

**A REVIEW OF THE USAID-KENYA STRATEGIC PLAN  
WITH A VIEW TO IMPROVING IMPLEMENTATION  
EFFECTIVENESS AND ACHIEVING RESULTS**

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## **ABBREVIATIONS AND ACRONYMS**

ACEG	African Centre for Economic Growth
ADEA	Association for Development of Education in Africa
AGOA	African Growth and Opportunity Act
CBOs	Community-Based Organizations (CBOs)
CHE	Commission for Higher
CSOs	Civil Society Organizations
EU	European Union
FAWE	Forum for African Women Educationalists
GDP	Gross Domestic Product
GoK	Government of Kenya
HELB	Higher Education Loans Board
ICTs	Information and Communication and Technology
IDS	Institute for Development Studies
IEA	Institute for Economic Affairs
IPAR	Institute for Policy Analysis and Research
IPS	Institute of Population Studies
KAM	Kenya Association of Manufacturers
KANU	Kenya Africa National Union
KARI	Kenya Agricultural Research Institute
KCCT	Kenya College Communication Technology
KIPPRA	Kenya Institute of Public Policy Research and Analysis
MSEs	Micro and Small Enterprises
NARC	National Rainbow Coalition
NCWTO	National Committee on World Trade Organisation
NGOs	Non Governmental Organisation
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programmes
SWA	Sector Wide Approach
SLO	State Law Office
SPS	Sanitary and Phyto-sanitary
WTO	World Trade Organization

## 1.0 INTRODUCTION AND SUMMARY

The current USAID-Kenya Integrated Strategic Plan (ISP) was prepared during 1999-2000. This period could at best be characterised as a period of stalemate in Government of Kenya/United State Government (and other donor relations) in terms of development dialogue. However, the political changes that took place in Kenya in December 2002 in the form of change of regime from KANU to NARC has presented an unparalleled opportunity to both the GoK and the USAID to review their development agenda and relations with a view to enhancing each partners' capacity to respond to the demands and expectations of the people of Kenya. After a long period of deteriorating economic performance and declining living standards in the last two decades, Kenyans expect of their new government improved delivery of public services as well as progressive improvement in their economic prospects. **The review of the ISP is therefore very timely; and the USAID is to be commended for its prompt response in this matter.**

The purpose of the review was largely two fold<sup>1</sup>, namely:-

- The revalidation /modification of the USAID-Kenya mission Strategic Plan; and
- The improvement of the Mission's effectiveness in delivery of services to Kenyans in partnership with its development partners, i.e., the GoK and other actors in this field.

Before undertaking this review, the consultants held a meeting with the head of USAID – Kenya mission and his staff on 25<sup>th</sup> February 200 during which the broad outlines of the assignment were highlighted. It was expected that the consultants would hold discussions with other stakeholders, particularly, GoK officers involved in the review of the GoK's own PRSP and the ERP; other development partners playing a complementary role in programme implementation in various sectors, as well as NGOs and CSOs engaged in activities in this field. However, because of the time constraint, it was not possible to meet all the key players in the field.

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<sup>1</sup> See Annex 1 for the Terms of Reference, TORs of the Review.

A list of persons interviewed by the team is attached as Annex 2. An earlier draft of this report was also discussed at the USAID Mission retreat on March 11<sup>th</sup> 2003. In keeping with our terms of reference, this report therefore seeks to highlight:-

- Those aspects of the USAID/ISP that are still valid;
- Those elements of the strategy that should be strengthened;
- New areas of engagement that USAID should consider for integration into the ISP;
- New or strengthened modalities for USG/GoK collaboration for more effective service delivery to Kenyans both in the public and private sectors.

In summary, seven key issues emerged as key concerns for USG/GoK relations under the audit of the USAID/ISP program in the remaining period of the ISP i.e. 2003-2005.

