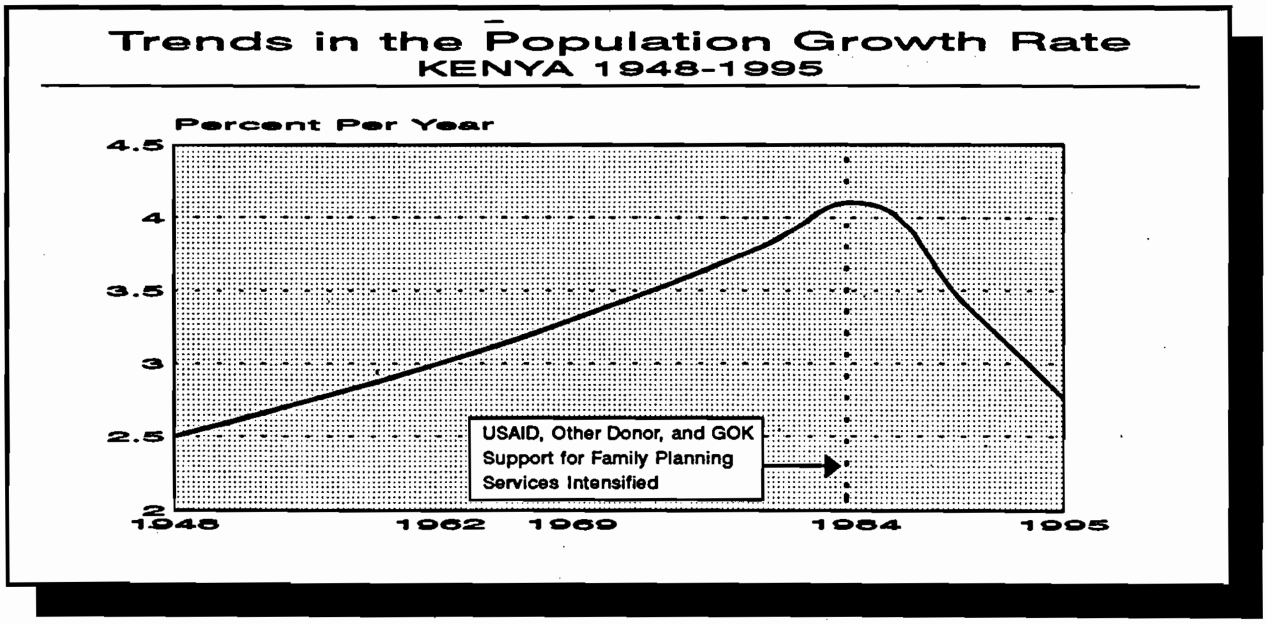
Moving from $17-20 million a year funding levels to $9.3 million ("High") and $6.3 million ("Low") will entail sudden and deep cuts in support for family planning and HIV/AIDS prevention services in Kenya.

Family Planning and HIV/AIDS

The USAID/Kenya's proportion of total costs of the national family planning service delivery program would decline from one-half to one-fifth. Support for service delivery will be summarily reduced by $15 million annually compared to pre-fiscal year 1996 levels.

USAID support for the following program elements and related cooperating agencies has been or will be terminated or sharply curtailed: condom and IUD procurement; training, supervision, and quality control (INTRAH, JHPIEGO, and AVSC); Information, Education, and Communication (JHU/PCS); family planning management development (FPMD/MSH); HIV/AIDS prevention (FHI and ATSP); clinical and applied research (FHI and the Population Council); private sector service delivery (JSI); direct USAID service delivery grants to three Kenyan NGOs (FPAK, Chogoria, and CHAK); and Pathfinder and ACESS/CEDPA service delivery sub-grants to eight Kenyan NGOs and parastatals.

The short-term strategy to weather cuts and buy time to implement longer-term sustainability strategies is to shift selected service providers from USAID to other donor funding. USAID/Kenya has been giving donor coordination very high priority and some progress has been made. The British ODA and USAID jointly fund the condom social marketing program. The



Government is poised to assume much greater responsibility for the purchase of World Bank-funded commodities urgently needed for family planning and HIV/AIDS prevention. The Government of Japan is contemplating support for an expanded population and health program complementary to that of USAID. However, the suddenness of the cuts has not allowed USAID the time to line-up other donors. It is risky to assume other donor support will be available when it is needed to continue services without interruption.

The implications of not securing alternate financing for USAID-funded services are exceedingly difficult to forecast. However, given the extent of Kenya's reliance on USAID for service delivery support, the following "losses" are conceivable:

1. There may be no expansion or a slower expansion in the supply of family planning and HIV/AIDS prevention services. Unmet needs may remain unmet and will increase.

2. The rate at which fertility and population growth rates are falling in Kenya may slow with a concomitant reduction in related health and economic benefits.

3. USAID's waning leadership and leverage in the sector may be weakened further. Our ability to influence Government health policy may be diminished, further constraining access to services.

4. Kenya's model program may be tarnished and no longer as attractive to the region as a source of innovation and hope.

5 The region may lose critically-needed Nairobi-based technical capability as USAID cooperating agencies downsize or close.

6. USAID may lose an important success story in Africa.

Child Survival

USAID's main contribution to child survival in Kenya has been through support for three critical strategies – increasing contraceptive use, reducing HIV transmission, and increasing local funding for child survival through the national cost-sharing program. In addition, USAID/Washington-funded Child Survival and Matching Grant programs have long-played an important complementary role.

USAID will continue selected Global and regionally-funded child survival activities, such as the training of health workers in the use of World Health Organization and UNICEF Integrated Case Management algorithms for diagnosis and treatment of sick children and the field testing of promising malaria prevention and case management interventions.

Given the importance of family planning and HIV prevention to child survival, the reduction in USAID support for service delivery may have an adverse effect on child survival. In addition, all future BHR/PVC Washington-funded Child Survival and Matching Grant health programs have been suspended in Kenya due to the requirement they be included in the USAID/Kenya operating year budget.

Technical Leadership

Under both "high" and "low" parameters it is vitally important to maintain adequate population and health technical staff in-country. Implementation of re-directed population and health strategies is, if anything, more labor intensive, particularly with respect to:

1. **Policy Dialogue:** The success and sustainability of family planning and HIV/AIDS programs in Kenya relies to a large extent on reforms in the health sector. USAID must continue to work outside our traditional focus on family planning and HIV/AIDS. We also must remain actively engaged on the broad policy reform dialogue, which shapes the context in which these programs are implemented, and the infrastructure on which they depend.

2. **Technical Assistance:** USAID/Kenya's collective technical and implementation capability is unparalleled. USAID will fully exploit this capability and offer technical assistance for family planning, HIV/AIDS prevention, health care financing/sustainability and other related areas where USAID has comparative advantage.

3. **Coordination:** The APHIA strategy consolidates bilateral, regional, and central activities. With 14 cooperating agencies and contractor partners with

implementation roles under the strategy, and with the 17 key donors in the sector, achieving results will require close coordination. USAID must also continue its lead role in brokering financing of key public health commodities and key child survival programs, notably the expanded program of immunization.

4. **Disseminating Lessons Learned Regionally:** The USAID/Kenya Office of Population and Health is well positioned to support the Greater Horn of Africa Initiative, particularly in objectives related to reducing population growth, controlling the AIDS epidemic, development of regional partnerships, and the improvement of regional capacity to undertake technical and sectoral analyses for policy dialogue. Countries in the region are currently grappling with public health service delivery and financing problems, which Kenya has found answers under U.S. Government and USAID-funded programs. The utilization of lessons being learned here in Kenya on priority public health areas will undoubtably be of benefit the Greater Horn countries. (These are detailed in Annex 1 - Greater Horn of Africa Initiative.)

Postscript: Speed Kills

The rapidity of the budget cuts have greatly accelerated the sustainability timetable. Phase-out periods for long-time USAID grantees have been highly condensed. NGO graduation from USAID funding is pressured and, for some, premature. At this rate, there will likely be some mortality among USAID cooperating agencies and Kenyan NGO partners.

In an ideal world, more Global Bureau field support over the next five years would lessen the shock on service providers, ensure that family planning program momentum is maintained, and increase the chances USAID will leave Kenya an immensely important legacy – a viable family planning and HIV/AIDS service delivery system which can meet the needs of future generations. The following two tables summarize the costs of the reduced budget scenarios for population and health.

TABLE 1: Budget Parameters and Strategic Choices for USAID Population and Health Program in Kenya

BUDGET SCENARIO	STRATEGIC OBJECTIVE	RESULTS	LOSSES
CONSTANT **FY1991-95 $90-$100m; $18-20m/yr.**	Decrease national fertility and HIV/AIDS high-risk behavior.	1. Decrease TFR. 2. Increase CPR. 3. Percent of men reporting two or more partners decreases.	
HIGH **Fiscal Years 1996-2000 $46.5m; $9.3m/ year.**	Increase sustainability of FP and HIV/AIDS service delivery system.	1. Non-USAID donor assistance for FP and HIV/AIDS increased. 2. Public sector financial resources for FP and HIV/AIDS increased. 3. Organizational capacity and self-sufficiency of selected private sector FP and HIV/AIDS service providers increased. 4. Key FP and HIV/AIDS service delivery support systems strengthened. 5. Policies and programmatic approaches promoting FP/HIV/AIDS services identified, disseminated and implemented. 6. FP & HIV/AIDS services provided by selected NGOs and CA's sub-grantees.	1. Reduced TFR not directly attributable to USAID. 2. Number of service delivery sites reduced. 3. Reduction in funding for HIV/AIDS prevention. 4. Operations research eliminated. 5. Social marketing terminated early. 6. Four Cooperating Agencies must close country activities. 7. Private sector FP project terminated early. 8. Support to national IEC eliminated.
LOW **Fiscal Years 1996-2000 $31.5m; $6.3m/year.**	SAME AS HIGH SCENARIO	INCLUDES ONLY #1-4 ABOVE The low scenario supports a maintenance level program. Programmatic impact is reduced.	IN ADDITION TO #1-8 ABOVE: 9. Support to national FP training eliminated. 10. Institutional support to NGOs reduced. 11. FP/AIDS policy work eliminated. 12. Funding for FP service delivery further reduced. 13. DHS III dropped. 14. Reduced PH staff.

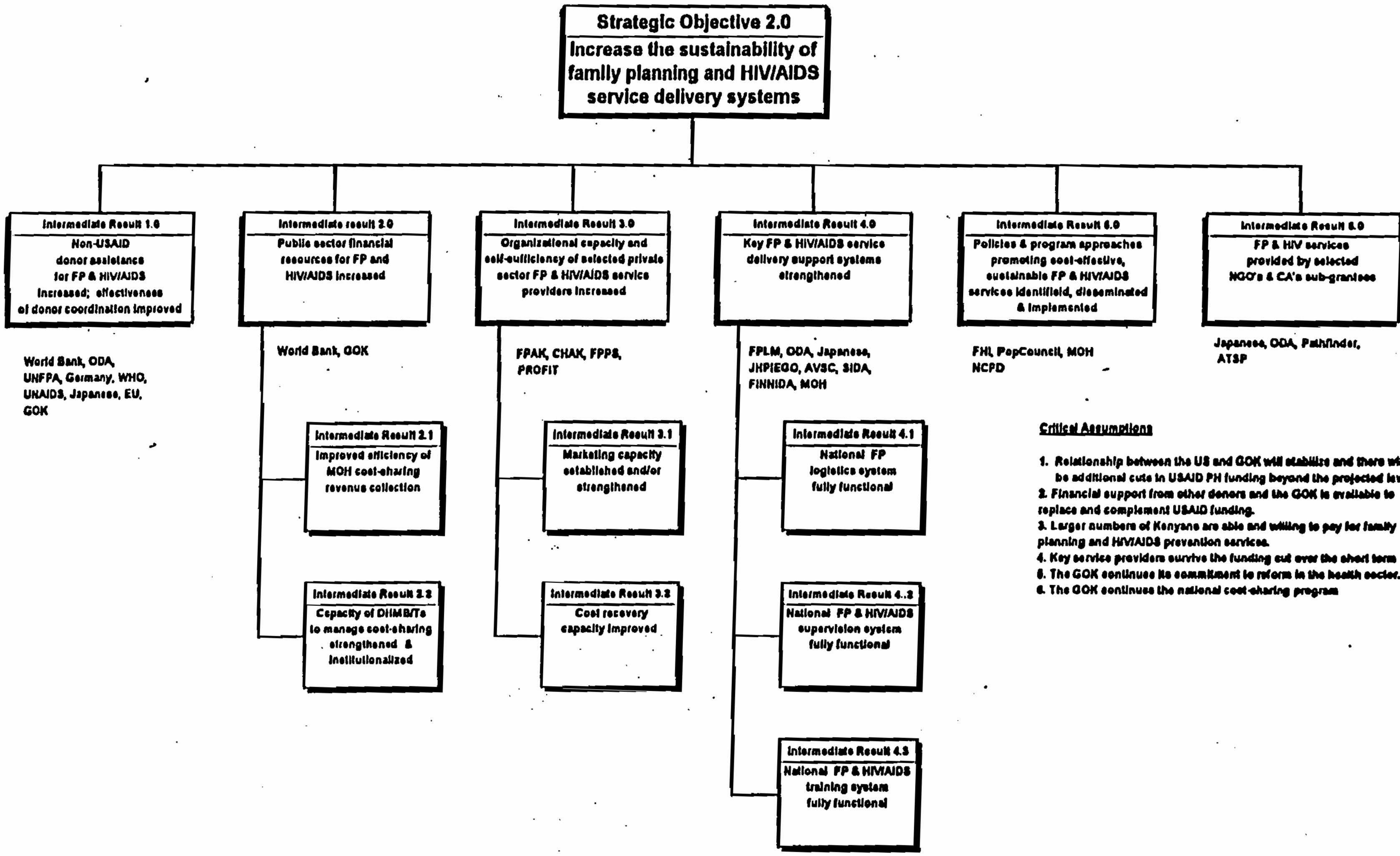
TABLE 2: Reductions and Early Terminations in USAID Support for Family Planning and Hiv/Aids Service Delivery FY 1996-2000

COOPERATING AGENCY	ACTIVITY	STATUS
CPSD	Procurement of IUCDs.	Reduced by $1.6 million to $900,000.
PCS	Technical assistance for national IEC program.	Terminate in FY 1997-98.
JHPIEGO	Technical assistance for national FP/HIV/AIDS training.	Reduced by $1 million.
AVSC	Technical assistance for national VSC and FP supervision.	Reduced by $550,000.
AIDS Tech. Support Project	Technical assistance for national AIDS control.	Reduced by $500,000.
ACCESS (CEDPA)	Sub-grants to FLPS and Kibiro Kawangware.	Reduced from $2 million to $300,000; terminate in 1997.
FPAK	The major private sector service provider.	Reduced by $800,000 with no funding beyond 1996.
CHAK	Sub-grants to 21 mission service providers.	Reduced by $300,000 with no funding beyond 1996.
PCEA Chogoria	Major service provider; long-standing USAID grantee.	Reduced by $150,000 with no funding beyond 1996.
Pathfinder Inernational.	Sub-grants to 9 service providers:	Reduce from $6 to $4.4 million.
	. MWYO (Nat'l CBD);	Retain.
	. CPK Eldoret (Nat'l CBD);	Retain.
	. CPK Maseno (Nat'l CBD);	Retain.
	. Nairobi City Com. Services;	Terminate.
	. Kenya Medical. Assoc. Training;	Terminate.
	. Mkomani Clinic;	Terminate.
	. Egerton U. Counseling;	Terminate.
	. Kenyatta U. Counseling;	Terminate.
	. KNH High-risk Clinic.	Terminate.
	Technical assistance for public/private sector FP/HIV/AIDS program integration.	No funding beyond 1997.

TABLE 2: Reductions and Early Terminations in USAID Support for Family Planning and Hiv/Aids Service Delivery FY 1996 - 2000
(continued)

COOPERATING AGENCY	ACTIVITY	STATUS
Private Sector Family Planning II	Sub-grants to 78 NGO service providers.	Reduced by $1.4 million; no funding beyond 1997.
Population Council	Contraceptive technology/FP operations research.	Reduced by $3.95 million to $300,000; no funding beyond 1997.
FHI	Technical assistance in contraceptive/FP research.	Reduced by $1.7 million to $300,000; no funding beyond 1997.
POLICY	Technical assistance in demographic and policy research and decision-making.	Reduced from $1 million to $750,000.

Results Framework for Strategic Objective 2.0 ($ 18.0m)



Critical Assumptions

1. Relationship between the US and GOK will stabilize and there will not be additional cuts in USAID PH funding beyond the projected level.
2. Financial support from other donors and the GOK is available to replace and complement USAID funding.
3. Larger numbers of Kenyans are able and willing to pay for family planning and HIV/AIDS prevention services.
4. Key service providers survive the funding cut over the short term
5. The GOK continues its commitment to reform in the health sector.
6. The GOK continues the national cost-sharing program

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0 "HIGH" BUDGET SCENARIO ($18 million)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Strategic Objective: **Increase the sustainability of family planning and HIV/AIDS service delivery systems.**	a. Increased external grant and loan resources for FP and HIV/AIDS (GOK and donor inventory).	a. Other donor assistance for FP will increase by 10 percentage points, including commodities, as a proportion of total FP expenditures (baseline TBD). Other donor assistance for HIV/AIDS expenditures will increase by 5 percent a year.	a. Annual Reports from Donors.
	b. Annual MOH cost-sharing revenue increased.	b. $3.6 million (GOK 94/95) to $7.2 million.	b. Annual reports from the GOK/MOH.
	c. Financial sustainability attained by selected USAID-assisted family planning service providers increased.	c. Increase non-donor funding to at least 55 percent of operating budget (baseline TBD).	c. Annual Audited Financial Reports.
	d. Measurable improvements in the quality of public and private reproductive health services.	d. Improvements in client satisfaction with services.	d. Situation analyses, special surveys, and COPE assessment data.
	e. Modern Contraceptive Prevalence Rate increased.	e. From 23 percent modern methods to 31 percent.	e. Kenya Demographic Health Survey, 1997.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 1.0: **Non-USAID external assistance for FP and HIV/AIDS service delivery increased, and effectiveness of donor coordination improved.**	a. Government of Japan and World Bank expenditures for "parallel" FP and HIV/AIDS activities increased.	a. 30 percent increase in Japanese expenditures and 70 percent increase in actual vs. planned World Bank expenditures.	a. USAID-financed donor inventories and regular donor meetings.
	b. Non-USAID donor financing for FP service delivery NGOs previously funded by USAID increased.	b. Increase other donor funding by 25 to 50 percent.	b. USAID-financed donor inventories and annual audited NGO financial reports.
	c. GOK multi-year financing plans for FP and HIV/AIDS programs developed.	c. National Implementation Plan HIV/AIDS Sessional Paper and Health Policy Reform Implementation Plan formally released.	c. GOK policy statements, documents, and reports.
	d. GOK revolving fund(s) established for procurement of key FP and HIV/AIDS commodities.	d. GOK providing 45 percent or more of Contraceptive Independence Initiative financing requirements.	d. MOH Planning Unit budget analyses.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 2.0: **Public sector financial resources for FP and HIV/AIDS increased.**	a. Annual public sector cost-sharing revenue increased.	a. Increased from the equivalent of 14 percent (GOK 94/95) to 25 percent of the MOH non-wage recurrent budget.	a. HCF Secretariat Facility Improvement Fund (Public sector fees for service and National Hospital Insurance Fund revenue) revenue reports, and institutional contractor reports.
	b. GOK funding (recurrent and development) for P/PHC increased.	b. Increase from 25 to 35 percent.	b. MOH Planning Unit data and GOK Printed Estimates.
Intermediate Result 2.1: **Improved efficiency of MOH cost-sharing revenue collection.**	a. Efficiency in collecting cost-sharing revenue increased.	a. Increased from 25 percent (GOK 94/95) to 50 percent of estimated potential.	a. HCF Secretariat quarterly reports.
	b. Cost-sharing revenue allocated for P/PHC at local level increased.	b. Increased from $909,000 to $1.8 million.	b. HCF Secretariat and institutional contractor progress reports.
Intermediate Result 2.2: **Capacity of DHMB/Ts to manage cost-sharing strengthened and institutionalized.**	a. DHMT/Bs will assume primary responsibility for key cost-sharing related activities ranging from reporting/monitoring to supervising cost-sharing at the district level.	a. 50 percent of DHMT/B's effectively overseeing district-level cost-sharing activities.	a. HCF Secretariat and institutional contractor progress reports.
	b. Appropriate DHMT/B control and use cost-sharing as mandated increased.	b. 90 percent of FIF revenue programmed according to MOH guidelines.	b. HCF Secretariat and institutional contractor progress reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 3.0: **Organizational capacity and self-sufficiency of selected private sector FP and HIV/AIDS service providers increased.**	a. Facilities with fully functional financial management systems in place (encompassing the capacity to conduct cost-efficiency, marketing and client satisfaction analyses) increased. b. Endowments established with selected NGOs.	a. Ten facilities. b. Two NGO endowments in place and solvent.	a. Institutional contractor progress reports. b. Institutional contractor progress reports and NGO annual audit financial reports.
Intermediate Result 3.1: **Marketing capacity established and/or strengthened.**	a. Fully functioning NGO national level marketing strategies and in-house marketing units increased.	a. Two national FP service delivery NGOs' in place.	a.Institutional contractor progress reports.
Intermediate Result 3.2: **Cost recovery capacity improved.**	a. Fees for service in selected service delivery sites and for selected services introduced by NGOs. b. Operational managed care schemes developed at health and family planning NGOs.	a. Fees for service generating more than 30 percent of the operating budget for two national FP NGOs. b. Pre-paid managed care schemes in three health/FP NGOs.	a. Institutional contractor progress reports. b. Institutional contractor progress reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 4.0 **Key FP and HIV/AIDS service delivery support systems strengthened.**	a. MOH Logistics Unit coordinates national contraceptive forecasting and projections. b. Contraceptive supplies maintained adequately. c. National supervisory structure for all levels of service delivery defined and implemented by MOH.	a. Annual donor meetings held. b. 90-95 percent adequacy at 80 percent of SDPs. (Adequacy defined as 3 months plus stock on-hand of low-dose oral contraceptives, condoms, and injectables.) c. District supervisory teams from X to Y (baseline TBD).	a. Meeting minutes. b. LMIS and FPLM reports. c. AVSC reports.
Intermediate Result 4.1: **National FP logistics system fully functional.**	a. Contraceptive supplies maintained at the service delivery points. b. USAID-funded private sector providers routinely receiving FP equipment and supplies from the Rural Health Logistics Unit increased.	a. 90 percent adequacy level at 80 percent of SDPs. b. Increased 100 percent (baseline TBD).	a. LMIS reports. b. LMIS report and AVSC reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 4.2: **National FP and HIV/AIDS supervision system fully functional.**	a. Innovative techniques and methods for strengthening supervision of integrated maternal and child health, family planning and STD prevention services introduced at public and private service delivery points (e.g. COPE, In-Reach) increased.	a. SDP's in which innovative techniques are introduced from X to Y (baseline TBD).	a. AVSC reports.
Intermediate Result 4.3: **National FP and HIV/AIDS training systems fully functional.**	a. Selected pre-service teaching institutions will add integrated reproductive health training to their curricula. b. National integrated in-service training Manpower Information and Planning System developed. c. Selected RHTCs converted to permanent residential facilities for integrated reproductive health training and implementing cost-recovery plans for financial self-sufficiency.	a. Curricula revisions implemented in three pre-service medical facilities. b. Semi-annual manpower reports generated. c. Four residential integrated training centers fully operating.	a. JHPIEGO reports. b. JHPIEGO reports. c. JHPIEGO reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Results 5.0: **Policies and program approaches promoting cost-effective, sustainable FP and HIV/AIDS services identified, disseminated and implemented.**	a. Capacity of FP/HIV/AIDS service providers to utilize lessons learned from operations research evaluations (e.g. Pop Council Situation Analyses) to inform programmatic choices and implementation increased.	a. Development of and active participation in the Cooperative Agency Integration Consortium.	a. FP/AIDS integration consortium attendance and meeting records.
	b. Restrictive policies regarding access to HIV/AIDS/FP information and services reduced.	b. 30 percent reduction in restrictive policies (baseline TBD).	b. Media monitoring, GOK policy statements, and routine Cooperating Agency contractor reports.
	c. AIM presentations conducted annually increased.	c. From 125 groups to 250.	c. NASCP reports and Consortium reports.
	d. Selected advocacy groups strengthened to fully participate in formulation of national public health and FP/AIDS policy.	d. Increased by 50 percent (baseline TBD).	d. Quarterly and workshop reports from Cooperating Agencies.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"HIGH" BUDGET SCENARIO ($18 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Results 6.0: **Family planning and HIV/AIDS services provided by selected sub-grantees of NGOs and Cooperating Agencies.**	a. Couple Years of Protection (CYP) increased.	a. Increase from 400,000 to 700,000.	a. DFH FPLM service statistics and 1997 KDHS.
	b. Percent service delivery points providing screening and appropriate treatment for STDs increased.	b. Increased by 50 percent (baseline TBD).	b. Situation analyses (e.g. Pop Council) and surveys.
	c. Condoms sold through the national contraceptive social marketing program increased.	c. From 500,000 a month to 1 million a month.	c. PSI reports and service statistics.
	d. Service delivery sites providing integrated FP/HIV/AIDS services increased.	d. Increased by 50 percent (baseline TBD).	d. Situation analyses and surveys plus routine reporting.
	e. Service delivery sites offering HIV testing and counselling services increased.	e. Five sites (baselineTBD).	e. AIDSCAP reports.

Results Framework for Strategic Objective 2.0 ($ 12.0m)

Strategic Objective 2.0
Increase the sustainability of family planning and HIV/AIDS service delivery systems

Intermediate Result 1.0
Non-USAID donor assistance for FP & HIV/AIDS increased ; effectiveness of donor coordination improved

World Bank, ODA, UNFPA, Germany, WHO, UNAIDS, Japanese, EU, GOK

Intermediate Result 2.0
Public Sector financial resources for FP and HIV/AIDS increased

GOK, World Bank

- **Intermediate Result 2.1**
  Improved efficiency of MOH cost-sharing revenue collection
- **Intermediate Result 2.2**
  Capacity of DHMB/Ts to manage cost-sharing strengthened

Intermediate result 3.0
Organizational capacity and self-sufficiency of selected private sector FP service providers increased

PROFIT, FPAK, CHAK, FPPS

- **Intermediate Result 3.1**
  Marketing capacity established and/or strengthened
- **Intermediate Result 3.2**
  Cost recovery capacity improved

Intermediate Result 4.0
Key FP & HIV/AIDs service delivery support systems strengthened

FPLM, ODA, Japanese, AVSC, SIDA, FINNIDA, MOH

- **Intermediate Result 4.1**
  National FP logistics system fully functional
- **Intermediate Result 4.2**
  National FP & HIV/AIDS supervision system fully functional

Intermediate Result 5.0
FP & HIV services provided by selected NGO's & CA's sub-grantees

Pathfinder, ATSP, Japanese, ODA

Critical Assumptions

1. The relationship between US and GOK will stabilize and there will not be additional cuts in USAID PH funding beyond the projected 60-65%.
2. Financial support from other donors and GOK is available to replace and complement USAID funding.
3. Large nos. of Kenyans are able & willing to for pay FP & HIV/AIDS prevention services
4. Key service providers survive the funding cut over the short term.
5. The GOK continues its commitment to reform in the health sector.
6. The GOK continues the national cost-sharing program.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0 "LOW" BUDGET SCENARIO ($12 million)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Strategic Objective: **Increase the sustainability of family planning and HIV/AIDS service delivery systems.**	a. Increased external grant and loan resources for FP and HIV/AIDS (GOK and donor inventory).	a. Other donor assistance for FP will increase by 10 percentage points, including commodities, as a proportion of total FP expenditures, (baseline TBD). Other donor assistance for HIV/AIDS expenditures will increase by 5 percent a year.	a. Annual reports from Donors.
	b. Annual MOH cost-sharing revenue increased.	b. $3.6 million (GOK 94/95) to $6 million.	b. Annual reports from the GOK/MOH.
	c. Financial sustainability attained by selected USAID-assisted family planning service providers increased.	c. Increase non-donor funding to at least 55 percent of operating budget (baseline TBD).	c. Annual audited financial reports.
	d. Measurable improvements in the quality of public and private reproductive health services.	d. Improvements in client satisfaction with services.	d. Situation analyses, special surveys, and COPE assessment data.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 1.0: **Non-USAID external assistance for FP and HIV/AIDS service delivery increased, and effectiveness of donor coordination improved.**	a. Government of Japan and World Bank expenditures for "parallel" FP and HIV/AIDS activities increased.	a. 30 percent increase in Japanese expenditures and 70 percent increase in actual vs. planned World Bank expenditures.	a. USAID-financed donor inventories and regular donor meetings.
	b. Non-USAID donor financing for USAID-funded FP service delivery NGOs increased.	b. Increase other donor funding by 25 percent to 50 percent.	b. USAID-financed donor inventories and annual audited NGO financial reports.
	c. GOK multi-year financing plans for FP and HIV/AIDS programs developed.	c. National Implementation Plan HIV/AIDS Sessional Paper and Health Policy Reform Implementation Plan formally released.	c. GOK policy statements, documents, and reports.
	d. GOK revolving fund(s) established for procurement of key FP and HIV/AIDS commodities.	d. GOK providing 45 percent or more of Contraceptive Independence Initiative financing requirements.	d. MOH Planning Unit budget analyses.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 2.0: **I.R 2.0 Public sector financial resources for FP and HIV/AIDS increased.**	a. Annual public sector cost-sharing revenue increased.	a. Increased from the equivalent of 14 percent (GOK 94/95) to 25 percent of the MOH non-wage recurrent budget.	a. HCF Secretariat Facility Improvement Fund (Public sector fees for service and National Hospital Insurance Fund revenue) revenue reports and institutional contractor reports.
	b. GOK funding (recurrent and development) for P/PHC increased.	b. Increase from 25 percent to 35 percent.	b. MOH Planning Unit data and GOK Printed Estimates.
Intermediate Result 2.1: **Improved efficiency of MOH cost-sharing revenue collection.**	a. Efficiency in collecting cost-sharing revenue increased. b. Cost-sharing revenue allocated for P/PHC at local level increased.	a. Increased from 25 percent (GOK 94/95) to 35 percent of estimated potential. b. Increased from $909,000 to $1.3 million.	a. HCF Secretariat quarterly reports. b. HCF Secretariat and institutional contractor progress reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 2.2: **Capacity of DHMB/Ts to manage cost-sharing strengthened and institutionalized.**	a. DHMT/Bs will have assumed primary responsibility for key cost-sharing related activities ranging from reporting and monitoring to supervising cost-sharing at the district level.	a. 40 percent DHMT/Bs effectively overseeing district-level cost-sharing activities.	a. HCF Secretariat and institutional contractor progress reports.
	b. Appropriate DHMT/B control and use cost-sharing as mandated increased.	b. 75 percent of Facility Improvement Fund revenue programmed according to MOH guidelines.	b. HCF Secretariat and institutional contractor progress reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 3.0: **Organizational capacity and self-sufficiency of selected private sector FP and HIV/AIDS service providers increased.**	a. Facilities with fully-functional financial management systems in place (encompassing the capacity to conduct cost-efficiency, marketing and client satisfaction analyses) increased. b. Endowments established with NGOs.	a. Seven facilities. b. Two NGO endowments in place and solvent.	a. Institutional contractor progress reports. b. Institutional contractor progress reports and NGO annual audit financial reports.
Intermediate Result 3.1: **Marketing capacity established and/or strengthened.**	a. Fully functioning NGO national level marketing strategies and in-house marketing units increased.	a. Two national FP service delivery NGOs in place.	a. Institutional contractor progress reports.
Intermediate Result 3.2: **Cost recovery capacity improved.**	a. Fees for service in selected service delivery sites and for selected services introduced by NGOs. b. Operational managed-care schemes developed at health and family planning NGOs.	a. Fees for service generating 25 percent plus operating budget for two national FP NGOs. b. Pre-paid managed care schemes in two health/FP NGOs.	a. Institutional contractor progress reports. b. Institutional contractor progress reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

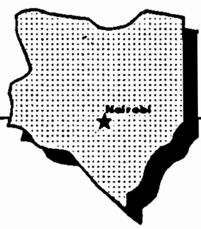
Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 4.0: **Key FP and HIV/AIDS service delivery support systems strengthened.**	a. MOH Logistics Unit coordinates national contraceptive forecasting and projections.	a. Annual donor meetings held.	a. Meeting minutes.
	b. Contraceptive supplies maintained adequately.	b. 90 to 95 percent adequacy at 65 percent of SDPs. (Adequacy defined as 3 months plus stock on-hand of low-dose oral contraceptives, condoms, and injectables)	b. LMIS and FPLM reports.
	c. National supervisory structure for all levels of service delivery defined and implemented by MOH.	c. District supervisory teams from X to Y (baseline TBD).	c. AVSC reports.
Intermediate Result 4.1: **National FP logistics system fully functional.**	a. Contraceptive supplies maintained at the service delivery points.	a. 90 percent adequacy level at 80 percent of SDPs.	a. LMIS reports
	b. USAID-funded private sector providers routinely receiving FP equipment and supplies from the Rural Health Logistics Unit increased.	b. Increased 75 percent (baseline TBD).	b. LMIS report and AVSC reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 4.2: **National FP and HIV/AIDS supervision system fully functional.**	a. Innovative techniques and methods for strengthening supervision of integrated maternal and child health, family planning and STD prevention services introduced at public and private service delivery points (e.g. COPE, In-Reach) increased.	a. SDPs in which innovative techniques are introduced from X to Y (baseline TBD).	a. AVSC reports.

PERFORMANCE INDICATORS AND TARGETS FOR STRATEGIC OBJECTIVE 2.0
"LOW" BUDGET SCENARIO ($12 million) (continued)

Strategic Objective and Intermediate Results	Performance Indicators	Performance Target (1996-2000)	Data Source
Intermediate Result 5.0: **Family planning and HIV/AIDS services provided by selected NGOs and CAs' sub-grantees.**	a. Couple Years of Protection (CYP) increased.	a. Increase from 400,000 to 550,000.	a. DFH FPLM service statistics and 1997 KDHS.
	b. Percentage service delivery points providing screening and appropriate treatment for STDs increased.	b. Increased by 25 percent (baseline TBD).	b. Situation analyses (e.g. Pop Council) and surveys.
	c. Condoms sold through the national contraceptive social marketing program increased.	c. From 500,000/month to 1 Million/month.	c. PSI reports and service statistics.
	d. Service delivery sites providing integrated FP/HIV/AIDS services increased.	d. Increased by 25 percent (baseline TBD).	d. Situation analyses and surveys plus routine reporting.
	e. Service delivery sites offering HIVtesting and counselling services increased.	e. Three sites (baselineTBD).	e. AIDSCAP reports.



Part III

USAID/Kenya Strategic Plan - 1996-2000

Estimated Resource Requirements to Achieve Mission Objectives

This section provides estimated resource requirements needed to achieve the results described in the Strategic Plan. The Resource Requirement for the Kenya Mission is largely driven by the three scenarios outlined in the parameters cable from the Africa Bureau.

Table 1 shows the current fiscal year 1996 staffing pattern for USAID/Kenya with a total work force, including USDH, USPSCs, and FSNs of 208. Sixty one percent of the total Mission staff are in the executive office, which supports the entire USAID complex including the Kenya Mission, REDSO/ESA, RIG/A, RIG/I, Sudan, and Somalia. The operating expense requirements are exceptionally high because the Kenya Mission bears all the executive office costs.

Two FTE options (8 and 10) are presented in Tables 2 and 3 for the $18 million budget scenario. At the low scenario of $12 million, an FTE level of 5 is laid out in Table 4.

Table 5 describes the Break Through Scenario, which is based on an annual operating year budget (OYB) of $25 million. At this level of funding, the Mission will focus on three strategic objectives. Depending on the final analysis of the Mission Management Assessment (e.g. which sections of the Mission will be moved to REDSO/ESA), the Mission estimates the FTE level at 12 with the assumption that the executive office (where most of the OE resources are concentrated) will still be a part of the USAID/Kenya Mission.

Tables 6-8 show the allocation of the OYB by strategic objective.

Tables 9-11 summarize planned budget allocations by Agency goals and by USAID/Kenya strategic objectives over the period of the Country Strategic Plan. The tables indicate how investments in Kenya fit Agency priorities. The first two fiscal years, 1996 and 1997, are characterized in some detail. Out years cannot be projected with confidence since performance in achieving results and the outcome of the Break Through Scenario will determine the pattern of future investment.

Table 12 shows technical support from AID/Washington by strategic objective for the five-year period.

Table 13 shows fiscal year 1995 cumulative disbursements for USAID Kenya program funds. The USAID/Kenya portfolio was designed in a way that only minimum funds are channelled through the Government. The program works primarily with non-governmental organizations and the private sector. In 1994, about 95 percent of disbursements went directly to PVOs/NGOs and private firms. In 1995, the figure went down to 87 percent because of the disbursement of $2 million in non-project assistance (fiscal year 1989 funds) for the Kenya Health Care Finance Program.

The Kenya Mission program funding does not include any additive Global Bureau funds during the five-year plan period. And since the Mission's funding has not been set, the Mission has not yet determined how much of OYB will be used to purchase field support from the Global Bureau.

In addition to the above resource requirement tables, we have included tables showing Population and Health sector resource request. Table 15 shows illustrative budget by intermediate results for both high and low scenarios. Table 16 shows detailed funding by intermediate results and implementing partners.

TABLE 1: USAID/KENYA CURRENT STAFFING REQUIREMENT, FY1996 (CURRENT STAFFING LEVEL - 12 FTEs)

Office	USDH	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	2	1	0	1	0	4
Office of Strategic Planning and Participation (OSPP)						
(a) Program/Projects Support	1	0	0	9	0	10
(b) D/G and PVO	1	0	1	2	6	10
Office of Population and Health (OPH)	2	0	3	6	4	15
Agriculture Business and Environmental Office (ABEO)	3	0	1	9	6	19
Controllers Office (CONT)	1	1	0	21	0	23
Executive Office (EXO)	2	4	0	121	0	127
Grand Totals:	12	6	5	169	16	208

OE Requirement for FY96: $ 5.9 million

The above table shows the current staffing pattern of USAID/Kenya. The FTE level shows 12 USDH currently on board and excludes 2 vacant positions. If the 2 vacant positions are taken into account, the total FTE would be 14.

TABLE 2: USAID/KENYA STAFFING REQUIREMENTS, FY1997 THRU FY2000 (PROPOSED $18 MILLION SCENARIO - 10 FTEs)

Office	USDH	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	1	1	0	1	0	3
Office of Strategic Planning and Participation (OSPP)						
(a) Program/Project support	1	0	0	9	0	10
(b) D/G and PVO	1	0	1	2	6	10
Office of Population and Health (OPH)	2	0	3	6	4	15
Agriculture Business and Environmental Office (ABEO)	2	0	1	9	6	18
Controllers Office (CONT)	1	0	0	13	0	14
Executive Office (EXO)	2	4	0	121	0	127 -Not ?
Grand Totals:	10	5	5	161	16	197
IDI Democracy/Governance*	1					

impossible

OE Requirement for this scenario:	FY97	FY98	FY99	FY2000
($ millions)	6.7	7.8	9.1	10.6

In this scenario, the Mission projects 10 USDH employees and a total of 5 USPSC to implement the proposed program of $18 million. The issues associated with the above requirements are as follows:

With 10 USDH FTE, the Mission assumes the voucher payment section of the Controllers Office will be moved to REDSO/ESA as recommended in the recent Mission Management Assessment. The Executive Office serves the entire Mission complex support services. The deputy director position is eliminated at the 10 FTE level, as is the project development officer position. An inflation factor of 17 percent is used in each table.

*A FTE for an IDI is carried by Washington; OE levels reflect the additional cost. Washington pays $25,000 every year towards the IDI costs.