### **1. *Governance Issues and Balance of Power***

In the part, USAID activities in this area tended to concentrate on efforts to redress the balance of power between a strong executive, a weakened legislative, and a largely moribund and corrupt judiciary. Because the executive under the previous regime was largely deaf-tone to the vehement message of reform from the strong domestic civil society and a patiently persuasive diplomatic community; USAID's activities were delivered largely through non-governmental agencies and the private sector (largely the media). However, now that there has been a change of regime that is committed to reform, the USAID should take this opportunity to reorient its strategy in this area by working more closely with GoK institutions and machinery for delivery of services. A range of activities in this area are outlined in the section on Democracy and Governance.

**2. *Strengthening the private sector to play a more prominent role in redressing market failures in the productive sectors, particularly agriculture and MSEs.***

It was noted that restoring the growth capacity of the Kenyan economy would require urgent attention to the problems facing the agricultural sector and the MSEs. These two sectors are not only structurally interlinked; but they are critical to income generation for the vast majority (80%) of the Kenyan population. Policy reforms in this area (market liberation) have left the poorest of the poor vulnerable to persistent market failures that require further support from the GoK/USAID activities. But most critical in this area is the need to build and enhance capacity of the private sector to deliver services, market information, improved market facilities, improved seeds, technology etc more effectively in order to turn the terms of trade in favour of small scale farmers whether in export production or domestic production. In addition, it was noted that there is need for the USAID to enhance its activities in support of farmer organisations to enable the latter to benefit from various trade agreements that open the possibilities of more effective market participation by farmers, particularly in horticulture and the dairy sectors.

**3. *Enhanced policy dialogue with stake holders in agriculture and the manufacturing sectors.***

It was noted that even though a lot has been accomplished in terms of policy reforms under the previous regime, the agenda for reforms in the productive sectors is largely unfinished. Much remains to be done to streamline/harmonise the more than 100 pieces of legislative delivery with agriculture; while there is urgent need to come up with an integrated MSE strategy in Kenya. Equally, the Ministry of Trade needs to be strengthened in order to offer leadership and guidance in trade matters that Kenya is likely to encounter in the globalisation process. The capacity of the many nascent private sector organisations in these sectors needs to be strengthened for the private sector to play a more proactive role in the recovery efforts. USAID's ISP goals and intervention in this area therefore remain valid and need to be strengthened.

#### **4. Infrastructure**

In many of its policy papers – the PRSP, ERP – the GoK has identified the collapse of infrastructure as the major constraint to economic recovery efforts. Everywhere one turns, be it the state of roads, water, sanitation, power or telecommunication, the story is the same – collapsed physical facilities; the inefficient and often corrupt management; insufficient capital funds to undertake basic maintenance and repairs. Indeed, the task is so huge that even the USAID has side stepped this area in its ISP. Yet, for meaningful recovery prospects, there is need to address problems in this area, particularly Rural Access roads, for only then will it be possible to create the necessary backward and forward linkages between agriculture and the manufacturing sectors. The report therefore urges the USAID to reconsider its stance in this matter.

#### **5. Education**

Like infrastructure, this is an area that does not feature under any of the strategic objectives of the ISP. However, our TORs required us to look into the possible opportunities for USAID engagement in this area. After considerable involvement in this sector in the early years of independence, the USAID has gradually withdrawn from activities in this area. In the meantime, GoK policies have seen the deterioration of the sector with many of the tertiary training and technical institutions converted into public universities and colleges such that there is now a conspicuous skill gap in the labour markets. Not only is the skill threshold requirement visible amidst rising unemployment; but there is need to cater for the ever increasing output of students from primary schools who crave to enter into such technical training schools. But the problem is not merely one of quantity. Questions about the relevance and quality of education need addressing urgently. Problems about access to education particularly for girls, women and pupils from ASAL areas need to be addressed. Financing of free primary education has also become an urgent policy issue. Lastly, the whole question of priority between primary and post secondary schooling needs to be resolved. Support to policy reforms and institutional capacity building in this sector is identified as one area that the USAID could assist in.