TABLE 3: USAID/KENYA STAFFING REQUIREMENTS, FY1997 THRU FY2000 (PROPOSED $18 MILLION SCENARIO - 8 FTEs)

Office	USDH	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	1	1	0	1	0	3
Office of Strategic Planning and Participation (OSPP)						
(a) Program/Project Support	1	0	0	9	0	10
(b) D/G and PVO	1	0	1	2	6	10
Office of Population and Health (OPH)	2	0	3	6	4	15
Agriculture Business and Environmental Office (ABEO)	2	0	1	9	6	18
Controllers Office (CONT)	1	0	0	6	0	7
Executive Office (EXO)	0	0	0	0	0	0
Grand Totals:	8	1	5	33	16	63
IDI Democracy/Governance*	1					

OE Requirement for this Scenario:	FY97	FY98	FY99	FY2000
($millions)	2.5	2.9	3.4	4.0

The staffing requirements is based on the minimum FTE requirement for an annual OYB of $18 million. This reorganization reflects Mission realignment to increase FTEs for program implementation and technical leadership. The Controllers Office in this scenario is scaled as recommended in the Mission Management Assessment. Both the voucher and accounting section of the Controllers Office consisting of 1 USPSC and 15 FSNs will be part of REDSO/ESA. At 8 FTEs, the entire EXO operation shifts to REDSO.

*A FTE for an IDI is carried by Washington; OE levels reflect the additional cost. Washington pays $25,000 every year towards the IDI costs.

TABLE 4: USAID/KENYA STAFFING REQUIREMENTS, FY1997 THRU FY2000 (PROPOSED LOW SCENARIO - 5 FTEs)

Office	USDH	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	1	1	0	1	0	3
Office of Strategic Planning and Participation (OSPP)						
(a) Program/Project Support	1	0	0	9	0	10
(b) D/G and PVO	0	0	1	2	6	9
Office of Population and Health (OPH)	1	0	2	6	4	13
Agriculture Business and Environmental Office (ABEO)	1	0	0	9	6	16
Controllers Office (CONT)	1	0	0	6	0	7
Executive Office (EXO)	0	0	0	0	0	0
Grand Totals:	5	1	3	33	16	58
IDI Democracy/Governance*	1					

OE Requirement for this Scenario: ($millions)	FY97	FY98	FY99	FY2000
	2.2	2.6	3.0	3.5

Based on an annual OYB of $12 million with two strategic objectives and one special objective, the Mission will require minimum of 5 USDH. Under this reduced FTE scenario, Mission assumes the Executive Office will be part of REDSO/ESA. This should enable the Mission to utilize reduced FTE levels for program implementation and technical leadership. The Mission OE requirements for this scenario are significantly reduced because the management costs of the Executive Office will be part of REDSO/ESA's OE. The Controllers Office will have one USDH and 6 OE funded FSNs. Based on the Mission Management Assessment, both voucher and accounting sections currently in the Controllers Office will be moved to RFMC (REDSO/ESA). *A FTE for an IDI is carried by Washington; OE levels reflect the additional cost. Washington pays $25,000 every year towards the IDI costs.

TABLE 5: USAID/KENYA STAFFING REQUIREMENTS, FY1997 THRU FY2000 (PROPOSED BREAK THROUGH SCENARIO - 12 FTEs)

Office	USDH	OE PSC	PRG PSC	OE FSN	PRG FSN	TOTAL
Director	2	1	0	1	0	4
Office of Strategic Planning and Participation (OSPP)						
(a) Program/Projects Support	2	0	0	9	0	11
(b) D/G and PVO	1	0	1	2	6	10
Office of Population and Health (OPH)	2	0	4	6	4	16
Agriculture Business and Environmental Office (ABEO)	2	0	1	9	6	18
Controllers Office (CONT)	1	0	0	13	0	14
Executive Office (EXO)	2	4	0	121	0	127
Grand Totals:	12	5	6	161	16	200
IDI Democracy/Governance*	1					

OE Requirement for this Scenario: ($million)	FY97	FY98	FY99	FY2000
	6.8	8.0	9.4	11.0

The Break Through Scenario assumes an OYB level of $25 million. In this scenario, the voucher payment section of the Controllers Office is not included. The voucher payment section will be part of REDSO/ESA as recommended in the recent Mission Management Assessment.

* A FTE for an IDI is carried by Washington; OE levels reflect the additional cost. Washington pays $25,000 every year towards the IDI costs.

TABLE 6

HIGH BUDGET SCENARIO: RESOURCE REQUIREMENTS (1996-2000)
($18.0 million)

SPECIAL/STRATEGIC OBJECTIVES	PROJECT	1996	1997	1998	1999	2000
S.O.: EFFECTIVE DEMAND FOR SUSTAINABLE POLITICAL, CONSTITUTIONAL AND LEGAL REFORM CREATED	D/G	1.5	1.5	1.5	1.5	1.7
	PVO Co-Fi	0.5	0.5	0.5	0.5	0.3
	SUBTOTAL	2.0	2.0	2.0	2.0	2.0
S.O.#1: INCREASE COMMERCIALIZATION OF SMALLHOLDER AGRICULTURE	NARP	0.0	2.3	0.0	0.0	0.0
	KMDP	0.2	0.0	0.0	0.0	0.0
	COBRA	0.8	0.4	0.7	0.0	0.0
	MICRO-PED	2.0	1.0	2.5	2.2	1.8
	KEDS	1.0	1.0	1.0	1.5	0.6
	NEW START	2.5	1.8	2.3	2.8	4.1
	SUBTOTAL	6.5	6.5	6.5	6.5	6.5
S.O.#2: INCREASE THE SUSTAINABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS	APHIA	8.8	8.8	9.3	9.3	9.3
	PSFP	0.5	0.5	0.0	0.0	0.0
	SUBTOTAL	9.3	9.3	9.3	9.3	9.3
OTHER	PD&S	0.2	0.2	0.2	0.2	0.2
	HRDA	0.0	0.0	0.0	0.0	0.0
	SUBTOTAL	0.2	0.2	0.2	0.2	0.2
OYB INCLUDING GLOBAL		18.0	18.0	18.0	18.0	18.0
OE			6.7	7.8	9.1	10.6
USDH (no.)		10	10	10	10	10
OE Funded FSN (no.)		161	161	161	161	161
OE Funded USPSC (no.)		5	5	5	5	5
Project Funded USPSC (no.)		5	5	5	5	5
Project Funded FSN (no.)		16	16	16	16	16
Total Staffing Requirement		197	197	197	197	197

Notes: The Kenya Mission program funding does not include any additive G Bureau funds for the five-year Plan. However, the Mission will set aside funds to procure any field support from the G Bureau from the current cap.

TABLE 7

LOW BUDGET SCENARIO: RESOURCE REQUIREMENTS (1996-2000)
($12.0 million)

SPECIAL/STRATEGIC OBJECTIVES	PROJECT	1996	1997	1998	1999	2000
S.O.: EFFECTIVE DEMAND FOR SUSTAINABLE POLITICAL, CONSTITUTIONAL AND LEGAL REFORM CREATED	D/G	1.1	1.5	1.2	1.5	1.7
	PVO Co-Fi	0.9	0.5	0.8	0.5	0.3
	SUBTOTAL	2.0	2.0	2.0	2.0	2.0
S.O.#1: INCREASE COMMERCIALIZATION OF SMALLHOLDER AGRICULTURE	NARP	0.0	0.1	0.0	0.0	0.0
	KMDP	0.2	0.0	0.0	0.0	0.0
	COBRA	0.0	1.6	0.0	0.0	0.0
	MICRO-PED	2.1	1.1	2.3	2.2	1.8
	KEDS	1.2	0.7	1.2	1.3	1.7
	SUBTOTAL	3.5	3.5	3.5	3.5	3.5
S.O.#2: INCREASE THE SUSTAINABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS	APHIA	5.8	5.8	6.3	6.3	6.3
	PSFP	0.5	0.5	0.0	0.0	0.0
	SUBTOTAL	6.3	6.3	6.3	6.3	6.3
OTHER	PD&S	0.2	0.2	0.2	0.2	0.2
	HRDA	0.0	0.0	0.0	0.0	0.0
	SUBTOTAL	0.2	0.2	0.2	0.2	0.2
OYB INCLUDING GLOBAL		12.0	12.0	12.0	12.0	12.0
OE			2.2	2.6	3.0	3.5
USDH (no.)		5	5	5	5	5
OE Funded FSN (no.)		33	33	33	33	33
OE Funded USPSC (no.)		1	1	1	1	1
Project Funded USPSC (no.)		3	3	3	3	3
Project Funded FSN (no.)		16	16	16	16	16
Total Staffing Requirement		58	58	58	58	58

Notes: The Kenya Mission program funding does not include any additive G Bureau funds for the five-year Plan. However, the Mission will set aside funds to procure any field support from the G Bureau from the current cap.

TABLE 8

BREAK THROUGH SCENARIO: RESOURCE REQUIREMENTS (1998-2000) ($25.0 million)

SPECIAL/STRATEGIC OBJECTIVES	PROJECT	1998	1999	2000
S.O.: EFFECTIVE DEMAND FOR SUSTAINABLE POLITICAL, CONSTITUTIONAL AND LEGAL REFORM CREATED	D/G	2.0	2.0	2.0
	PVO Co-Fi	2.0	2.0	2.0
	SUBTOTAL	4.0	4.0	4.0
S.O.#1: INCREASE COMMERCIALIZATION OF SMALLHOLDER AGRICULTURE	NARP	0.0	0.0	0.0
	KMDP	0.0	0.0	0.0
	COBRA	0.7	0.0	0.0
	MICRO-PED	3.4	3.1	2.7
	KEDS	1.7	2.2	1.3
	New Start	2.7	3.2	4.5
	SUBTOTAL	8.5	8.5	8.5
S.O. #2: INCREASE THE SUSTAINABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS	APHIA	12.0	12.0	12.0
	PSFP	0.0	0.0	0.0
	SUBTOTAL	12.0	12.0	12.0
OTHER	PD&S	0.4	0.4	0.4
	HRDA	0.1	0.1	0.1
	SUBTOTAL	0.5	0.5	0.5
OYB INCLUDING GLOBAL		25.0	25.0	25.0
OE		8.0	9.4	11.0
USDH (no.)		12	12	12
OE Funded FSN (no.)		161	161	161
OE Funded USPSC (no.)		5	5	5
Project Funded USPSC (no.)		6	6	6
Project Funded FSN (no.)		16	16	16
Total Staffing Requirement		200	200	200

Notes: The Kenya Mission program funding does not include any additive G Bureau funds for the five-year Plan. However, the Mission will set aside funds to procure any field support from the G Bureau from the current cap.

TABLE 9

ILLUSTRATIVE USAID/KENYA PROGRAM SUMMARY
By Agency Goals and Mission Special/Strategic Objectives
($18.0 million)

Agency Goals USAID/Kenya Special/Strategic Objectives	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment Growth	Building Democracy	Totals
S.O. : EFFECTIVE DEMAND FOR SUSTAINABLE POLITICAL, CONSTI-TUTIONAL AND LEGAL REFORM Dev. Assistance Fund				10.00	10.00
S.O. #1: INCREASE COMMERCIALI-IZATION OF SMALLHOLDER AGRICULTURE Dev. Assistance Fund	30.60		1.90		32.50
S.O. #2: INCREASE THE SUSTAIN-ABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS Dev. Assistance Fund		46.50			46.50
Cross Cutting Issues	0.25	0.25	0.25	0.25	1.00
TOTALS	30.85	46.75	2.15	10.25	90.00

TABLE 10

ILLUSTRATIVE USAID/KENYA PROGRAM SUMMARY
By Agency Goals and Mission Special/Strategic Objectives
($12.0 million)

Agency Goals USAID/Kenya Special/Strategic Objectives	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment Growth	Building Democracy	Totals
S.O. : EFFECTIVE DEMAND FOR SUSTAINABLE POLITICAL, CONSTI-TUTIONAL AND LEGAL REFORM Dev. Assistance Fund				10.00	10.00
S.O. #1: INCREASE COMMERCIALI-IZATION OF SMALLHOLDER AGRICULTURE Dev. Assistance Fund	15.90		1.60		17.50
S.O. #2: INCREASE THE SUSTAIN-ABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS Dev. Assistance Fund		31.50			31.50
Cross Cutting Issues	0.25	0.25	0.25	0.25	1.00
TOTALS	16.15	31.75	1.85	10.25	60.00

TABLE 11

ILLUSTRATIVE USAID/KENYA PROGRAM SUMMARY
By Agency Goals and Mission Special/Strategic Objectives
($12.0 million)

Agency Goals USAID/Kenya Special/Strategic Objectives	Encouraging Economic Growth	Stabilizing Population Growth	Protecting the Environment Growth	Building Democracy	Totals
S.O. : EFFECTIVE DEMAND FOR SUSTAINABLE POLITICAL, CONSTI-TUTIONAL AND LEGAL REFORM Dev. Assistance Fund				12.00	12.00
S.O. #1: INCREASE COMMERCIALI-IZATION OF SMALLHOLDER AGRICULTURE Dev. Assistance Fund	24.80		0.70		25.50
S.O. #2: INCREASE THE SUSTAIN-ABILITY OF FAMILY PLANNING AND HIV/AIDS SERVICE DELIVERY SYSTEMS Dev. Assistance Fund		36.00			36.00
Cross Cutting Issues	0.40	0.40	0.40	0.40	1.20
TOTALS	25.20	36.40	1.10	12.40	74.70

TABLE 12

TECHNICAL SUPPORT FROM AID/W

SPECIAL/STRATEGIC OBJECTIVES	1996	1997	1998	1999	2000
SO: Effective Demand for Sustainable Political, Constitutional and Legal Reform Created	1. Technical Assistance for Developing Indicators 2. Update of D/G Assessment (Global) 3. Electoral Assistance	1. Electoral Assistance 2. Update of D/G Assessment (Global)	1. Technical Assistance for Mid-Term Evaluation 2. Update of D/G Assessment (Global		
SO#1: Increase Commercialization of Smallholder Agriculture	1. Assistance to Support PL 480 Title II Close-Out 2. Assistance in Design 3. Collaboration in AFR/SD Research and Analysis Activities	1. Collaboration in AFR/SD Research and Analysis Activities	Collaboration in AFR/SD Research and Analysis Activities	1. Collaboration in AFR/SD Research and Analysis Activities	1. Collaboration in AFR/SD Research and Analysis Activities
SO#2: Increase the Sustainability of Family Planning and HIV/AIDS Service Delivery Systems	1. Assist with TAACS 2. Assistance for Financing Sustainability/Endowments 3. Selected Field Support	1. Kenya DHS - III 2. Procurment - Contraceptives 3. Selected Field Support 4. Assist with Donor Coordination	1. Procurement-Contraceptives 2. Assistance for Mid-Term Evaluation 3. Selected Field Support 4. Assist with TAAC*	1. Assistance with Secondary DHS Analysis/Dissemination 2. Procurement Contraceptives 3. Selected Field Support 4. Assist with Donor Coordination	1. Assist with Evaluation/Design of Follow-on 2. Selected Field Support 3. Assist with Donor Coordination

*Technical Advisor AIDS and Child Survival (TAAC)

TABLE 13

FY 95 Cumulative Disbursements for USAID Kenya Program Funds in US Dollars

Project Number	Project Tiltle	USPSC and Support Services	US Private and Universities	USG Agencies and UN	US PVOs	Kenya Private	Kenya NGOs and PVOs	Participants	GOK and Parastatals	Totals
6150229.00	National Agriculture Research		2,981,451							2,981,451
6150232.00	Family Planning Services & Support	146,159			3,931,246	48,801	882,308	116,206		5,124,720
6150234.00	Training for Development		21,281					23,256		44,537
6150236.00	Kenya PVO Co-Financing	47,040	7,932		423,964	532	565,638			1,045,107
6150238.00	Private Enterprise Development	125,057	205,317			203,190	1,368,742	17,300		1,919,605
6150239.00	Institute for Agricultural Training	93	82,965			243,968			57,276	384,302
6150240.02	Micro Computer (MOF) Thunder			87,552						87,552
6150240.03	CIP/CIP Evaluation			89,002						89,002
6150240.04	Capital Market Dev. Authority		3,288			65,807				69,096
6150240.05	Studies & Eval of Tech Assistance							13,408		13,408
6150240.06	Tax Modernization			700,000						700,000
6150240.08	Audit/Technical Assistance SAAP					61,808				61,808
6150243.00	Fertilizer Pricing & Market Reform		19,900	20,838				16,150		56,888
6150245.00	Kenya Health Care Finance. Program	42,852	3,453		504,693	18,406			2,000,357	2,569,762
6150247.00	Conservation of BioDiverse Resource	19,995	614,603			58,902			471,081	1,164,581
6150249.00	Kenya Export Development Project	33,409	1,537,177	579		2,897				1,574,062
6150250.00	Kenya Market Development Project	27,402	667,776			59				695,237
6150251.00	Kenya Contraceptive Social Market				244,578					244,578
6150252.00	Kariobangi Community Dev. Project					30,834				30,834
6150253.00	Park Rehabilitation & Management								87,127	87,127
6150254.00	Private Sector Family Planing II				1,541,572					1,541,572
6150266.00	Strengthening Democracy & Governance	742	3,840			25,414				29,996
6150510.00	Project Development And Support	129,741	399,576		12,258	52,741	48,153	9,364		651,833
6980462.15	Family Heath Initiatives II		64,140		16,307					80,447
6980463.15	Human Resources Development		7,251			5,591	58,455	19,450	193,596	284,342
6980541.15	Democracy and Human Rights						100,468			100,468
6989801.15	Human Rights Fund						1,606			1,606
6989901.15	Self Help						80,600			80,600
9365600.00	Program in Science & Tech. Corp.					28,662	20,122		69,824	118,608
9682050.00	Relief Assistance in N.E. Kenya						1,292			1,292
9681032.00	U/Somalia Progr. Office Furnishing			2,358						2,358
9684047.00	Malaria Outbreak in Kenya			25,000						25,000
9684336.15	Drought Relief Coordinator	3,794				585				4,379
Totals		576,284	6,619,949	925,329	6,674,619	848,198	3,127,383	215,134	2,879,262	21,866,158
Percentage		2.64%	30.27%	4.23%	30.52%	3.88%	14.30%	0.98%	13.17%	100.00%

BEST AVAILABLE

TABLE 14

OPERATIONAL YEAR BUDGET ALLOCATIONS BY SECTOR -FY 1991 THRU' FY 1995

STRATEGIC OBJECTIVE	PROJECT	1991 $26M + G	1992 $19.1M + G	1993 $18.2M + G	1994 $ 21M + G	1995 $18.2M + G
POPULATION & HEALTH	AIDSCAP	200,000	400,000	1,400,000	1,400,000	1,400,000
	FHI II	399,307	0	0	0	0
	FPSS	5,124,000	4,900,000	4,000,000	5,600,000	0
	KHCF	0	600,000	630,000	770,000	0
	CSM	0	500,000	1,000,000	400,000	0
	PSFP	0	1,750,000	1,478,000	1,500,000	1,700,000
	APHIA	0	0	0	0	4,600,000
	CENTRAL/G	7,000,000	6,132,000	11,544,000	10,465,000	11,506,000
SUBTOTAL		12,723,307	14,282,000	20,052,000	20,135,000	19,206,000
PERCENTAGE OF OYB (%)		36%	51%	62%	58%	56%
AGRICULTURE	FPMR	8,459,345	0	0	0	0
	AMP	500,000	0	0	0	0
	NARP	0	2,000,000	2,800,000	3,083,241	2,150,000
	KMDP (prj)	850,000	900,000	500,000	1,000,000	600,000
	KMDP (prg)	0	0	0	2,000,000	0
	COBRA	0	1,500,000	1,450,000	1,600,000	600,000
	IDAT	0	0	0	300,000	0
	CENTRAL/G	3,231,000	2,782,000	2,632,000	2,832,000	4,424,000
SUBTOTAL		13,040,345	7,182,000	7,382,000	10,815,241	7,774,000
PERCENTAGE OF OYB (%)		37%	21%	21%	31%	22%
PRIVATE ENTERPRISE	PED I	2,000,000	1,999,799	942,000	1,220,000	0
	KEDS	3,000,000	2,000,000	1,728,000	0	2,200,000
	MICRO-PED	0	0	0	0	2,500,000
	CENTRAL/G	0	0	0	230,000	0
SUBTOTAL		5,000,000	3,999,799	2,670,000	1,450,000	4,700,000
PERCENTAGE OF OYB (%)		14%	14%	8%	4%	14%
DEMOCRACY & GOVERN.	D/G	0	0	0	400,000	990,000
	PVO Co-Fi II	0	0	0	0	500,000
	CENTRAL/G	0	0	0	0	300,000
SUBTOTAL		0	0	0	400,000	1,790,000
PERCENTAGE OF OYB (%)		0	0	0	1	5
OTHER	PVO Co-Fi I	1,000,000	1,000,000	750,000	900,000	0
	PD&S	740,000	500,000	650,000	410,000	659,999
	HRDA	390,000	250,000	472,000	400,000	279,331
	TFD	1,000,000	300,000	200,000	0	0
	SAP	1,096,000	500,000	200,000	0	0
	CENTRAL/G	0	0	0	0	0
SUBTOTAL		4,226,000	2,550,000	2,272,000	1,710,000	939,330
PERCENTAGE OF OYB (%)		12%	9%	7%	5%	3%
GRAND TOTAL		34,989,652	28,013,799	32,376,000	34,510,241	34,409,330
PL 480 TITLE II		2,600,000	4,300,000	7,500,000	4,400,000	4,400,000

TABLE 15

POPULATION & HEALTH SECTOR: RESOURCE REQUEST (1996-2000)
$ (000's)

	Intermediate Result	HIGH $9.3m/annual $46.5m - 5yrs	%	LOW $6m/annual $30m - 5yrs	%
1	Non-USAID external assistance for FP/HIV/AIDS service delivery increased & effectiveness of donor coordination improved	$156	0.3%	$183	0.6%
2	Public Sector financial resources for FP/HIV/AIDS increased	$7,286	16%	$3,787	12%
3	Organizational capacity and self-sufficiency of selected private sector FP/HIV/AIDS service providers increased	$8,920	19%	$5,699	18%
4	Key FP/HIV/AIDS service delivery support systems strengthened and institutionalized	$14,245	31%	$11,532	37%
5	Policies and Program approaches promoting cost-effective, sustainable FP/HIV/AIDS services identified, disseminated and implemented	$4,236	9%	$1,414	4.4%
6	Family Planning and HIV/AIDS services provided by selected NGOs and CAs sub-grantees	$8,661	19%	$7,209	23%
1-6	Staff	$2,996	6%	$1,676	5%
	TOTAL	$46,500	100%	$31,500	100%

TABLE 16

POPULATION & HEALTH SECTOR: RESOURCE REQUEST (1996-2000)
$ (000's)

C A	Intermediate Result	Financial Year 96	97	98	99	2000	HIGH 9.3m/46,500 Total	LOW 6.3m/31,500 Total
Coordination	1	21	21	21	0	93	156	183
Subtotal		21	21	21	0	93	156	183
Institutional Contractor	2	379	745	1,400	1,400	1,400	5,324	2,435
CII	2	0	465	465	372	660	1,962	1,352
Subtotal		379	1,210	1,865	1,772	2,060	7,286	3,787
Institutional Contractor	3	405	835	1,400	1,400	1,400	5,440	2,567
Endowments	3	0	0	1,200	1,080	1,200	3,480	3,132
Subtotal		405	835	2600	2480	2600	8920	5,699
CPSD (OYB Transfer)	4	0	209	209	418	0	836	943
ATSP	4	684	473	502	456	455	2,570	1,571
FPLM	4	744	744	791	893	893	4,065	4,578
JHPIEGO	4	558	558	558	558	558	2,790	0
AVSC	4	930	822	744	744	744	3,984	4,440
Subtotal		2,916	2,806	2,804	3,069	2,650	14,245	11,532
Pop. Council	5	186	93	0	0	0	279	0
FHI	5	186	93	0	0	0	279	0
Evaluation & Audit	5	0	186	47	278	278	789	890
POLICY	5	140	140	139	140	140	699	0
DHS III	5	0	884	93	47	93	1,117	0
ATSP	5	293	195	195	195	195	1,073	524
Subtotal		805	1591	474	660	706	4236	1,414
ACCESS	6	278	0	0	0	0	278	314
FPAK	6	1115	0	0	0	0	1,115	1,257
CHAK	6	278	0	0	0	0	278	314
CHOGORIA	6	140	0	0	0	0	140	157
Pathfinder	6	930	930	930	744	586	4,120	2,095
PSI	6	963	837	0	0	0	1,800	2,025
PSFP II	6	465	465	0	0	0	930	1,047
Subtotal		4169	2232	930	744	586	8661	7,209
TAACS (1)	1-6	233	233	234	232	233	1,165	0
PSCs (6)	1-6	372	372	372	343	372	1,831	1,676
Pop Fellows (1)	1-6	0	0	0	0	0	0	0
Subtotal		605	605	606	575	605	2996	1,676
TOTAL		9,300	9,300	9,300	9,300	9,300	46,500	31,500

Annexes

USAID/Kenya Strategic Plan - 1996-2000

ANNEX 1

The Greater Horn of Africa Initiative

President Clinton is committed to the Greater Horn of Africa Initiative (GHAI) – a collaborative effort among states in the region, nongovernmental organizations, bilateral and multilateral donors, and United Nations' agencies – which is intended to attack the root causes of food insecurity and conflict in the Greater Horn of Africa. Kenya, one of the only countries in the region which has not suffered severe dislocations during the last 20 years, is expected to be a key player in the Initiative's success. The Initiative aims to galvanize donors, nongovernmental organizations, and Africans to "think and act differently" in a concerted attack on the causes of food insecurity, conflict, and human misery. It is intended to improve the utilization of the resources in the region and to encourage the sharing of successful approaches to development amongst the Greater Horn countries themselves.

The Initiative proposes to:

- Strengthen support for effective regional and national food security strategies;
- Increase the capacity in the region for crisis prevention, response, and conflict resolution;
- Improve regional collaboration in promoting sustainable economic growth and reducing population growth rates; and
- Implement regional and national strategies to ensure the transition from crises to broad-based sustainable growth.

The partners for this Initiative include the governments of the Greater Horn countries, other donors (both bilateral and multi-lateral), nongovernmental organizations (NGOs), and the private sector, all of whom must cooperate to make this effort successful. USAID/Kenya has a long-standing tradition of working closely with these partners, and the Mission's success is a shared success and one which has much to offer the GHAI effort.

Kenya has the potential to serve as the regional engine of growth and is already the transportation and economic hub of the region. It also has the leadership potential to serve as a mentor to the GHAI countries on social reform issues, such as population and education, and as a functioning example of long-term political and economic stability. Without full Kenyan participation, it would be difficult to have a meaningful Initiative. It also, however, has the potential to be a very destabilizing force if political change does not occur relatively smoothly, and if its leadership resists regional efforts at cooperation. Support for peaceful political change, the development of a strong civil society, and rational economic policies, as well as persistent work by all U.S. Government partners with other primary donors, will determine which role Kenya plays in the Greater Horn region.

USAID/Kenya Agriculture and Private Sector Portfolio and the GHAI Objectives

Past Mission activities, as well as those being proposed under the "Increased Commercialization of Smallholder Agriculture" Strategic Objective, directly contribute to GHAI objectives, especially to the objective of improving regional food security. The contributions, both direct and indirect, take three forms:

- Activities internal to Kenya which have a regional impact;
- Activities of facilitation in the region; and
- Lessons learned in Kenya which can have a regional impact.

In years without drought, Kenya has been relatively food self-sufficient and even a net exporter in some years. However, many analysts are beginning to talk of a structural food deficit in Kenya. That is, even under ideal growing conditions, Kenya may no longer be able to produce all the maize it requires. This is not to say, however, that Kenya does not have the capacity to reach comfortable levels of food security by creating incentives for private sector participation in internal grain marketing and distribution and by importing maize, when necessary. Achieving the strategic objective of increased commercialization of smallholder agriculture contributes to improved food security by increasing production and improving incomes, which offers better access to food.

Examples of Kenya's contributions to both food availability and access in the region are discussed below. Many of these contributions are projects with which the Mission has collaborated with Kenyan institutions -- including the Kenya Agriculture Research Institute (KARI) and the Egerton Policy Analysis Matrix team -- over the years. One of the challenges for GHAI will be to determine how to continue working with these institutions so they can better assist other such organizations in the region.

Agriculture Policy Reform

The liberalization of the grain markets has allowed grain to move within Kenya without restrictions, from surplus producing areas to deficit areas. Indirectly, the reforms have encouraged regional trade by stimulating imports of grain from Uganda to Kenya, improving Kenya's food security, while earning income for Ugandan farmers. Liberalization has also allowed the private sector in Kenya to import grain from other countries and to export grain during periods of surplus. Increased agricultural trade flows because of marketing reforms in Kenya will have a positive impact on food security in the region.

The Policy Analysis Matrix Team funded by USAID, and housed at Egerton University, has conducted training for officers from nine countries in the region on Agricultural Policy Analysis and Designing Reform. In addition, Egerton University has established an Institute of Agricultural Policy and Development to institutionalize the policy analysis activity. This all - Kenyan policy analysis team stands ready to conduct regional policy analysis and research, and has, in fact, developed a proposal for regional policy analyses which should be of interest to the GHAI.

The Kenya model of linking policy research and dialogue, technology development and transfer, and appropriate policy changes has led to increased food security in Kenya and provides a regional lesson. Other Greater Horn nations have already taken notice of Kenya's success in "staying the course" and the benefits to food security.

Agriculture Training

Egerton University, which has been supported by USAID since the 1960's, has been designated as the center of excellence in agricultural training research and extension in this region. Egerton trains students from all over the region in various academic subjects in agriculture and natural resources. A total of 602 students from east, central, and southern Africa have trained in various agriculture subjects since the early 1970s. Many of these students have returned to their countries and become part of their government's team analyzing agriculture policy issues, developing improved food crop varieties, and acting as extension agents. (The current Vice President of Tanzania is an Egerton alumni.)

Egerton, through its established research and extension outreach department, has hosted a number of seminars, short courses, and research studies, which have been sponsored by donors and regional and international organizations. The food and nutrition studies project based at Egerton, and funded by the Dutch Government, addresses the problem of food security issues at the household level in rural areas. The Participatory Rural Appraisal for Natural Resources Management course has trained over 300 students from the region. This approach has enabled students to work with communities to improve sustainable production of their natural resources. The USAID-supported Crop Management and Research Training has trained 107 young scientists (including 17 women) from 15 countries in sub-Saharan Africa. These students have returned to their countries and are developing agronomic packages for use in farmers' fields.

Agriculture Research

Improved varieties of seeds developed with USAID support at KARI for various Kenyan agro-climatic zones are also suitable for other Greater Horn nations and are, in fact, being used by farmers in Uganda, Rwanda, and Tanzania. Under this new strategy, USAID/Kenya proposes to get more NGOs and private businesses involved in seed multiplication and distribution. This should improve seed distribution in Kenya and increase the opportunities for seed being sold in other countries in the region.

KARI has been an active partner in facilitating management of technology development and transfer in the region. Formal efforts to explore opportunities for a more effective and efficient agricultural research, extension, and training in East Africa began in 1990 under the auspices of the Intergovernmental Authority on Drought and Development, which is now the secretariat for the GHAI. In 1994, participating East Africa national agriculture research systems organized a workshop with expanded participation to include Burundi, Eritrea, Madagascar, Rwanda, Tanzania, and Zaire. KARI and Egerton University hosted the workshop and lead a joint review/evaluation which resulted in the countries represented deciding to create the Association for Strengthening Agricultural Research in Eastern and Central Africa to formalize cooperation.

The Association is the region's response to the critical need for efficiency and effectiveness in agricultural research and is based on the realization that national agriculture research systems of east and central Africa together can be more than the sum of their parts. KARI and Egerton University will continue to be looked upon for leadership by their colleagues in the region on such initiatives and are expected to play a critical role in these regional efforts.

Involvement of the private sector in technology development and transfer at KARI has the potential for positive regional impact and serves as a lesson to other national agriculture research systems in the region. A recent partner with KARI in these efforts, the AfriCenter of the International Service for the Acquisition of Agri-Biotech Applications regional center (based in Nairobi and headed by Dr. Florence Wambugu, a former USAID-funded participant trainee from KARI) has successfully demonstrated the feasibility of applying proprietary agro-biotechnology to the private sector. The AfriCenter's mandate is to enhance the transfer and delivery of biotechnology products to resource-poor farmers by building partnerships between institutions from national programs and the private sector. A genetically re-engineered potato variety, "Rosita", which is exclusively used by resource-poor farmers in Mexico, is soon to be introduced to farmers in Uganda and Kenya in a collaboration between KARI and the AfriCenter.

KARI's important role in the region was highlighted for special recognition by the Fifteenth Special Program for African Agricultural Research Plenary Session held in March 1995 in Pretoria, South Africa, when it cited KARI:

> *"As an example to other donors and national agriculture research systems, as a model of how to provide stable and sustainable funding for research through the establishment of Consolidated Funding Mechanisms and National Agricultural Research Funds. Based on the KARI's successful experience both Tanzania and Ghana have established similar such funds."*

KARI's current influence reaches far beyond Kenya's borders and the GHAI region, and it is now seen as the prototype of a reformed national agricultural research system.

Non-Traditional Exports

The Kenya Export Development Project experience with successful export development support provides a model which is being replicated within the region. Non-traditional exports, especially horticulture, are an integral part of neighboring countries' development strategies, as it is in Kenya. Lessons learned from Kenyan flower exports to Europe, particularly transportation-related ones, are being studied carefully by Uganda. As a result, successful new farms are springing up around Lake Victoria/Entebbe Airport. Kenya's liberalized economic policies, especially in trade, foreign exchange, and repatriation of profits and dividends by foreign investors, have been instrumental in implementing market-oriented policies, such as liberal private investment policies in both Uganda and Tanzania, and the revival of the East African Community.

Microenterprise Development

Kenya's successful approaches to microenterprise development are also providing lessons to other countries in the region. Kenya is on the cutting edge of microenterprise development and USAID-supported NGOs have used their operations in Kenya as learning laboratories for expansion to other countries in the region. Kenya Rural Enterprise Program, the leading microenterprise NGO in Kenya, host increasing numbers of visitors from surrounding countries to learn about their successful model. In 1995, for example, the Rural Enterprise Program hosted nearly 100 exchange visitors from Zimbabwe, Uganda, Eritrea, Sudan, Ethiopia, Tanzania, and South Africa. PRIDE/Africa, another microenterprise lending NGO, is expanding to Tanzania and Uganda after six years of perfecting their methodology in Kenya, while Food for the Hungry is expanding its microenterprise lending operations to Ethiopia and Uganda.

But USAID/Kenya and the NGOs are also learning from successful models elsewhere. The Mission plans to follow the successes in Asia and Latin America by assisting the Rural Enterprise Program, which USAID helped create over 10 years ago, make the transition to a bank. In so doing, this will be the first such case on the continent. If successful, the Rural Enterprise Program will become a powerful example to other African countries – many of whom are emphasizing microenterprise in their own economic development – about how to reach a greater number of people and achieve sustainability in microenterprise lending.

A USAID-supported NGO, Kenya Management Assistance Program, which provides business advisory services to micro and small business from volunteer executives of larger, successful businesses, also offers lessons to the region. The NGO has created the Africa Management Assistance Program, a mechanism for replicating the Kenya model in other African countries. Botswana, Eritrea, Zimbabwe, and Tanzania have expressed an interest in replicating this Kenya model.

Transport Issues: Reduction of Transport Costs

USAID/Kenya has been assisting the Ministry of Public Works to improve the capacity to contract and monitor private contractors when rehabilitating market-to-market roads. Analysis indicates a high rate of return for USAID investments in this activity.

Road transport is the dominant mode of transport in the region carrying 90 percent of passenger and freight transport. Despite their importance, the roads have been poorly managed and badly maintained, resulting in very high transport costs, presently as high as 90 percent of the cost of goods and services for land-locked Uganda, Rwanda, Burundi, and Eastern Zaire. Efforts in Kenya to reduce transport costs will therefore greatly benefit the region. Kenya, with assistance of donors, is in the process of implementing reforms to solve its problems with poorly-managed and maintained roads. The Mission will not have the funds to directly support road infrastructure improvement, but will assist in the infrastructure policy reform process, as well as by coordinating infrastructure investments with other donors.

The Famine Early Warning System and the Relief-to-Development Continuum

The primary purpose of the USAID-funded Famine Early Warning System (FEWS), which has operated in Kenya since 1992, is to provide host country and U.S. decision makers with timely and accurate information on potential famine conditions. FEWS provides useful information to planners at both ends of the relief-to-development continuum, directly contributing to GHAI objectives.

On the relief side, FEWS monitors current agro-climatic, socio-economic, demographic, and health indicators to identify potential famine conditions and to allow for early and cost-effective responses. As part of USAID/Kenya's Disaster Response Unit during the 1992/94 drought, FEWS helped target US and other donor assistance to the neediest groups, resulting in a lower cost and more effective relief operation. USAID supported the efforts of the World Food Program and a number of NGOs to link relief to development by encouraging food-for-work and school feeding programs rather than free food handouts.

On the development side, a FEWS vulnerability assessment highlighted the underlying causes of chronic food insecurity in Kenya. The vulnerability assessment showed that in addition to drought, food insecurity in Kenya is caused by civil unrest, population pressure, and a lack of options for income diversification. By improving understanding of the root causes of food insecurity, strategies for moving from crisis to sustainable development can emerge. FEWS also contributes to local capacity development, working with governmental and non-governmental organizations to improve their ability to monitor food security throughout the country.

Kenya has played a critical role in relief responses during the past few years. Kenya hosted more than 500,000 Somali refugees in 1991/92 and provided a base for relief operations during the Somalia crisis. Kenya continues to be the primary transit site for relief efforts in southern Sudan, with the northwestern town of Lokichoggio as the center of United Nations and NGO relief operations. In 1994 alone, relief supplies for Sudan, Somalia, Rwanda, Burundi, Uganda, Central Africa Republic, and Zaire passed through the port of Mombasa.

The 1992/94 drought provided clear evidence of the success of market liberalization efforts encouraged by USAID. When the Government lifted the ban on maize importation, the private sector responded efficiently, importing over 400,000 metric tons. Along with Government imports and donor contributions totaling an additional 400,000 metric tons, Kenya was able to withstand a severe drought with minimal human suffering.

USAID/Kenya Population and Health Portfolio and the GHAI Initiative

As the GHAI seeks to improve regional collaboration in transferring lessons in fertility reduction, one again must look to Kenya, where great strides have been made. Although much remains to be done, the population growth rate has begun to decline from 4.1 percent in 1980-85 (one of the world's highest) to about 2.7 percent today. This is a stunning achievement. Had population growth rates prevailing in the early 1980s persisted, Kenya's population could have been 120 million in 2025 rather than the 49 million projected (with a continued vibrant family planning effort). The decrease in the population growth means fewer jobs need to be created, less pressure on land, etc.

In the population and health sector, USAID/Kenya has assisted in major transfers of technology and program applications to neighboring countries. High level delegations of both governments and NGOs who have visited Kenya to observe first-hand successful projects, have been followed by technical assistance from Kenyans, USAID contractors, and Mission staff to initiate national programs supporting financing/sustainability and improved delivery of family planning services. Several examples include:

- The surgical technique for performing a tubal ligation using no sedation and a minute incision was perfected in Kenya with the assistance of the USAID's cooperating agency, The Association for Voluntary and Safe Contraception. Women can now walk into a clinic, have a tubal ligation performed, and be able to walk home within one hour of the surgery. This technique has been transplanted to Uganda, Ethiopia, Tanzania, Zimbabwe, and Malawi by doctors trained in Kenya and by Kenyan physicians teaching at national programs in neighboring countries. In addition, the USAID-sponsored programs for no-scalpel vasectomy and laprascopic are fully integrated into the Kenya pre-service and specialist training programs at Kenya's medical school and university teaching hospital. This facilitates the transfer of technology by Kenya medical professionals within the region.

- Community-based distribution of low dose oral contraceptives and condoms was pioneered in Kenya. Through USAID's support over a 15-year period, cost-effective models for both peri-urban and rural community-based distribution have evolved and matured. The Kenya program has been visited by delegations from Madagascar, Tanzania, and Ethiopia to learn first-hand what essential ingredients are needed to initiate and sustain these broad-based service delivery schemes. Kenya has been selected by USAID/Washington for several major studies and evaluations of community-based program. These have, in turn, influenced and assisted programs world-wide.