## **6. *Natural resource management and ASAL issues***

Issues concerning NRM Strategic Objective 5; are an intrinsic part of the ISP. However, our TORs did not call for an examination of this Strategic Objective. But it emerged that there was a critical interface between NRM issues and problems in agriculture and ASAL areas. Because of rapid population growth, agricultural activities are fast encroaching on marginal areas creating conflict between agriculturalist and pastoralist, not to mention the inevitable conflict between man and animals that such developments generate. In addition, the whole issue of food security is subsumed in this conflict to the extent that these dynamic forces will increase in the future, there is need to maintain USAID engagement in this area.

## **7. *Health***

Issues in population and health, Strategic Objective 3 are part of the ISP. Again the emphasis in our TORs was more on issues pertaining to HIV/AIDS. However, it was noted that the TORs should have been broader to include matters of health care in general. As Kenya makes a successful demographic transition from a total fertility rate of about 8.2 to 4.7 in the space of twenty years, there is need to strengthen MoH's capacity to manage the health system in order to sustain gains made elsewhere in the health delivery systems. One such strategy for USAID would be the support of rehabilitation of health facilities. Other suggestions for policy support are made in the section on Health.

### **1.1 *BACKGROUND TO CHANGE: STRENGTHS AND WEAKNESSES OF THE GOK/USAID***

Contrasted with the previous KANU regimes' stance vis-à-vis dialogue with development partners, there is no doubt that the assumption of power by the NARC government represents nothing short of a sea-change in the approach to development discourse in Kenya. Whereas KANU dithered and prevaricated in its commitment to policy reform, the NARC government through its manifesto and recent policy

pronouncements is clearly committed to radical reform in the area of governance – both political and economic. Furthermore, the government enjoys huge public support domestically and can expect a lot of goodwill from its development partners. In addition, there is strong political leaderships to guide economic and political reforms. Indeed, many of the policy activists of the past are now part of the NARC government, and the onus is now on them to show their commitment to reform by implementing the various actions contained in the NARC manifesto and the PRSP.

However, this political goodwill should be seen in the context of a civil service whose capacity for service delivery has been inexorably eroded to the extent that its capacity to carry through rapid policy reforms has been seriously compromised. There is inertia everywhere in the civil service and morale is low. In addition, the collapse of the physical infrastructure across all areas further undermines the supply response of the real economy.

While the goodwill towards the NARC government, no doubt reinforces the momentum of policy reforms, the unrealistically high expectations of changes by Kenyans threatens to scuttle the process of short term economic recovery. On the budgetary front, increased pressures may dismantle the already fragile macro-economic stability. Unsustainably, high domestic interest rate continue to undermine investments; while high domestic debt strains the capacity of the GoK to meet its development expenditures. Finally, the degeneration of management capacity across all public (and to a lesser extent private) areas calls for immediate efforts to revamp implementation capacity in all areas of the economy.

## **1.2 USAID-KENYA MISSION**

On the part of USAID-Kenya Mission, the Mission can call upon its 40 years of experience in dialogue and support to Kenya's development efforts. The USAID was notable for its early support to human resource development in Kenya in the form of the *Mboya/Kennedy* airlift in the 1950s and early 1960s; its consistent support to research institutions in agriculture (KARI, Egerton University, Tegemeo Institute, University of Nairobi) and many other public and private (NGOs and CSOs). The

USAID has had a long relationship with Kenya's agriculture. **Indeed, this is perhaps one area where USAID can be said to have a comparative advantage vis-a-vis other development partners.** The USAID also used to have a significant impact on the rural infrastructure sector, and to some extent, urban housing; viz its contribution to *Umoja One* Housing Scheme in the early 1970s. The USAID has also been engaged in capacity building in the private sector, and the NGO/CSO sector particularly in areas of public sector reforms e.g. in reform of agricultural marketing boards and more recently, support to democracy and governance institutions.