- USAID/Kenya began the first programs in peer counselling and contraceptive services for university students. Based within each university and incorporated within the university curriculum, both students and staff participate in course work, discussions, and selection of peer counsellors all aimed at dealing with the sexuality of young adults. Results have been impressive. There have been lower drop-out rates for female students, far fewer cases of septic/incomplete abortions, and a drop in the number of cases of sexually-transmitted diseases seen in the student health services. This program has caught the attention of educators and university administrators in Tanzania, who spent two weeks studying the Kenyan program, then requested technical assistance from a USAID cooperating agency, Pathfinder, to institute similar programs.

- USAID/Kenya has been in the forefront in addressing the need to reduce illegal abortions and their sequelae. A "High Risk" clinic has been established at Nairobi's tertiary hospital. Women arriving with complications of incomplete and septic abortions (35 to 45 daily) are now seen immediately, treated, then given counselling about appropriate contraceptives to help them prevent another unintended pregnancy. The abortion-related mortality rate at the hospital has dropped precipitously, and nearly 85 percent of women passing through the High Risk Clinic adopt a modern method of family planning. This program has been replicated in Nigeria and Uganda, after officials visited the Kenyan project.

- With RAPID IV assistance, a group of five Ethiopian officials participated in a week-long observational tour in May 1995 of Kenya's population, family planning, and AIDS prevention programs. Kenya was selected for this exchange based on the strong bilateral ties between the two countries and the strength and diversity of Kenya's family planning program which emphasizes active district and community-level participation. Key observations and lessons noted by the Ethiopian delegation included:

    - The importance of building sustainability into original program design;

    - The value of broad support for family planning and HIV/AIDS among national, district, and community leaders;

    - The need for effective integration of family planning and HIV/AIDS prevention initiatives at the community level;

    - The key role of "folk media" in promotion of family planning and HIV/AIDS prevention messages;

    - The growing need for improved government and NGO coordination; and

- The need to assess the effectiveness of community-based programs in different environments.

- **Health Care Financing:** USAID/Kenya and the Kenya Health Care Financing Project have actively contributed to the REDSO/ESA Regional Health Network in promoting an exchange of applied information regarding health care financing. Activities supported include regional meetings and workshops, visits to other countries in the region by contractor and Ministry of Health personnel, observation tours to Kenya and input to a recently-created health care financing information network. Lessons learned in implementing the Kenya Health Care Financing Project have been shared with nine other countries in the region – Botswana, Ethiopia, Ghana, Malawi, Mozambique, South Africa, Tanzania, Uganda, and Zimbabwe. This exchange has resulted in exciting examples of Mission-to-Mission and active "south to south" collaboration between Kenya and Uganda, Ethiopia, and Tanzania as all four coordinate implementation of their health care financing and sustainability initiatives.

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Achievements of the Lessons Without Borders Program
City of Baltimore

In addition to the regional impact of the USAID/Kenya program in Africa, our program has had a dramatic affect on the City of Baltimore via the Lessons Without Border Program. A team from the city visited our program in 1995. Below are a few of the changes they made in development efforts in Baltimore due to the examination of our program.

Amanda Cook, President of the Women Entrepreneurs of Baltimore, applied the lessons learned from microenterprise lending in Kenya to put together her organization's first peer lending group. Partnered with the Foundation for International Community Assistance and the American National Savings Bank, the Women Entrepreneurs of Baltimore set up interest-bearing checking and savings accounts for the group. The group began with nine women business owners entering into their first loan cycle in October 1995.

Michael Gaines, Chief Executive Officer for the Council for Economic and Business Opportunity, is working with the City of Baltimore to develop a pilot project for economically disadvantaged entrepreneurs. To be named "Jual Kali East", it is planned to be a market place providing opportunities for community residents to start businesses with minimal or no normal entry barriers.

Daisy Morris, Operations Director, Healthy Start, has committed to augment the organization's family planning delivery services to include health education and treatment services for men. To accomplish this goal, Healthy Start is working with Total Health Care, Inc. of Baltimore's Community Health Center and plans to incorporate on-site men's health education and treatment services.

Dr. Penny Borestein, Director, Immunizations and Child Health, Baltimore City Health Department, has worked directly with Mayor Schmoke to focus on the city's failing immunization rates. The Mayor called upon the public and private health care providers to focus on the issue, using the backdrop of successes in Kenya as the motivator. Beginning in March 1995, the Health Department went on an immunization campaign that included: identifying the number of children who were out of compliance with immunization regulations; updating the City's data capturing methods; directly notifying parents whose children need to be immunized; implementing a social marketing campaign that included construction signs that flashed messages to commuters to have their children immunized; and working with private health provider groups to facilitate special clinics on school sites and immunize not only their patients, but, all who came to the clinic. Baltimore is now at 93 percent compliance for student immunizations.

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This is an executive summary of a report on conflict management in Kenya prepared January 1996 in conjunction with USAID/Kenya's Strategic Plan. The complete text of the Report is available from the Kenya Desk at USAID/Washington.

CONFLICT MANAGEMENT:
Comments on USAID/Kenya's Strategic Plan in Connection with the Greater Horn Of Africa Initiative

by Willet Weeks and Crawford Young

Executive Summary

The consulting team was asked to comment on USAID's draft strategic plan for Kenya for the period 1996-2000 in function of issues deriving from the President's Greater Horn of Africa Initiative (GHAI), with particular emphasis on the potential for civil conflict, on food security, and on the interrelationship between developments in Kenya and in neighboring countries. Kenya's role is central to the Greater Horn area, with a comparatively strong economy and a history of stability that is unusual in the region. Yet recent trends, and particularly the intercommunal clashes of 1991-94, instigated in connection with the 1992 general elections, have shown genuine potential for civil unrest.

The consultants spoke in Nairobi with at least two dozen Kenyans from NGOs and many walks of life, as well as with expatriates associated with NGO and development issues, and with both US and national staff within the USAID Mission, and they reviewed substantial documentation. Based on this information, they have concluded that there is significant potential for instability in Kenya, given serious tensions over land tenure and use, growing economic inequality, rising population, the short-term instability associated with the early stages of a democratization process, and the easy availability of modern weapons throughout the region.

The team spent considerable time analyzing the etiology and effects of the 1991-94 clashes in connection with these elements and concluded that they were unmistakably the product of a calculated political strategy, rather than of ancient tribal hatreds , as some had attempted to portray them. This represents a disturbing new development in Kenyan society. Tensions certainly do exist with respect to the sense various ethnic groups have about how much of a share of the national pie they have received vs. what they feel is their due and the clashes have demonstrated how easily such feelings can be exploited for partisan political ends. Other areas where resentment could lead to conflict are to be found among the pastoralists groups which occupy a significant proportion of Kenya's territory, including many of its border areas and areas surrounding the economically important game parks; among groups in the coastal regions; and within urban areas, where issues of social inequality and lack of services have become particularly acute.

The team finds much of the Mission's proposed 1996-2000 strategic plan reflects strategies appropriate to enhancing stability and prosperity in this important country, with continued support to Kenya's effective programs aimed at slowing population growth being of particular importance for the future. But the team also has recommended that the Strategic Plan be modified to sharpen the democracy and governance focus on the 1997 elections, to better define the focus of its civil society report, and to make conflict prevention and mitigation a cross-cutting theme for all the Mission's work. The Mission needs to institute accountability for conflict prevention impact assessment in all its programs to avoid situations in which project resources might actually make matters worse (e.g., where land tenure or usage patterns are in dispute in agriculture project areas). Wording to this effect was suggested for the Strategic Plan, and the Mission has incorporated much of this into its working draft.

One of the Mission's great strengths is its extensive and long-standing network of PVO/NGO connections. NGOs are at the forefront of civil society efforts to respond to the threat of conflict in Kenya, displaying remarkable creativity and initiative, and there thus seems to be real promise for low-key efforts by the Mission to expand its support to this area of endeavor. Its is therefore suggested that a modest program of support to NGO efforts in grass-roots conflict prevention and related policy research (e.g., on land tenure issues) be located within the Democracy and Governance office.

With respect to broader GHAI issues, the team recommends that food security and related issues (e.g., instability and population movements in neighboring countries, market manipulations, etc.) continue to be an important focus of Mission monitoring and attention, even in the absence of a regular PL-480 program; that greater effort be made to deal at a policy level with the particular strains within the pastoralist areas of the country (a cross-cutting Greater Horn theme), and that the Mission's conflict prevention and mitigation efforts be better integrated with the existing network of efforts by regional and national NGOs working on similar issues throughout the GHAI area (with specifics suggestions being made with regard to possible contacts).

It is generally agreed that, while Kenya is by no means as threatened by violent internal conflict as some of its GHAI neighbors, the possibility of such conflict is sufficient to merit genuine concern, while the potential for constructive response is substantial enough to warrant the integration of this theme into the Mission's strategy, especially given Kenya's key economic, political and logistical importance to the GHAI region. A series of low-cost initiatives, to be undertaken through NGOs and in coordination with other donors, could offer real promise as a substantial contribution to Kenya and the region as a whole.

Democracy and Governance Aspects of the USAID/Kenya Agriculture, Business, and Environment and Population and Health Portfolios

Democracy and governance concerns are deeply imbedded into USAID/Kenya's programs in both the health and population and agricultural sectors. There is a great deal of synergy between all three objectives in the USAID/Kenya portfolio. In all sectors, AID's implementation is lead by work with the private sector and the NGOs having built very productive partnerships over the last two decades. In addition, these programs have expanded the participation, initiative and empowerment of the Kenyan population, particularly among women. They have improved access to and information about policy and regulatory decisions which has in turn led to more open policy dialogue with some government institutions.

POPULATION AND HEALTH SECTOR

The impact of the population and health portfolio on democracy and governance starts at the most basic level - fundamental human rights. USAID support for family planning and reproductive health extends to women the basic human right of fertility control and family planning which are regarded by the United States Government and USAID as fundamental human rights.

> ***"It is a violation of human rights when women are denied the right to plan their own families..."***
>
> (Hillary Rodham Clinton at the 1995 Beijing Conference).

Female Genital Mutilation: Concern regarding female circumcision focuses on human rights, female reproductive rights, the transmission of HIV, and the long-term emotional, psychological and physical trauma experienced by many circumcised women. The World Health Assembly has proclaimed that such practices "...restrict the attainment of the goals of health, development and human rights for all members of society (*The New England Journal of Medicine, 9/1994)*." Many advocates for change hold that female circumcision is a form of child abuse and can lead to extensive physical, sexual and psychological consequences. Women, in their efforts to gain control over their reproductive health, are increasingly recognizing that female circumcision compromises their health and infringes on their rights as individuals to understand, value, and enjoy their sexuality.

USAID support for family planning facilitates women's participation in the political process. A "democracy" is not a democracy without the full and equal participation of women and democracy cannot be fully institutionalized in Kenya without the complete participation of women. Family planning is a powerful tool to empower and enable women to more fully and effectively participate in Kenya's political development.

USAID support for family planning contributes very directly to political and social stability in Kenya. Overpopulation increases scarcity – the scarcity of arable/grazable land,water, fuel, food, cash, jobs, health care, educational opportunities, etc. Scarcity, migration and urbanization contribute to problems such as tribal and communal conflict, fanaticism, terrorism, crime, corruption, famine, epidemics, etc. These problems retard the democratization process; put fragile democratic institutions under severe stress; make states less governable; make civilian rule less tenable; and may ultimately cause emerging democracies to falter and collapse altogether.

Stabilizing population growth is actually conceivable in Kenya unlike the situation in most sub-Saharan countries. Had population growth rates which prevailed in the early 1980's persisted, Kenya's population could have been 120 million in the year 2025 rather than 49 million (with a continued dynamic family planning program).

Looking at the governance issue, USAID's active engagement in the public health sector promotes the efficiency of public health sector resource allocation and better governance. Active USAID engagement in the health sector has contributed to a number of steps/initiatives towards improved governance:

1. USAID played the lead role in the establishment of a consolidated population and health donors' group which meets with senior Ministry of Health leadership on a bi-monthly basis. Meetings offer the Government and donors a forum for frank dialogue. At these meetings, donors have been asked to comment on Government health policy; the Ministry of Health has updated donors on the status of efforts to "clean-up" the Ministry; donors have been asked for ideas and support for the establishment of a more transparent procurement policy and procedures; and the Minister for Health invited donors to report alleged corruption problems.

2. In collaboration with the Ministry and other donors USAID continues to play a prominent part in the effort to establish a system for the procurement of key public health commodities which is transparent, fair and efficient.

3. USAID's aggressive oversight of Non-Project Assistance to the Ministry of Health has resulted in improved transparency and financial management at the Ministry of Health. The Ministry has instituted new internal controls and financial management systems. As a measure of the Government of Kenya (Government) commitment to improve accountability, the Government made a large local currency redeposit to the national cost sharing program to cover disallowed costs uncovered by a USAID audit. This was a first.

4. USAID support to the national health care financing/cost-sharing program is facilitating the decentralization of health services in Kenya. USAID support is building the capacity of District Health Management Boards to assume an expanded role in the programming and management of locally-generated health

resources and is supporting the broadening of Board membership to ensure maximum community input. The Ministry of Health has heralded the new, reformed Boards as the first major step towards "democratizing" decision-making regarding the use of locally-collected health resources in Kenya and looks at these Boards as Kenya's first experience with "customer representation" in the public health sector.

5. The National Hospital Insurance Fund is Kenya's only public health insurance program, covering roughly 20 percent of the population. USAID technical assistance was critical to the drafting of a new Bill to reform the fund. Key provisions of the Bill include: a) ...increasing Fund accountability to its membership by restructuring and broadening the National Health Insurance Fund Board; b) ...legally mandated annual audits and financial reporting, including on Fund investments; and c) ...and, enforcement of a progressive fee structure based on members' income. Unfortunately, the Bill continues to languish in Parliament.

6. USAID supports women's groups, professional associations, and public interest groups to participate more fully in the development of public health policy. One of the key features of USAID support to the population and health sector has been the focus on NGO development. USAID currently supports 21 Kenyan NGOs. In addition to support for family planning and health services, USAID also supports NGOs' institutional and organizational development (e.g. the development of boards; communication and advocacy skills; customer service orientation; and participatory appraisal of community needs).

AGRICULTURE, BUSINESS AND THE ENVIRONMENT SECTOR

Our Agriculture, Business and Environment Office (ABEO) portfolio contributes to the Agency's Democracy Strategic Framework in two important areas. First, the increased development of economically and politically active **civil society** cuts across virtually every ABEO investment in a major way. Such activities generally take the form of special participatory management groups. In these, Kenyans develop skills that help them take a more active role in deciding what they want for their communities and in organizing themselves to work toward common goals. The ABEO strategy has explicitly incorporated elements of democratic participation, advocacy, and the pursuit of greater accountability in this sectoral portfolio. In the second area, to the extent that ABEo has worked with the Government, they have strived to promote more **transparent and accountable government institutions.** These activities have helped build public institutions that are responsive, efficient, and fair. They are designed to increase the constituency for responsive and effective public sector institutions. Following are examples.

Civil Society. A major approach used to address environmental degradation around Kenya's economically-important national parks has been through community participation and empowerment. Encroachment of and ambivalence towards protected areas by local residents had begun to compromise the country's natural resources assets, assets that are important for

Kenya's main foreign exchange earner – tourism. Under the direction of government's Kenya Wildlife Service, four regions are targeted for greater community participation. This involves farmers, entrepreneurs, and other residents around parks becoming actively engaged in decisions about how best to develop these buffer areas. A small percentage of the tourists' gate receipts is used for these planning purposes as well as for action plan implementation, such as funding eco-tourism enterprises. This new-found "voice" has been translated into active participation at the local level with widely discussed-plans that are tailor made to fit the special needs of residents around the parks.

Other civil society organization development activities include strengthening organizations that are active in policy formulation. Business organizations, such as the Kenya Association of Manufacturers and the Fresh Producers Export Association of Kenya, have received technical assistance and training from USAID. Such groups are increasingly important advocates for encouraging legislation and policy reforms that serve their members. The broad participation within these Associations has stimulated public debates on policy and regulatory issues. The Associations have been effective at influencing policy decisions in the Government budget on major policies, such as corporate taxes, duties, export incentives, and the enabling environment for private investments. Under USAID's Kenya Market Development Program, our successful policy reform component for the cereals/beans subsectors has increased independent participation in policy formulation and implementation. We have supported a team of Kenyan academicians who are widely regarded within and outside government for their independence, impartiality and rigorous analysis of politically-charged food issues. The team's finding, often based on information heretofore available only to government, are disseminated to stake-holders. It is these affected players, in the form of individuals, associations, and others who have translated this research into actions that have led to liberalization of minor grains and bean marketing, liberalization of agriculture product imports, liberalization of marketing of other agricultural commodities such as wheat and sugar and a reduced role for the monopoly parastatal.

Other civil society organizations supported under the USAID/Kenya program are micro-entrepreneurs and smallholder farmers. For micro-entrepreneurs, lending schemes that build on the well-known Grameen Bank model in Bangladesh are perhaps better developed in Kenya than anywhere else in Africa. These highly participatory groups, 60 percent comprised by women members, have been particularly effective in getting credit to micro businessmen and women. Our program has helped finance loans for members of about 1,000 groups, groups that accept democratic and civic values, including the principles of equality and access for women. Smallholder farmers, who produce for export on as little as one-quarter of an acre, are also becoming an active part of civil society. With USAID assistance, these farmers have organized themselves into groups with elected leaders to increase their negotiation position with exporters. In numerous cases, community leaders are emerging from these groups and are representing their groups with the exporters and with Government.

ABEO's five-year strategy proposes to continue interweaving active civil society initiatives with its sectoral investments. For example, in the microenterprise project, harassment and licensing of the informal sector businesses have been identified as major constraints to these enterprises' survival and expansion. It is common-place to read of police having small kiosks bulldozed down because the were not properly registered. ABEO plans to link a reputable international policy think tank with Kenyan expertise to address these policy issues. In addition, ABEO will support key associations and organization in gaining a stronger and more representative voice to act as advocates for policy change.

Transparent and Accountable Government Institutions. With the objective to develop a more efficient maize and bean marketing system, the Kenya Market Development Project has also touched on many issues of good governance. Perhaps the most visible and successful has been the Program's roads rehabilitation component. It is widely believed that the greatest amount of corruption in government occurs through non-transparent tendering and contract award avenues. Therefore, the Project introduced transparent tendering and construction procedures including: prequalification of private contractors to award contracts to dubious firms, internationally accepted contracting procedures (not in place before) including legal contract documents and public opening of tenders and guidelines for evaluation, and training of Government staff in professional contract administration and construction supervision. Much of our effort has been aimed at mitigating this form of corruption in USAID-funded roads construction. In doing so, systems and procedures have spread to other government-sponsored construction contracts.

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ANNEX 5
USAID/Kenya Partners

USAID/Kenya has many partners which help the Mission accomplish its goals and development activities. The following is a listing by strategic objective of the donors, grantees, nongovernmental organizations (NGOs), Government of Kenya ministries and departments, and others who form the Mission's development team.

DEMOCRACY AND GOVERNACE

1. Kenyan NGO Grantees

USAID has maintained close collaboration with the following NGOs who have received grants under the D/G portfolio:

International Federation of Women Lawyers (FIDA/K)
International Commission of Jurists (ICJ/K)
Kituo Cha Sheria
Public Law Institute (PLI)
Institute for Policy Analysis and Research (IPAR)
Windle Charitable Trust
Civic Resource and Information Center (CRIC)
Professional Committee for Democratic Change (PCDC)
Agency for Development Education and Communication (ADEC)
Kenya Human Rights Commission (KHRC)
Nairobi Law Monthly Trust (NLMT)
League of Kenya Women Voters (LKWV)
Education Center for Women in Democracy (ECWD)
Legal Resources Foundation (LRF)
Kenya Family Development Association (KENFAD)
Association of Free and Independent Press (AFIP)
Gender Sensitive Initiatives (GSI)
Writers Association of Kenya (WAK)
National Council of NGOs

2. Other NGOs With Whom USAID/Kenya Consults

Presbyterian Church of East Africa (PCEA)
Church of the Province of Kenya (CPK)
Kenya Association of manufacturers (KAM)

2. Other NGOs With Whom USAID/Kenya Consults (continued)

The National Democratic Institute (NDI)
International Republican Institute (IRI)
Kenya National Farmers Union(KNFU)
Center for Governance and Democracy (CGD)
International Fund for Electorial Support (IFES)

3. Donors

Like-minded donors operating in Kenya are also USAID's partners. They include the following:

Belgium Embassy
Canadian High Commission
German Embassy
Japanese Embassy
Norwegian Embassy
Netherlands Embassy
Finnish Embassy.
Royal Danish Embassy
Embassy of Sweden
European Union
International Monetary Fund
World Bank
Friedrich Ebert Stiftung
Ford Foundation
Hanns-Seidel Foundation
Konrad Adenaur Foundation

4. Other Partners

USAID has continued to promote dialogue with a broad spectrum of partners including:

The Kenya Export Development and Support Project
Political parties
A cross-section of lawyers promoting human rights
Journalists
Office of the Chief Justice
Electoral Commission
The Business Community

The D/G assessment team was able to meet and interview over 100 individuals drawn mainly from these organizations.

AGRICULTURE, BUSINESS, AND ENVIRONMENT

1. Major Donors

United Nations Development Program (UNDP)
World Food Program (WFP)
The World Bank
Overseas Development Agency (ODA)
Netherlands Embassy
European Union (EU)
Japanese International Cooperation Agency (JICA)
Swedish Internaitonal Development Authority (SIDA)
Danish International Development Assistance (DANIDA)
Swiss Development Cooperation (SDC)

2. Kenyan NGOs

Promotion of Rural Initiatives & Development Enterprises (PRIDE) - Kenya
Kenya Women Finance Trust (KWFT)
Kenya Rural Enterprise Program (KREP)
Kenya Management Assistance Program (KMAP)

3. Parastatals

Kenya Agricultural Research Institute (KARI)
Horticultural Crops Development Authority (HCDA)
Federation of Kenya Employers (FKE)
Export Promotion Council (EPC)
Kenya Wildlife Service (KWS)
Egerton University - Policy Analysis Matrix (PAM)

4. Private Sector Institutions

Kenya Small Scale Farmers Association (KSSFA)
Fresh Produce Exporters Association of Kenya (FPEAK)
Kenya Association of Manufacturers (KAM)
International Center for Economic Growth (ICEG)
Barclays Bank Kenya Ltd.
Standard Chartered Bank Kenya Ltd.
East African Wildlife Society (EAWS)
African Wildlife Foundation (AWF)
World Wildlife Foundation (WWF)
Machakos/Laikipia Wildlife Forums

5. U.S. PVOs

International Executive Service Corps (IESC)
Mid American Consortium (MIAC) University of Missouri
Catholic Relief Services (CRS)
World Vision International
World Concern Development Organization (WCDO)

5. U.S. PVOs (continued)

Food for the Hungry International (FHI)CARE International
Adventist Development & Relief Agency (ADRA)

6. Government of Kenya

Ministry of Finance (MOF)
Ministry of Agriculture and Livestock Development (MOALD)
Ministry of Planning & National Development (MOPND)
Ministry of Public Works (MOPW)

POPULATION AND HEALTH

1. Donors

Canadian International Development Assistance (CIDA)
Danish International Development Assistance (DANIDA)
Delegation of the Commission of European Communities (EEC)
Embassy of Japan
Embassy of Belgium
Finnish International Development Assistance (FINNIDA)
German Technical Cooperation (GTZ)
Japan International Cooperation Agency (JICA)
Overseas Development Administration (ODA)
Swedish International Development Assistance (SIDA)
The World Bank
The World Health Organization
The Netherlands Embassy
UNICEF
United Nations Development Programme (UNDP)
United Nations Fund for Population Activities (UNFPA)

2. Kenyan NGOs

AIDS/NGO Consortium
Christian Health Association of Kenya (CHAK)
Church of the Province of Kenya/Diocese of Maseno West
Church of the Province of Kenya/Diocese of Eldoret
Crescent Medical Aid
Family Life Promotion & Services (FLPS)
Family Planning Association of Kenya (FPAK)
Innovative Communication Services
Kabiro Kawangware Community Based Distribution Project
Kenya Medical Women's Association
Kenya Catholic Secretariat
Kenya Medical Association (KMA)
Mkomani Clinic
Presbyterian Church of East Africa/Chogoria Hospital
Tenwek Hospital
The Association of People with AIDS in Kenya (TAPWAK)
Word of Life

3. International Private Voluntary Organizations

African Medical & Research Foundation (AMREF)
Aga Khan Health Services
AVSC International
CARE/Kenya
Center for Development & Population Activities (CEDPA)
Family Health International (FHI)
Family Planning International Assistance (FPIA)
Family Health International/AIDSCAP/Kenya
Family Health International/AIDSCAP/Africa
Ford Foundation
International Planned Parenthood Federation (IPPF)
John Snow Inc./Family Planning Logistics Management (JSI/FPLM)
John Snow Inc./Private Sector Family Planning II Project
Johns Hopkins University/Population Communication Services (JHU/PCS
Johns Hopkins Program for International Education in Reproductive Health (JHPIEGO)
Management Sciences for Health/Kenya Health Care Financing Project (MSH/KHCF)
Minnesota International Health Volunteers (MIHV)
Pathfinder International
Population Services International (PSI)
Population & Health Services/Marie Stopes Clinic
Program for Appropriate Technology in Health/PIACT
Salvation Army
Seventh Day Adventist Health Services

3. International Private Voluntary Organizations (continued)

The Population Council
World Vision International

4. Government of Kenya

Ministry of Health
- Division of Family Health
- Kenya Health Care Financing Secretariat
- National AIDS/STD Control Programme

Ministry of Planning & National Development
- National Council for Population & Development (NCPD)

NGO Coordination Bureau
University of Nairobi
- College of Health Sciences
- College of Arts & Social Sciences

5. U.S. Government

Centers for Disease Control

ANNEX 6

Donor Groups in Kenya

There are many bilateral and multilateral donors operating in Kenya. In addition to the general monthly donor meeting alternatively chaired by The World Bank and UNDP, attended by heads of donor agencies, there are sector/issue specific donor group fora listed below. Ambassador and DCM also participate in ad hoc donor discussions with their counterparts.

1. SECTOR - SPECIAL ISSUES

- Informal like-minded Donor Group: meets to discuss issues of importance such as consultative group meetings, etc.
- Members: Britain, Belgium, Canada, Denmark, Finland, Germany, Japan, Netherlands, European Union, World Bank, IMF, and USAID.
- Chair: USAID has chaired since inception nine months ago. Chair will rotate but process as yet undetermined.
- Level: heads of donor agencies.
- Frequency: monthly/bi-monthly depending on issues.

2. SECTOR - DEMOCRACY AND GOVERNANCE

- Donor Democracy Group: This group meets monthly to review various programs and strategies in the sector. The donors discuss funding of NGOS and other groups working in the sector.
- Members: Australia, Belgium, Canada, DANIDA, European union, Finland, Ford Foundation, Germany, Friedreich Ebert Foundation, Italy, Japan, Netherlands, Norway, Sweden/SIDA, Switzerland, UNDP, U.S. Embassy, USAID, and The World Bank.
- Chair: Rotational - Canada is currently chairing.
- Level: senior diplomats, heads of donor agencies and agency technical staff.
- Frequency: monthly

3. SECTOR - POPULATION AND HEALTH

- The Population and Health (PH) Donors Group has three main functions: problem solving, information sharing and coordination. An efficient forum for frank and candid dialogue between the GOK and the population and health donor community has been institutionalized. An effort is made to reach consensus among donors on priority constraints, policy issues and conditionality.

The group has overseen two comprehensive inventories of donor assistance to the sector (one done for the group by USAID). Of late, the group has made considerable progress discussing and debating the optimal shape and role of UNAIDS in Kenya.

- Members: Active members include: ODA, Netherlands Embassy, DANIDA, SIDA, CIDA, FINIDA, the Belgian Government, JICA, Japanese Embassy, USAID, UNDP, WHO, UNICEF, UNFPA, and The World Bank. The Permanent Secretary of the Ministry of Health routinely attends with top Ministry of Health technical staff.

- Level: Senior population and health technical staff; Embassies at the first-secretary level; and agency heads.

- Chair: While the venue remains the same (WHO), chair rotates among donors according to alphabetical order. Currently the World Bank is chairing.

- Frequency: Bi-monthly, but with additional "extraordinary" meetings.

4. SECTOR - WOMEN IN DEVELOPMENT

- WID Consultative Group: The group meets to review NGO proposals for funding. The Beijing Conference has been an important subject for the group. Currently the group is reviewing the results of Beijing.

- Members: Australia, Britain, CIDA, Denmark, Ford Foundation, IDRC, Netherlands, SIDA, UNFPA, UNICEF, Switzerland, U.S Embassy, and USAID.

- Chair: Rotational - Netherlands is currently chairing.

- Level: WID technical staff.

- Frequency: Monthly

5. SECTOR - AGRICULTURE

- Agricultural Sector Strategy Donor Review: Donors in agriculture meet to draw-up a 10-year strategy as well as to review progress in the agricultural field.

- Members: USAID, The World Bank, Japan, Germany, Netherlands, Britain, European Union, SIDA, Denmark, and UNDP.
- Chair: The World Bank on permanent basis.
- Level: senior technical staff.
- Frequency: quarterly but sometimes ad hoc as called by members.

6. SECTOR - ROADS

- Road Sector Donor Coordination Group: The group meets quarterly to enhance and facilitate communication between the donors and the GOK on donor funded programs.
- Members: The World Bank, USAID, European Union, JICA, ODA, SIDA, DANIDA Swiss Development Corporation and Netherlands.
- Chair: Rotational basis by hosting donor.
- Level: Embassies at the first secretary level and Agency technical staff.
- Frequency: Quarterly

7. SECTOR - FOOD SECURITY

- Donor Review and Coordination Meeting: Donors review reports on food needs and food availability situation and make decisions on sector strategies/plans.
- Members: Netherlands, USAID, The World Bank, Germany, Japan, European Union, Denmark, Sweden, WFP, and UNDP.
- Chair: UN World Food Program on permanent basis.
- Level: Heads of donor organization and senior technical staff.
- Frequency: Monthly

8. SECTOR - AGRICULTURAL RESEARCH

- Kenya Agricultural Research Institute/Donor Consultative Meeting: the purpose is to review progress of the institutional strengthening of Kenya Agricultural Research Institute under projects like the National Agricultural Research Project as well as research conducted by the Kenya Agricultural Research Institute.
- Members: Australia, ODA, CIDA, Japan, SIDA, USAID, European Union, Netherlands, FAO, Germany, GTZ, and Ford Foundation.
- Chair: The World Bank on a permanent basis.
- Level: Technical staff.
- Frequency: Quarterly

9. SECTOR - ENVIRONMENT

- Kenya Wildlife Donor Meeting: The purpose is to review progress of various programs being implemented by Kenya Wildlife Services (KWS).
- Members: KWS, The World Bank, Japan Germany, USAID, ODA, Netherlands, and European Union.
- Chair: KWS on permanent basis.
- Level: Technical staff.
- Frequency: Ad hoc

10. SECTOR - PRIVATE ENTERPRISE

- Small Scale Enterprise Donor Group: The group meets monthly to discuss and review donor initiatives/programs and strategies in the small scale enterprise area.
- Members: Britain/ODA, Germany/GTZ, Netherlands, Finland, DANIDA, CIDA, The World Bank, JICA, Ford Foundation, USAID, Belgium, UNIDO, UNDP, and European Union.
- Chair: UNDP
- Level of participation: Senior technical staff.
- Frequency of meetings: Monthly

11. SECTOR - PVO/NGO

- NGO Donor Coordination Committee: The committee discusses GOK/NGO requirements under the NGO Act and generally reviews matters affecting operations of NGOs.
- Members: Australia, Belgium, Canada, Denmark, European Union, Finland, Ford Foundation, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, UNDP, USAID, U.S. Embassy, and The World Bank.
- Chair: UNDP on permanent basis.
- Level: Heads of donor organizations, embassies at the first secretary level and technical staff of aid agencies.
- Frequency: Monthly

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ANNEX 7
Other Donors

Health and Population

There are approximately fifteen donors active in the population and health sector in Kenya. Donors contribute nearly $160 million annually to the family planning subsector. It is anticipated that this level of funding will continue through the year 2000. The major donors, including USAID, engaged in family planning activities in Kenya include UNFPA, the British, the Swedes, Germany, and the World Bank.

USAID/Kenya has worked closely with the Government of Japan to further the Global Issues Initiative/Common Agenda. Activities which have been outlined by JICA as appropriate for financing complement and support USAID's endeavors in Kenya's population and health sector. These activities include support to the Division of Family Health Reproductive Health Logistics Unit, support for training health professionals, the rehabilitation of the Rural Health Training Centers, support to the national blood bank screening program and the rehabilitation of two provincial hospitals to include the provision of safe motherhood equipment.

Donors involved in HIV/AIDS and sexually transmitted infection prevention and control include the British, the European Union, Belgium, the World Bank, JICA, UNDP and the Finnish. Support to this subsector includes financing for the development of information, education and communication materials, sexually transmitted infection diagnosis and treatment, HIV testing, support to the National AIDS Control Program, care for persons infected with AIDS, the procurement of condoms and community-based health care.

The future British project will be designed as a parallel initiative to the World Bank project over a five year period. The major emphasis of British funding will be NGOs and the private sector, while World Bank funds will concentrate on the public sector. The British project will also include the provision of technical assistance to improve the implementation and management of the World Bank project. The project will concentrate on 1) the prevention of HIV/AIDS, focusing on improving the management and prevention of other sexually transmitted infection; 2) innovative information, education and communication strategies designed to influence behavior change, and 3) the development of innovative means of caring for persons with AIDS through community-based health care initiatives.

The British, the World Bank and the Danish are designing their programs for assistance to the Government of Kenya's (Government) health policy reform agenda. Areas of reform include decentralizing Ministry of Health services, more appropriate resource allocations, increased Ministry of Health recurrent financing for primary and preventive health care services and improving commodities tendering and procurement.

The contraceptive requirements for the next five years will be provided through commodities procured by the Brirish, the Swedes, UNFPA, USAID, and the World Bank. Donors and the Government are, however, increasingly concerned about their ability to meet the growing demand for commodities. The APHIA project will assist the Government to develop the mechanisms to assure the sustainability of contraceptive supplies to Kenya.

Essential drugs are supplied to Kenya through Belgium, the Danish, Netherlands, the Swedes, the British and the WHO. Donors involved in child survival activities include UNICEF, the Danish, JICA and WHO.

Economic Growth

The Mission is encouraging broad-based economic growth through development that expand access and opportunities for smallholders and microentrepreneurs in business development. This objective can only be achieved through coordination with other donors and other various partners, including the Government. Liberalization of the grain market is one example of the direct outputs achieved through coordination among the donors. The four major players for the above reform including USAID are the EU, IMF, and the World Bank.

In the agriculture road infrastructure area, which USAID/Kenya will no longer be involved, Denmark, Sweden, and Finland are continuing their efforts. On the rehabilitation of the trunk road network, funding is provided by Japan, UK, Germany, and the World Bank.

The agriculture research subsector that received significant assistance in the past from USAID, is now being continued by the EU, UK, and the World Bank. In agricultural education and extension, the World Bank and Japan are continuing their support, while in the development of arid and semi-arid lands, assistance is provided by the EU, Germany, Japan, IFAD, the Netherlands, and UNDP.

USAID is in the forefront of microenterprise development. The UK is complimenting USAID/Kenya's efforts in this area by concentrating on lending and business advisory services to small businesses. In credit and training, assistance is provided by Germany, the EU, the Netherlands, and UNDP. The Netherlands also provides assistance in the development of appropriate technology for small-scale entrepreneurs.

Export development receives support from the ADB, Japan, and the World Bank, while pursuing an enabling policy environment for exports is pursued by the IMF and the World Bank.

Democracy

Many activities funded by other donors center around support for activities that promote legal and constitutional reform by a wide spectrum of NGOs, such as the Citizen's Coalition for Constitutional Change. The Friedrich Ebert Foundation, the Norwegians and USAID are supporting the Coalition. The Ford Foundation, the Danes, and some others are also providing assistance that could lead to reform of the constitution. The British, the French, and the UNDP have provided assistance to the Attorney General's Task Forces, as has The Ford Foundation in a more limited sense. The Ford Foundation also provides support for creation of a documentation center on constitutional reform within the Institute for Policy Analysis and Research.

Many donors are active in the area of human rights including the Swedes who have earmarked $800,000 per year in support of civil society initiatives in this sector in Kenya. The Friedrich Ebert Stiftung which has earmarked DM 1.5 million each year for democracy and human rights has indicated a keen interest in providing electoral support especially in the area of electoral law. The Konrad Foundation have earmarked $172,000 for the calendar year 1996 mainly to support constitutional and legal reform initiatives of the Catholic Church and the other NGOs. The Norwegians spent Kshs. 8 million in fiscal year 1995 on democracy and intend the provide further support this year in human rights, civic education and constitutional reform.

The Danes have provided institutional support for some local NGOs including the Kenya Human Rights Commission, promotion of press freedom and research work on the constitutional process.

In the electoral process and reform, UNDP is committed to providing assistance to the Electoral Commission with assistance in the production of maps of existing constituency boundaries, design of a registration system, computers, and selective training.

Governance

The traditional donors that have continued to assess the Government's performance in the accountability, transparency, and management of the national resources remain the IMF, the World Bank in the main, with many other donors joining them with direct concerns and activities with the GOK. In some instances, the bilateral donors have undertaken capacity building within those ministries and institutions charged with policy and operational handling of financial resource. The Dutch are heavily involved in civil service reform effort. The existence of effective Public Accounts Commission and Public Investment Committee will serve to help safeguard the national financial resources through internal oversight. Donors are very supportive of various activities that will increase actual and effective accountability of budgetary resources and other resources generated from various means that should benefit the nation.

UNDP has been assisting with the strengthening of budgeting and economic management within the Ministry of Finance while also working to improve public policy and management of parastatals. Some of the other donors that have assisted in the economic area are: DANIDA, the EC, Germany, Japan, UK, USAID, and UNDP.

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ANNEX 8

Bibliography and the Analytical Underpinnings of the Country Strategic Plan

The Kenya Mission has a long tradition of high quality analytical work. Below is a list of the most important recent work which informed the development of this strategy. Copies of most of the agriculture studies are available from George Gardner in the Africa Bureau Office of Sustainable Development. Most of the private sector studies are available from Beth Rhyne in the Global Bureau Center for Economic Growth. Copies of most of the population and health studies are available from Hope Sukin in Africa Bureau Office of Sustainable Development or from Scott Radloff in the Global Bureau Center for Population, Health and Nutrition. The democracy and governance material is available from Robert Shoemaker in the Africa Bureau Office of Sustainable Development or Gary Hansen in the Global Center for Democracy and Governance. Alternatively, copies can be obtained from USAID/Kenya.

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KENYA: A STRATEGY FOR AGRICULTURAL GROWTH
EXECUTIVE SUMMARY OF THE WORLD BANK REPORT 1995

1. Kenyan agriculture has failed to live up to its potential as the leading sector in the economy, since the mid 1980s. Agriculture's poor performance has had a negative impact on the economy and has contributed to a worsening of poverty. A turn-around in agriculture is needed for Kenya to restore sustained economic growth and to reverse the deterioration in living standards.

2. Agriculture is the largest sector of the economy, despite a decline in its share of GDP from 34.2 percent in 1972 to 26.1 percent in 1993. Agriculture also has a significant impact on other sectors of the economy. It makes an indirect contribution of roughly another 30 percent of GDP in the manufacturing and service sectors through the transport and processing of agriculture products. The results of a recent study[1] show that the agricultural growth multiplier in Kenya is substantial at 1.64 and the non-agricultural growth multiplier at 1.23. The three major agricultural exports are tea, coffee and horticulture that together account for over 50 percent of Kenya's foreign exchange earnings. The sector also provides close to 70 percent of all employment.

3. During the 1970s and 1980s, annual agricultural GDP growth averaged 3.6 percent and 3.4 percent respectively. In the 1990s the average annual growth rate fell to negative 1.4 percent. At the same time, investment in the sector recorded a sharp fall. The average growth rate of private gross capital formation in agriculture fell in the 1980s to minus 0.4 percent annually, and even further in the 1990s to 3.1 percent annually. On the other hand, in real terms, public expenditures in agriculture have also been falling since 1986/87. Between 1986/87 and 1992/93, government expenditures on agriculture fell by 24 percent in constant terms. Agricultural expenditures, as a share of total public expenditures fell from an already low level of 11 percent in 1986/87 to just under 5 percent in 1992/93. The slowdown in agricultural growth, therefore, coincided with a period of disinvestment in the sector.