An examination of the current ISP reveals that the USADI-Kenya Mission intends to maintain this same focus in the dealings with Kenya, at least for the remaining part of the ISP, i.e., 2003-2005. **But whereas this might have appeared as a prudent strategy in the light of the prevailing political prospects in 2000, this strategy in our view, represents a timid approach on the part of USAID, given the changes that have taken place in Kenya in the last three months. A strategy of more of the same cannot achieve its developmental goals.**

This report seeks to outline some opportunities for a more robust USAID intervention strategy on the three broad priority areas of the ISP, namely:-

- Increased rural household incomes (Strategic Objective 7)
- Democracy and governance (Strategic Objective 6)
- Reduced Fertility Rates and HIV/AIDS (Strategic Objective 3)

The report also examines opportunities for USAID in the Education Sector; an **area that did not feature in the ISP; and therefore, represents an ideal opportunity for the USAID to re-engage in development support to Kenya at this transitional stage when issues of increased capacity and human resource development are so critical.**

In the meantime, we can make the following broad statements on the ISP and its relation to the GoK current economic recovery efforts.

- Many of the ISP elements in the above three areas, namely Agriculture and MSE; democracy and governance, Health and HIV are largely consonant with

GoK's PRSP and ERP. **However, there is need to realign priorities and emphasis at the IR levels to reflect the GoK's action plans and priorities.**

- ➔ Many of the proposed ISP activities falling under Strategic Objective 7 (Agriculture and Micro Enterprise Development) need to be modified to reflect the changed prospects for Kenya in agriculture (enhanced agricultural exports) and capacity for more effective service delivery and access to markets by smallholders. **This would require significant scaling up of resources earmarked for such activities under the ISP. The level of resources earmarked for IR activities in the ISP are unlikely to make significant impact in addressing the main problems in agriculture (market failure) and access to improved seeds and technologies.**
- ➔ Efforts to establish backward and forward linkages between agriculture and the MSEs sector should be enhanced. Support to reform of markets and increased access to credit will be critical in this case. **Access to credit and financial services business development skills particularly to women farmers and entrepreneurs will be critical in meeting the Governments own PRSP goals and reduction of poverty in general.**
- ➔ **Support to Rural Access Roads is one area that the USAID could consider as a new priority in the light of the critical role as a constraint o economic activities across all economic zones in the country.**
- ➔ We also note that with the changed political atmosphere in Kenya, **the scope for direct USAID/GoK interaction has been greatly enhanced. It is therefore right and proper for the USAID to strengthen its capacity for direct GoK collaboration in areas of democracy and governance.**
- ➔ Lastly, efforts should be made to address issues of capacity within the GoK as has to handle the reform program particularly in the view of the eroded morale in the civil service.

## **2.0 KENYA GOVERNMENT ECONOMIC RECOVERY STRATEGY VIS-A-VIS USAID-KENYA INTEGRATED STRATEGIC PLAN**

The USAID-Kenya Integrated Strategic Plan was formulated within the framework of the policies prevailing in Kenya in 2000 and 2001. In particular, the ISP was formulated in line with the strategies and priorities of the Interim Poverty Reduction Strategy Paper 2001 – 2004 (I- PRSP 2001 – 2004). In line with those priorities and the USAID's own priorities, the ISP identified four thematic areas for focus: **democracy and governance, enhancement of rural household incomes, population and health, and national resource management.**

**With assumption of office by the NARC government three months ago, it will be useful to determine:**

- the extent to which NARC government's policies and priorities differ from those of the previous government;
- whether the priorities of NARC government, as outlined in NARC manifesto and the pronouncements of the President and the Ministers, imply changes in the PRSP priorities;
- the priorities outlined in the Economic Recovery Plan currently under preparation and the extent to which they impact on the PRSP priorities;
- the process under way to integrate the Economic Recovery Plan with the PRSP and the Government Action Plan to Implement the PRSP;
- the process of translating the revised PRSP into the Medium Term Expenditure Framework (MTEF) and the annual budget for 2003/04; and most importantly;
- the implication of the above on the USAID/Kenya ISP, 2001 – 2005.

### **2.1 NARC GOVERNMENT'S POLICY THRUSTS AND PRIORITIES**

The NARC Manifesto covers all aspects of Kenya society and economy. Eight broad thrusts emerge from the document: enhancement of democracy and the rule of law,

good governance, both political and economic; clear articulation of the role of State, enhancement of security for persons and property; rapid economic growth, employment creation, environmental protection; promotion of rapid growth of agriculture, manufacturing especially the small and medium scale enterprises, and tourism, and adequate provision of education, health, water, and other social services. With regard to the latter, the Manifesto committed the government to providing free primary education and universal health coverage.

To achieve these goals, the manifesto committed the government to creation of an enabling environment which will allow the enterprise sector to perform to its full potential. It committed itself to an open economy which will encourage domestic savings and investments and attract foreign direct investments, maintain a stable macroeconomic framework, create an effective physical infrastructure; and an efficient government bureaucracy whose appointment is based on merit and professionalism.

**In broad terms, there are no significant differences between the philosophies of NARC government and its predecessor. The differences are on commitment to the goals and priority ranking.** Seven areas are illustrative of the differences in policy thrusts and priorities between the two regimes:

⇒ ***The role of State*** : The role of State in the economy for the KANU government was based on the pronouncements of the Sessional Paper No. 10 of 1965 which advocated a mixed economy with government playing a central role in economic ownership and management. Over the years, with economic liberalization, the role of State diminished, but the commitment to change was tentative and subject to revision. **The NARC government is more emphatic on the role of the State.** In his acceptance and inauguration speech, the President was clear in his vision of the role of State. Specifically, the role of the State is to provide the public goods – security for person and property against internal and external threats, legal and statutory framework, social and economic policy framework, and other public goods. **Specifically, he defined the role of the State as that of charting “a common path and creating an**

**enabling environment for its citizens and residents to realize themselves in life”. In this regard, the private sector is to be the engine for growth.**

- ⇒ **Security:** The NARC government is more proactive in fighting insecurity than the previous regime. Ongoing changes in the Police force, fight against clandestine movements like mungiki, etc. are manifestations of this commitment.
- ⇒ **Government:** Perhaps the biggest difference between the NARC government and its predecessor is in the area of good governance. From public pronouncements and actions on the ground, the NARC government is displaying commitment to zero tolerance to corruption, in contrast to the KANU regime that seemed indifferent to corruption.
- ⇒ **Infrastructure:** The difference between NARC government and its predecessor on infrastructure is not one of policy or priority. It is on execution. Under the previous regime, perhaps the worst manifestations of corruption were in public works. A lot of infrastructure projects are stalled and yet the government owes contractors tens of billions of shillings in pending bills. Many donor supported infrastructure projects are stalled because of corruption. And national and rural areas road networks have collapsed. **The new government shows determination to fight corruption in this sector, and already stalled projects are getting restarted. From pronouncements by the Minister for Public Works and Housing, rural access roads are receiving priority.**
- ⇒ **Education:** Perhaps the biggest difference between NARC government and its predecessor is on education. Although the Kenya Government, by an Act of Parliament, has committed itself to provision of universal free primary education, it did not implement the commitment. **The NARC government is implementing this commitment with enthusiasm.** As is to be expected, the implementation of this commitment will have major budgetary implications, not to mention the strains and stresses in the institutions charged with management of the process.

- **Health:** The one major difference between NARC and its predecessor on health is the former's commitment to provision of universal health insurance coverage. Details of this are yet to be worked out.
- **Employment:** Next to education, the next major difference between NARC government and its predecessor is in employment. Although many of the previous government's policy documents extolled the need to create employment and by implication to fight poverty, it did little to implement this commitment. However, **the NARC government has, through its manifesto, committed itself to creation of 500,000 new jobs every year.** Whether and how such new jobs will be created has yet to be worked out. KANU government did not have a job creation target.

## **2.2 NARC MANIFESTO AND PRSP**

The scope of the NARC manifesto is universal, and so is that of the PRSP. Virtually every facet of Kenya society and economy is covered in the two documents. To that extent therefore, there is commonality of goals as expressed in the two documents. There is, however, one major difference between the two. NARC manifesto is a statement of intent by a political party. PRSP represents the priorities of the population derived from a structured participatory and consultative process. To that extent that both documents represent the wishes of the people, but they will need to be harmonized, and the Ministry of Planning and National Development is in the process of doing this.