4. Slow growth in agricultural GDP has reduced the sector's contribution to overall economic growth. In the 1970s, agriculture's contribution to GDP growth averaged 1.7 percent annually. This fell to 1.1 percent in the 1980s, and to minus 0.1 percent in the 1990s. By the 1990s, all the growth in GDP was coming from the industry and services sectors, with services providing 80 percent of GDP growth against agriculture's negative contribution of minus 3 percent to GDP growth.

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[1] Steven R Block and Peter Timmer, "Agriculture and Economic Growth: Conceptual Issues and the Kenyan Experience".

5. The impact of agriculture's declining performance on the poor has been adverse. The large majority of the poor live in rural areas, two thirds of whom reside in the high and medium potential agricultural areas in the central and western parts of the country. In the last five years as agricultural growth stagnated, population increased by 15 percent; clearly per capita incomes, particularly in the rural sector have declined as a result. To alleviate poverty, per capita income growth is the top priority. This requires productivity growth and structural transformation in agriculture to move the sector to a commercial orientation[2]. Unless farm-level productivity improves and off-farm employment opportunities are generated, there will continue to be out-migration to the semi-arid areas, contributing to the environmental degradation of these fragile lands.

6. **Sources of Growth.** The two main options for "agricultural growth" are through 'intensification' of the competitive crops and livestock products and 'diversification' into higher value commodities;- Amongst the export crops, **horticulture,** coffee and **tea** offer the greatest prospects for growth in output up to year 2000 to underpin a sustained growth in overall agricultural production. In the food crops sector, **maize** and **potatoes** offer similar potential. Among the industrial crops. **Oilseeds, sugar** and **cotton** show some potential in the medium term. In the livestock sector, **dairying** is the front runner.

7. Prospects for growth over the next five years are attractive in horticulture, coffee, tea, sugarcane, cotton, oilseeds, maize, potatoes and milk production. These nine crops together account for at least around 70 percent of agricultural output and their share should increase as intensification takes root. An average growth of 6 percent in these commodities over the next five years will contribute 4.2 percent to the average growth in agricultural production. A conducive environment for growth will also promote growth in the rest of the agricultural sector and the rural economy. A conservative average growth rate of 3 percent per annum can be assumed for the rest of the sector, which would contribute 0.8 percent to the average growth rate over the next five years. Consequently, the sector as a whole has the potential to grow at around 5 percent per annum over the next five years. This projection is more ambitious than the estimate used in the 1993 Country Economic Memorandum (CEM) which used a 4.4 percent growth in agricultural production to underpin a 2.9 percent per annum growth in agricultural employment up to year 2000. The CEM explored three possible scenarios based on "low", "medium" and "high" projections for sustained agricultural growth[3]. The CEM based its recommendations on the "medium" range scenario. This report suggests that Kenya should aim at the "high" range scenario. The CEM expectations for agricultural growth have not been met in two of the past three years which makes it increasingly difficult for the employment generation targets to be met unless the potential for agricultural growth is fully exploited. To put these projections into perspective, the sector grew at 5 percent in 1994 which was a good rainfall year and in spite of policy, institutional and technological constraints. The challenge is

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[2] Kenya Poverty Assessment Report.

[3] For a full discussion of the growth projections used see Kenya - Employment Growth for Povery Alleviation (Report No. 1160-KE), September 30, 1993.

to sustain this performance over several years to realize the benefits on overall poverty reduction. The report argues that while the potential to sustain such a growth performance does exist, it cannot be done unless the Government takes steps to address some major constraints.

8. **Constraints to Growth**. The agricultural sector faces a number of inherent constraints. First, only 20 percent of the land area can be classified as high and medium potential and almost all of this land is already being utilized. The potential of the arid and semi-arid lands is limited. Second, agriculture is largely rain-fed and output is heavily influenced by rainfall; drought is a periodic occurrence. Third, population pressure on the natural resource base is great and though population growth rates are on the decline they are still in excess of 3 percent. Hence, at the household level, food security is the main concern and this has important implications for incentives for specialization. Given the above, it is imperative that the agricultural potential is exploited to the fullest extent in an environmentally sustainable way.

9. Establishing a framework where the system of production, marketing, input supply and credit, which at present, involves various interventions by Government, can move to a market determined system in which most of these functions are in the hands of the private sector is critical for Kenyan agriculture to exploit its potential. In many respects, an enabling environment for sustained growth has still not emerged. First, the policy environment is still not conducive to private initiative. For example: food security policy is still based on intervention by the National Cereals and Produce Board (NCPB) though the recent decisions with respect to commercializing NCPB's operations and only allowing NCPB to buy and sell maize at market prices are encouraging; and parastatals continue to operate and make losses and distort the market. In addition, domestic marketing controls still exist for some commodities. Second the institutional framework is still inadequate. The Ministry of Agriculture, Livestock Development and Marketing (MOALDM) functions ineffectively. Government activities are highly centralized and partnerships between Government agencies and between Government agencies and non-governmental organizations and the private sector are virtually non-existent. Also, the cooperative sector is becoming marginalized. Third, support services are inefficient and ineffective. Measured in terms of personnel and facilities, the agricultural research system is one of the strongest in sub-Saharan Africa. However, the lack of progress made in increasing total factor productivity in agriculture suggests that the research system is operating below its potential. Since 1991/1992, extension activities have operated at a reduced level of effectiveness due to severe funding cutbacks and the links between extension and research remain weak. Fourth, the provision and effective maintenance of rural infrastructure has emerged as the single most important bottleneck to agricultural development in Kenya. A decade of neglect has led to rising transport costs, directly linked to deterioration in the quality of economic infrastructure. In addition, traditional substitutes for a lack of rural electrification, such as the use of fuel wood from the forests to power agro-processing factories, are becoming environmentally untenable. Finally, input markets need to work better; fertilizer use is low, pest management practices are inadequate and seed quality generally poor; and rural financial markets are functioning imperfectly. Total credit provided to the rural sector in 1994/1995 was estimated at Ksh. 22.7 billion, or less than 10 percent of total credit provided through the

domestic financial system. Administrative and structural factors, associated risks and relatively high transactions costs combine to direct capital away from agriculture. The great bulk of the agricultural credit is provided for short-term working capital requirements. Term lending to the private sector in agriculture is low.

10. **An Agricultural Growth Strategy.** The future lies in transforming smallholder into a more commercial orientation by accelerating the change in the mix of farming activities to those which add more value per unit of land and labor. The transformation of agriculture would require a relative shift away from low-return food crops grown for subsistence consumption (maize, sorghum, millet, and cassava) towards enterprises with high value added (dairying, horticulture, coffee, tea, sugarcane, cotton, etc.) in conjunction with across-the-board productivity growth.

11. There are three factors that suggest that a firm basis exists for pushing ahead with the structural transformation process. To begin with, a relatively stable macroeconomic environment has been maintained and the benefits are beginning to filter through to agriculture. Inflation is down to single digits and interest rates are beginning to decline. The impact on private investment should be positive. In addition, domestic and international market demand will remain buoyant for the main commodities domestically produced. Also, smallholder farmers in the high and medium potential areas are very responsive to incentives and market signals. This combination of macroeconomic stability, robust market prospects and entrepreneurial energy can, and should, be harnessed to drive the structural transformation process forward.

12. Food security concerns need not conflict with the thrust towards efficiency and growth objectives. The role of the strategic maize reserve from a food security point of view has not been significant in the past 25 years. The food security policy should be re-focused as follows: (a) from controlling output markets and supporting producer incomes to one of raising productivity in smallholder maize farming and raising smallholder incomes. Productivity increases in agriculture is closely interlinked with food security at the farm level. Farmers will only be encouraged to intensify and diversify if they are assured that their food requirements would be met by a market for basic food commodities, particularly maize, which is operating consistently, predictably and with increasing efficiency, (b) to addressing the chronic food security which will continue to be experienced by the very poor, some of them small farmers, through specifically targeted programs.

13. **Key Elements of the Growth Strategy.** An appropriate policy environment which sends consistent and credible signals to the market has to be in place. With regard to food policy, there are a number of ways in which food security objectives can be met, without excessively high cost or disruption to commercial markets. A limit on the size of NCPB reserve stocks that may be held and regular rotation of maize stocks during the shortfall season can help to reduce the budgetary burden while ensuring adequate inter-year food security. A number of important actions need to be taken with regard to divestiture of parastatals. As a first step, management of the Kenya Tea Development Authority (KTDA), Nzoia and Muhoroni sugar factories, Kenya Cooperative Creameries (KCC) Kenya Seed Company (KSC) and the Agricultural Finance

Corporation (AFC) must be improved with the recruitment of professional managers perhaps under management contracts with professional private firms. After that, these parastatals should be privatized in an orderly fashion. Domestic marketing controls such as restrictions on the sale of smallholder produce should be eased and licensing of private factories for the processing of smallholder beverage crops should be actively encouraged. Finally, Agriculture's export and import substitution competitiveness must be enhanced. To do that an enabling macroeconomic environment should be maintained.

14. The institutional framework has to be readjusted. Reform of the operations of the public sector will help to release resources that can be used for higher-priority tasks. MOALDM has to be restructured, its functions rationalized and its staff levels cut back. Strong efforts must be made to decentralize Government operations. Only those services that are highly skill or capital-intensive merit central coordination and control. Cooperation among Government agencies involved in the sector needs to be improved and partnerships with NGOs and the private sector need to be encouraged. Cooperatives have to be re-vitalized and released from the restrictions imposed by Government regulations. Rigidities in the land markets need to be eased. Government must also demonstrate that it will enforce the sanctity of private title to land. Over time, this would improve the degree to which land titles could be used as collateral to obtain credit.

15. The provision of support services needs to be rationalized. In line with the strategic directions for smallholder agriculture, greater emphasis should be provided in the areas of maize, potatoes, dairy, animal health and nutrition in the context of a farming systems approach. Inadequate financing which adversely affects the research effort must be dealt with. Tight financial constraints have inspired Government to seek ways of improving the cost-effectiveness of the extension effort. Possible options to improve cost-effectiveness would be to reduce the number of layers in the system, to institute cost-recovery measures for extension services in coffee, tea and other cash crops, and to accelerate the merger of animal health and soil and water conservation services into a national unified extension service.

16. Reinvestment in rural infrastructure needs to take place. The Roads 2000 approach promises to be the most appropriate strategy for upgrading the great bulk of rural roads in a short period of time, and of establishing locally-controlled road upkeep systems that are both affordable and sustainable. In order to maximize the agricultural impact of such efforts, the Roads 2000 initiative should concentrate first on those districts that have a high agricultural potential (i.e. with a high concentration of horticulture, coffee, tea and dairy activities) and where rural traffic is already heavy. Rural electrification efforts have to be speeded up. While cost-sharing arrangements remain important to ensure the sustainability of rural electrification, Government should increase allocations for rural electrification hookups, particularly in the horticulture, tea and milk producing areas where rural incomes should be sufficient to afford it: An increase in the size of the Rural Electrification Fund is clearly warranted. The Government has an important role to play in the development of rural market facilities if for no other reason than the difficulties private individuals face in securing and settling claims to land suitable for market development in urban areas and rural towns. Finally, sustainable small scale

irrigation has to be promoted. A Japanese supported National Water Master Plan identified a total of approximately 110,000 hectares of land suitable for small scale irrigation, of which the majority was in the high and medium-potential areas of the country. This potential has yet to be exploited.

17. To support the above measures major improvements in the supply and use of key agricultural inputs (i.e. fertilizers, pesticides and seeds) are crucial. Fertilizer use is well below optimal levels, for all of the main smallholder food and cash crops. A combination of wider diffusion of fertilizer responsive varieties with an extension emphasis on raising fertilizer application levels is required along with an integrated pest management (IPM) approach to reduce reliance on chemical pesticides. The enabling environment has to be created for input retailers to become effective agents for promoting appropriate use of these inputs. Also, most importantly, Government must compile and distribute information on the costs and benefits of using inputs under actual smallholder conditions so that farmers can make an informed choice when applying these inputs. With regard to seeds and planting material, the first priority is to open up the market for seed multiplication and marketing to competition. KSC should be operated as a private company. KARI should supply basic and foundation seed material to private seed producers as well as to KSC and should phase out its activities in seed certification.

18. In addition, the rural financial market has to be strengthened. Experience suggests that it is primarily access, rather than the cost of credit that determines the volume of financial flows to the private sector in agriculture. In light of the administrative and structural factors which discourage credit flows to the rural areas, on the one hand, and the numerous possibilities for what appear to be profitable rural investments on the other, channeling of financial resources should be encouraged towards private sector development in agriculture. A doubling of real rural term lending, from its present level of Ksh. 2-3 billion per annum, would be an appropriate medium-term target (i.e. around 5-6 percent of agricultural GDP).

19. **Financing the Growth Strategy.** In real terms, public expenditures in agriculture have been falling since 1986/87. It is unlikely that agricultural public expenditures can be increased very quickly. First, the fiscal outlook for public expenditures as a whole must be regarded as extremely cautious. Until the economy exhibits signs of renewed, sustained economic growth, it is unlikely that there will be any increase in real discretionary (e.g. non-debt service) public expenditures. Second, as a result of the imbalances noted above, public expenditures in agriculture have a decidedly low development impact. Restoring a better balance and measure of cost-effectiveness in agricultural expenditures becomes, therefore, a prerequisite to obtaining higher levels of budgetary commitment.

20. Agricultural expenditure reform will require improvements on a number of fronts. First, the bottleneck which has emerged because of the budgetary ceilings has to be eased. Second, unnecessary costs have to be eliminated. Measures that would contribute to this objective include: (i) divestiture of agricultural commercial state-owned enterprises; (ii) adherence to an annual budgetary limit for NCPB food security activities; (iii) shedding staff made redundant by

the reorientation of core responsibilities in MOALDM and MOCD; and (iv) adoption of lower cost techniques for upgrading rural roads and delivering agricultural extension. Third, a better balance between capital and recurrent spending has to be restored. Fourth, the management of resources allocated for operations and maintenance has to be rationalized and improved. Fifth, public expenditure has to be focused on core priority areas. In terms of public sector support, core priority public expenditure areas for agriculture include rural roads, agricultural research and extension, seed certification, smallscale irrigation, animal health and production services, land titling and resource conversation. Sixth, innovative approaches to public expenditure management should be adopted. In addition to better priority-setting, new approaches to implementing agricultural programs should be considered. Better inter-ministerial coordination will help to integrate agricultural investment measures. Decentralization of agricultural administration responsibilities to District Governments, where possible, would help to produce a better match between local understanding of area-specific requirements and the provision of public services.

21. **Environmental and Gender Implications of the Growth Strategy.** Restoring high and sustained rates of agricultural growth is the most important strategy for alleviating poverty in Kenya. Until significant progress is registered in alleviating poverty, it will be difficult to reduce the stress on fragile agricultural resources, or to realize the improvements in awareness and practices so necessary for a more gender-neutral agrarian society. The policies and programs articulated in the strategy outlined above show little trade-off between stimulating efficient agricultural growth, and its impact on sustainable natural resource development and on the role of women. The strategy argues that agricultural development efforts should focus in the high and medium-potential areas of the nation, and that indiscriminate expansion into the ASAL and arid lands should be held in check. Kenya's agricultural growth potential lies in the high and medium-potential areas of the nation, and the greater the degree to which this potential can be tapped, the less pressure there will be to expand intensive agricultural frontiers into the more fragile ASAL areas. By the same token, the agricultural strategy calls for Government to focus its efforts more directly on providing assistance to smallholders, which by force of circumstance, are mainly female farmers. Improving women's access to land, rural credit, extension advice, suitable technology and a functioning rural infrastructure will spark growth, and at the same time, improve women's income earning opportunities and enhance rural living conditions.

22. **Conclusions.** The agricultural strategy is based on stimulating growth in horticulture, coffee, tea, sugar, oilseeds, cotton, maize, potatoes and milk production. These nine commodities account for around 75 percent of agricultural production. A sustained 6 percent growth in output of these commodities, and assuming that the rest of the sector would grow at around 3 percent annually, will lead to the agricultural sector growing at around 5 percent annually. This by itself will directly add 1.4 percent to the growth rate of the economy on a sustainable basis. However, the indirect impact of a sustained growth in agriculture would also be substantial. The Block and Timmer study suggests that a 1 percent increase in agricultural GDP increases overall GDP growth by 0.43 percent. Hence an agricultural sector that grows at a sustained level of 5 percent will add 2 percent to the overall growth rate of the economy.

MICRO AND SMALL-SCALE ENTERPRISE IN KENYA: RESULTS OF THE 1993 NATIONAL BASELINE SURVEY

Joan C. Parker and Tanya R. Torres

EXECUTIVE SUMMARY, GEMINI TECHNICAL REPORT NO. 75, 1993

One of the striking characteristics of the micro and small-scale enterprise (MSE) sector in Kenya is its heterogeneity. The MSE sector includes the smallest self-employment endeavors with other enterprises that are remarkably dynamic, operating a vast array of activities from both rural and urban locations. But from this amalgam, and the long list of findings outlined in this report, a few central conclusions emerge.

First, the MSE population in Kenya is much larger than previously estimated, with more than 900,000 enterprises, most based in rural areas, employing 2 million people. This higher estimate can be traced in part to the survey's discovery of some 300,000 enterprises operating from the home, which are likely to have gone uncounted in previous surveys.

Second, within this huge population of MSEs, enterprises with more than 50 workers play an inconsequential role; indeed, this population is nonexistent outside of commercial and industrial areas. Enterprises with 11-50 workers also play a minor role, comprising only 1 percent of enterprises nationally. Instead, it is microenterprises – those with 1-10 workers – that make up 99 percent of the enterprise population.

The microenterprise population, however, shows a great deal of dynamism, particularly when compared with MSEs in southern Africa. The Kenya MSE sector is unique in three important respects: a minority of enterprises have only one worker, only one-third of enterprises are based in the home, and only half of all entrepreneurs are women. In southern Africa, by contrast, the majority of enterprises are one-worker, women-owned, and home-based businesses. Finally, a higher percentage of enterprises in Kenya have added workers than in any of the southern African countries. In sum, it appears that the Kenyan MSE sector has "grown up" more than its counterparts elsewhere in the continent[1]. In search of the reasons for Kenya's distinct path, one may look to the economic health of Kenya in the late 1980s relative to other African countries, which may have spawned the dynamic group of enterprises that are still in operation.

Given evidence of an evolving sector juxtaposed against the reality that 99 percent of enterprises have less than 10 workers, how should graduation be defined in the Kenyan MSE context? Graduation in the Kenya context does not mean a movement of microenterprises into medium enterprises with more than 50 workers. Instead, it is the less noticeable but very

[1] Although a lower percentage of women entrepreneurs is not a mark of the MSE sector's "evolution," it suggests that MSE activities are relatively attractive to men, which is a sign of either dynamism in the sector or poor opportunities elsewhere in the economy.

important transformation of one-worker enterprises into 3-5-worker enterprises, or of 3-5-worker enterprises into enterprises with 6-10 or 11-50 workers. Indeed, such graduations are likely to include major transformations within enterprises in types of employment offered, markets serviced, types of skills required, and problems encountered.

Certain size categories within the microenterprise population appear to offer special development potential. This is particularly true of enterprises in the 3-5-worker category. Not only does this size category make up 20 percent of the enterprise population, but it provides one-third of the sector's jobs nationally, more than any other size category. The workforce in 3-5-worker firms is more likely to be paid than in smaller enterprises, and receives training through apprenticeships. This size category is also the most numerous in the commercial and industrial area sample. Enterprises starting in the 3-5-worker category use markedly more start-up capital than smaller enterprises, suggesting that they start with more business assets than simply their labor, whether it be land, materials, or equipment. In addition, enterprises starting with 3-5 workers are more likely to add workers than businesses that start larger. Although two-thirds of these enterprises remain in the 3-5-worker size category, a sizeable percentage grow into 6-10- or 11-50-worker enterprises. The potential of this size category has not gone unnoticed by local officials, who target this size group more than others for licensing requirements.

Because women make up 46 percent of the Kenyan MSE sector's entrepreneurs and 40 percent of the sector's total employment, women-owned enterprises deserve a special look. They predominate in commercial activities and, in subsector terms, in the agriculture-based, forest-based, and textile subsectors. Women's enterprises start smaller, grow slower, and end smaller than do men's enterprises, with two-thirds remaining one-worker concerns. In aggregate, women-owned enterprises generate 26 percent fewer jobs per year than do men-owned enterprises, although they outnumber their male counterparts. Women entrepreneurs have different credit use patterns than do men, using less start-up capital and little formal credit, relying instead on informal credit. Similarly, women are more likely to join savings circles as a means of financing their enterprises. In terms of workers, women-run businesses are more likely to rely on unpaid and unskilled workers. Women are more likely to work from their home and are rarely found in the more formal locations of commercial areas, trading centers, or along roads. If working outside the household, women typically have less formal tenure arrangements and are more likely to work out of temporary structures and without utilities than are men. Although women stay in business as long as men, they are more likely to leave business for personal reasons rather than business failure, reflecting both their lower risk strategies while in business and their dual role as childbearers and rearers as well as businesswomen.

The report recategorized enterprises by subsector. Although this was a rough exercise, it revealed the clear dominance of agriculture-related activities in the MSE sector. Despite the omission of primary agricultural activities from the survey, agriculture-related enterprises are by far the most numerous of any group of activities, making up the bulk of commercial enterprises and one-third of manufacturing businesses. Moreover, this group of activities is a key provider of income and employment for women.

There are several key implications for policy makers from these findings.

- First, strategy should focus on assisting enterprises within the microenterprise sector, rather than on assisting larger enterprises. There are two rationales for this: first, this is how to reach those enterprises that provide 93 percent of the sector's jobs, and, second, this is the population from which tomorrow's small enterprises will emerge.

- Second, any strategy that attempts to reach this population must attempt to reach rural businesses and home-based enterprises, because of their sheer numbers, general invisibility, and involvement of women.

- Third, women entrepreneurs face a different set of constraints than other entrepreneurs, which should be taken into account in strategy development.
- Finally, at least in the short run, microenterprise development will be tied unavoidably to the development of the agricultural sector.

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ANNEX 9
Environmental Analysis

Rationale of Mission Strategy

No problem may be threatening the biological resources of Kenya more than poverty and the proliferation of the human species. Kenya's population growth rate was, until recently, one of the highest in the world. Currently, 80 percent of Kenya's population live in the high potential lands, which cover 20 percent of the country's land area. The population densities in these areas are among the highest in the world, and the consequent use of resources is intense, forcing migration into forests, onto arid and semi-arid lands, and to urban centers.

USAID's *Environment Strategy* states that the wise use of natural resources and environmental protection are fundamental to USAID's assistance program. The strategy recognizes that concern for the environment and wise management of the natural resources base are absolute requirements of any successful development program.

The requirement that USAID country missions conduct environmental assessment of threats and opportunities has as its legal basis Sections 117, 118, 119 of the Foreign Assistance Act.
A Natural Resources Management Assessment was scheduled by the USAID/Kenya Mission and took place in February 1995. The Assessment was jointly funded and conducted by USAID/Kenya and the USDA/Forestry Support Program. As an integral part of the five man assessment team, and in direct support of the assessment, was the most knowledgeable Kenyan NGO organization involved in the natural resource management sector in Kenya; The African Center for Technology Studies. The results of this exercise provided the necessary guidance for the Mission Strategic Planning exercise relative to the natural resources management sector.

Identified Constraints Effecting Kenya's Ability to Conserve Biological Diversity and Tropical Forests.

Two major interrelated problems – the high rate of population growth and declining farm level productivity – are causing extensification of agriculture through farmer migration into forest areas and from the higher potential into lower potential zones. This process is the root cause of widespread actual or threatened degradation and unsustainable use of natural resources on many levels. As pastoral people come under pressure from spreading agriculture, this causes overgrazing and in turn increases the pressure on wildlife and other biodiversity resources in the semi-arid areas. The extensification of agriculture into watershed zones – for example, the Tana River basin – is causing siltation of estuaries and threatening coastal resources such as coral reefs.

Soil fertility depletion, particularly of phosphorus, among the many farmers whose holdings are too small to generate revenues to pay for fertilizer, improved seed varieties, etc., has produced declining yields for decades and is accelerating the extensification of agriculture. This problem is widely perceived by the scientific community, but not policy makers. As a consequence neither overall agricultural policy nor agricultural research have placed enough emphasis on assuring sustainability.

Forest resources are under extreme pressure and the Forest Department is not managing these resources on a sustainable basis. The forest plantation system potentially can generate significant revenue and employment and meet the country's demand for industrial wood products. The management problems of this sector arise from reasons internal and external to the Forest Department. Neither the policy level of the government nor the general public perceive the potential contribution of forest resources to Kenya's future development. In contrast, the total amount of woody material grown on farms is growing and the outlook for sustainable management of trees under private management as an integral part of farming systems is favorable.

Biodiversity resources are under pressure though shrinkage of habitats from encroachment and increasing competition with human populations and through pollution of waters, especially in the coastal zone. Kenya Wildlife Service is engaged in a vigorous effort to bring wildlife resources under sound management and is making significant progress in many areas. One of the most promising Kenya Wildlife Service thrusts is in the area of community-based sustainable management of the majority of wildlife that lives outside reserves.

Aquatic and coastal resources are under extreme pressure from competing usage from the urban, industrial, agricultural, fisheries and tourism sectors. In Lake Victoria, a number of endemic species have become extinct due to the introduction of the nile perch. Essentially all of Kenya's rivers are dammed for power generation, municipal water and irrigation. The nile perch fishery, though booming, is probably not sustainable. Deforestation, over-grazing and cultivation of marginal lands is causing increased sediment loads in some rivers (e.g. the Tana and Yala), decreased storage capacity in the watersheds, and more erratic flooding. The resources of Kenya's 560-kilometer coast are under pressure from fishermen using increasingly unsustainable techniques and a rapidly growing tourism industry. Except for the 8 percent that is under management by Kenya Wildlife Service as parks and reserves, management of coastal resources is virtually non-existent. Coastal tourism generates at least half of total industry revenues.

There is no overarching, trans-sectoral environmental policy and legislative framework. The Ministry of Environment and Natural Resources has responsibility for environmental issues, but has neither the institutional capacity nor the mandate to provide cross-sectoral coordination of environmental management. Environmental governance suffers from the sweeping powers over public forest holdings, Trust Lands and other government lands exercised by the Ministers of Environment and Natural Resources, Local Government and Lands as well as the President. The legal system and the constitution are obstacles to the regulation for environmental purposes of private lands. Though there is a strong interest in policy and legal, including constitutional, reform for enhanced environmental management within the environmental community, the indications are that the government's willingness to work with the international community to address these issues is limited. However, there is sufficient openness in the political system as well as interest and activism among elements of civil society – especially the NGOs – to provide a basis for advancing the cause of policy and legal reform without direct involvement of the government.

Extent to Which USAID/Kenya Strategy Addresses Identified Constraints to Kenya's Ability to Conserve Biological Diversity and Tropical Forests.

The stakes in this process are of the utmost strategic importance to the country. Agriculture generates about two-thirds of Kenya's foreign exchange and contributes about 30 per cent of gross domestic product. Kenya's biodiversity resources and landscapes generated tourism revenues of some $558 million in 1993. Though non-agricultural employment will expand through current efforts, it will not absorb all the potential migrants out of the high and medium potential zones. The social and political implications of this process are possibly more important than the economics of the situation can express. It can be argued that the most serious political and social tensions in Kenya revolve around land. Declining yields will accelerate the extensification of agriculture into lower potential lands and forests unless it is arrested.

A reversal of this process should slow the rate of migration and buy time for the demographic shift to have its effect on population growth rates and for non-agricultural employment to expand.

The mainsprings of natural resource degradation in Kenya are population growth and declining farm-level productivity in wide areas of the high and medium potential agricultural zones. This causes extensification of agriculture into forest areas and into areas of higher to lower potential where it is unsustainable. In order to mitigate this process while efforts continue to slow population growth, it is important that programs to improve on-farm productivity in high and medium potential areas be continued and made sustainable. There is a consensus among scientists and other professionals that these efforts are being limited and increasingly undermined by depletion of soil fertility – especially loss of available phosphorus. In addition, the lack of availability of improved seed varieties, particularly among smallholder farmers results in wide areas where farms generate insufficient revenues to support fertilizer and improved seed purchases. Rural agriculture draws more than half of its revenue from off-farm therefore, concomitant growth in off-farm employment opportunities, especially in small and micro-enterprises, is closely linked to smallholder revenue generation.

Support for the generation of improved technology by the Kenya Agricultural Research Institute (KARI) has formed an important part of USAID Kenya's agriculture portfolio for many years. Much has been accomplished and there is now a need to capitalize on the investment thus far in technology by accelerating its dissemination to farmers primarily through the private sector.

The migration of cultivators to areas of lower potential generates pressures on off-farm natural resources such as forests, rangelands, wildlife national parks and other biodiversity resources, watersheds, landscapes and coastal resources. The country's stake in arresting the resulting degradation of its natural resource base is enormous and most tangibly demonstrated by reference to the some $568 million that Kenya earns each year from tourism alone.

The Conservation of Biodiverse Resource Areas (COBRA) Project provides a solid base for replication of the community land management approach throughout the areas where human populations coexist with wildlife resources. The COBRA project approach will prove replicable, not only to other communities faced with wildlife management opportunities, but also to those with opportunities to manage other natural resources such as lands, wetlands, forests and coastal resources.

COBRA's present involvement in the Coastal Region and the variety of resources in that area argue for focusing the next phase of the project there. The Coastal Development Authority, though a young organization still in its formative stages, is a promising partner for Kenya Wildlife Service to collaborate with under a Memorandum of Understanding similar to that existing between Kenya Wildlife Service and the Forest Department. The focus of cooperation in the Coastal Zone will include application of community management to such resources as mangroves, algae beds, fisheries and coral reefs. Its work there will proceed in a regional planning framework so that areas of focus are based on an assessment of the relative need for protection of biodiversity resources.

Every effort is being made to link COBRA with existing local NGOs and enhance the capacity of these NGOs currently involved in the natural resource management sector.

The proposed strategic objective of increased sustainability of family planning and HIV/AIDS service delivery systems in the population and health area and the strategic objective of increased commercialization of smallholder agriculture in the economic growth area will clearly have an impact on the environmental and natural resources sector. Further, they are responsive to the Agency's goals and objectives. The relationship of the democracy and governance strategic objective of creating effective demand for sustainable political, constitutional and legal reform is less obvious in its environmental impact initially, but becomes clearer in light of the importance of governance factors (such as those found under COBRA) and civil society advocacy to sustainable natural resource management and use.

Key Other Donor Activity in the Environment and Natural Resources Sector

1. Cross-sectoral Areas

The $1.5 million UNDP/GEF Institutional Support for the Protection of East African Biodiversity project aims to strengthen the institutions concerned with conservation and management of biodiversity in East Africa through provision of training and infrastructure. Another UNDP/GEF activity supports the protection of biodiversity through demonstration centres, training of environment club leaders in five schools in collection, propagation, planting and management of indigenous trees and support of school gardens. This project had a funding level of $14,600.

One of the most comprehensive efforts to build capacity in environmental management is the Dutch-funded initiative at the School of Environmental Studies (SES) at Moi University. The training programme is implemented in conjunction with the University of Amsterdam and trains people at the post-graduate level (covering PhD and MPhil training). The Dutch contribution to the program was $1.9 million over the 1991-94 and $2.3 million over the 1994-98 period.

The area of environmental policy research is starting to attract donor support. WWF (USA), with funding from USAID, is supporting research at ACTS to develop the concept of environmental governance. The project is linked to a policy-related research effort supported by the Ford Foundation which is applying the concepts to community-based water resource management. The Netherlands Government is supporting a project at KENGO to review Kenya's environmental legislation.

Like many other countries, Kenya has recently gone through the process of preparing a National Environmental Action Plan (NEAP). Sponsored primarily by the World Bank, and the subject of conditionality regarding continued access to International Development Association (IDA) credits, this process was assisted by a variety of donors and involved participation of a broad selection of experts from various agencies of the central government and other public sector institutions. The principal resulting document covered the main environmental issues and recommended a comprehensive, somewhat generic, set of actions to address them. An accompanying summary contained a shorter, simplified list of recommended actions, but no discussion of the problems. Neither document made clear which government agencies have responsibilities for listed actions. Nor did they assign priority to the recommendations. It is only the summary document approved by the government to meet the World Bank's requirement. Though the NEAP represents a consensus arrived at through a fairly broad consultative consensus among public servants and some private citizens concerning the nature of and appropriate response to the main environmental threats and issues in Kenya, the Government has not adopted a coherent position that opens the way to proceeding with the proposed policy content that emerged from the process.

2. Sectoral Resource Management Activities

a. Agricultural and Agropastoral Sustainability

The agricultural sector is one of the most extensively supported fields in Kenya with most of the donors providing support for various activities which include NRM elements. One of the most extensive support for NRM activities in agriculture has been SIDA which has supported soil and water conservation activities in Machakos and other parts of Kenya for over two decades. The Dutch have also supported land reclamation activities (under the Baringo Fuel and Fodder Project) for over a decade. Denmark has also been active in supporting agricultural and livestock activities in Kitui and other parts of Kenya. JICA and GTZ have supported programs on agroforestry with support going to ministries and other departments charged with this responsibility. They have also been active in Soil and Water Conservation, mainly to increase agricultural production.

b. Forestry

Donor support in forestry resource development has been extensive and mainly aimed at conservation. JICA has taken the lead here with programs on conservation of forests and afforestation. In 1992, for example, the agency spent 2.8 billion yen in its country programs in Kenya which forestry and agriculture ranking highest in its priority areas. The Finnish International Development Agency (FINNIDA) has also had a strong Forestry component in its programming with support in the preparation of the National Forestry Master Plan being the latest. It has also supported national programs in forestry for the Forest Department with 10 such programs earmarked for completion in 1995 with a total cost of $7 million, in such areas as palm forests, indigenous forests, institution building for management of forests and environmental forest management.

The ODA through Kenya Indigenous Forest Conservation Programme (KIFCON) and the Forest Department spent $8.5 million in 1991-94 to improve the conservation and management of Kenya's indigenous forests including an appraisal of resources uses. The project also aimed to determine the status of Kenya's Natural Forests estate to create a sound planning basis for sustainable use. ODA has decided not to proceed with a projected second phase of this project owing to differences with the Kenya Government concerning sectoral policies and management requirements. On the multi-lateral level, UNDP has supported a Forest Management Project at Moi University (l993/94) at the cost of $91,000. Its aim was to strengthen awareness and capability within the Forest Sector by supporting Faculty development at the University.

The World Bank group's $40-50 million Kenya Forestry Development Project is slated to continue through 1997. Its major focus is the development and management of round wood plantations. The Bank has recently prepared an overall Forestry Policy for the Africa Region.

c. Biodiversity

UNDP has had programs to assist KWS to modernize itself by setting up efficient data collecting, and monitoring capabilities at a cost of $700,000.

The Protected Areas Wildlife Service (PAWS) is a high profile, multi-donor project spearheaded by the Bank. This project whose total value is $143 million, including the Government's 25 percent contribution, is intended to halt the decline of Kenya's wildlife and its system of National Parks and Reserves. By so doing, it intends to develop a sound foundation for an environmentally sustainable wildlife-based tourism. Another objective is to build the capacity of KWS to undertake scientific research. The project is a 10-year wildlife sector development programme and the start date was 1989. Other donors involved in this endeavor are Germany, the Netherlands, British ODA, the European Union, and USAID. Germany's funds were to be managed by the World Bank. At this writing, they have been frozen at the Germany's request over concerns that do not pertain to KWS.

The Japanese Government through the activities of JICA has provided some 722 million yen to support wildlife conservation programs with technical assistance, training and budget contributions. JICA has received a request for support to a wildlife research institute in Kenya.

d. Aquatic and Coastal Resources

The Netherlands Government is supporting efforts to formulate a national master plan on wetlands. FINNIDA is assisting districts in Western Province to develop district-based Water Master Plans. The Swedish government is considering launching a long-term program in eastern Africa which will cover technical, social, economic and policy aspects of water resources management. This program would build on their long experience in soil and water conservation in Eastern and Southern Africa. The Ford Foundation is supporting a three-year policy research project at ACTS on environmental governance with particular emphasis on community-based water resource management. Other donors supporting activities in water resource management include Swiss Development Cooperation (SDC) whose main work is in Laikipia area.

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ANNEX 10
Acronyms and Abbreviations

ABEO	-	Agriculture, Business, and Environment Office - USAID/Kenya
ADB	-	African Development Bank
AFC	-	Agricultural Finance of Kenya
AIDS	-	Acquired Immune Deficiency Syndrome
APHIA	-	AIDS Population and Health Integrated Assistance - USAID/Kenya
ATSP	-	AIDS Technical Support Project - USAID/Kenya
CEDPA/ ACCESS	-	Centre for Development and Population Activities/Access to Family Planning Through Women Managers - Kenya
CHAK	-	Christian Health Association of Kenya
CIDA	-	Canadian International Development Agency
COBRA	-	Conservation of Biodiverse Resource Areas Project - USAID/Kenya
DANIDA	-	Danish International Agency
DCM	-	Deputy Chief of Mission - U.S. Embassy
EU	-	European Union
FAO	-	Food and Agriculture Organization - United Nations
FEWS	-	Famine Early Warning Systems - USAID/Kenya
FHI	-	Food for the Hungry International
FINNIDA	-	Finnish International Development Agency
FPAK	-	Family Planning Association of Kenya
FPMD/MSH	-	Family Planning Management Development/Management Sciences for Health - Kenya
GHAI	-	Greater Horn of Africa Initiative
GOK	-	Government of Kenya
GTZ	-	German Agency for Technical Co-operation
HIV	-	Human Immunology Virus
IDA	-	International Development Association
IFAD	-	International Fund for Agriculture Development
IMF	-	International Monetary Fund
IDRC	-	International Development Research Centre
IPM	-	Integrated Pest Management
IUCD	-	Intra-uterine Contraceptive Device
JHPIEGO	-	Training in Reproductive Health Project - USAID/Kenya
JHU/PCS	-	Johns Hopkins University/Population Communications Services Project - USAID/Kenya
JICA	-	Japan International Co-operation Agency
KARI	-	Kenya Agricultural Research Institute

KANU	-	Kenya African National Union
KCC	-	Kenya Co-operative Creameries
KENGO	-	Kenya Energy and Environmental Organization
KIFCON	-	Kenya Indigenous Forest Conservative Program
KMDP	-	Kenya Market Development Program
KSC	-	Kenya Seed Company
KTDA	-	Kenya Tea Development Authority
KWS	-	Kenya Wildlife Services
MPs	-	Members of Parliament
MICRO-PED	-	Micro-Private Enterprise Development
MSE	-	Micro and Small Enterprise
MOALDM	-	Ministry of Agriculture, Livestock Development, and Marketing
MOCD	-	Ministry of Cooperative Development
NCPB	-	National Cereals & Produce Board - Kenya
NEAP	-	National Environmental Action Plan - Kenya
NGO	-	Nongovernmental organization
ODA	-	Overseas Development Administration - British Government
PAM	-	Policy Analysis Matrix - Egerton University and USAID/Kenya
PAWS	-	Protected Areas Wildlife Service - World Bank and USAID/Kenya
PRIDE/Africa	-	Promotion of Rural Initiative Development Enterprise - Kenya
PVO	-	Private voluntary organization
RAPID IV	-	Resources for Awareness of Population Impact on Development - USAID/Kenya
REDSO/ESA	-	USAID Regional Economic Development Services Office/East and Southern Africa
SES	-	School of Environment Studies - Kenya
SIDA	-	Swedish International Development Agency
SDC	-	Swiss Development Cooperation
UNDP	-	United Nations Development Program
UNFPA	-	United Nations Fund for Population Activities
UNIDO	-	United Nations Industrial Development Organization
UNICEF	-	United Nations Childrens' Educational Fund
UNAIDS	-	United Nations AIDS Program in Kenya
USDA	-	United States Department of Agriculture
WWF	-	World Wildlife Fund
WID	-	Women in Development - Kenya
WHO	-	World Health Organization