Neither of the documents is explicit in terms of priority ranking of actions, policies, institutional changes, and investment programmes to be undertaken. The PRSP gives the sectoral priorities as agriculture and rural development, human resource development, physical infrastructure, trade, tourism, and industry, public safety, law and order, national security, public administration, and information technology in that order. NARC Manifesto does not attempt to give priority ranking. And neither of the documents attempts to give intra sectoral priorities. **However, to the extent that both documents cover all aspects of the Kenya Society, it will**

**not be difficult to harmonize their goals and derive both sectoral and programmatic priorities.**

### ***2.3 ECONOMIC RECOVERY PROGRAMME (ERP) AND PRSP***

The ERP is work in progress. On the basis of a discussion paper prepared by consultants discussed at a high level workshop consisting of government Ministers and Permanent Secretaries, donor representatives, senior private sector representatives, members of civil society, and international resource persons some time in February it is expected that the discussion paper will be translated into an economic recovery strategy. In addition, the social dimension to the recovery, i.e. education and health, will be incorporated into the strategy paper. To the strategy paper will also be added an **action plan** and an **implementation programme**. The strategy paper thus reformulated will be discussed at a major conference during April/May this year. The outcome of this will be a Sessional Paper on economic recovery which will be discussed and approved by the Cabinet and Parliament. However, it is not possible to know, at this stage, the time schedule for the process just described. What is apparent is that it will not be possible to finalize the process in time for the agreed policies and programmes for inclusion in the 2003/04 budget. A possible approach is for the Ministry of Planning and National Development to take up the strategic priorities, institutional changes, and the implied investment programmes in the draft strategy paper, incorporate them into the Government Action Plan (GAP) to Implement PRSP, translate the latter into the medium term expenditure framework (MTEF), and then translate the latter into the annual budget for 2004/2005.

It should be noted that unlike the NARC manifesto and the PRSP, **the ERP is different in several respects. First, it is a short term strategy, and it is limited to 3 years. The NARC Manifesto is for five years. Second, the PRSP, and to a lesser extent the NARC manifesto are budget driven. They focus primarily on what the government, through the budget, can do to address poverty and achieve other developmental and social goals. ERP's focus is on policies and institutional changes which can be instituted, at minimum cost to the**

**Exchequer, to elicit economic growth.** The ERP is based on the premise that with policy and institutional changes, there are major underutilized capacities in manufacturing plants, tourism facilities and labour, which can be brought to production with minimal expenditures by government. Thus ERP's recovery is thus private sector-led. **Third, the ERP focus is on employment creation.** It aims at reducing unemployment in all its dimensions, open unemployment, underemployment, and the working poor. This is in line with the NARC manifesto priorities, and indirectly with the poverty reduction strategy of the PRSP in the sense that employment generation is the nexus of economic growth, income generation, and ultimately poverty reduction. Finally, the action plan implicit in the ERP are fewer, more specific, and more time-bound than in the NARC manifesto and the PRSP<sup>1</sup>

## ***2.4 IMPLICATIONS OF THE ECONOMIC RECOVERY STRATEGY TO ISP***

Based on the analysis in the Strategy for Economic Recovery and Discussion Paper and the deliberations of the Mombasa Workshop, **the strategy for economic recovery will be private sector led. It will call for policy changes and institutional innovations which will create an enabling environment to rejuvenate the private sector.** Specifically, it will call for enhancement of security, better governance, adherence to the rule of law, zero tolerance to corruption, stable macroeconomic environment, rehabilitation and improvement of physical infrastructure including the Mombasa port, rehabilitation of the road network especially the rural access roads, telecommunications and IT, tourism promotion, agricultural rehabilitation, and enhanced utilization of manufacturing capacity, especially for the small and medium scale enterprises (SMEs). For the social sectors, the strategy will call for higher priority being accorded to education (especially primary education), better access to health and higher priority in fighting HIV/AIDS. Some suggestions on how these actions could be integrated in the ISP are discussed in Section on HIV/AIDS and Health.

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<sup>1</sup> See Annex 3 which compares the priorities of NARC Manifesto, PRSP, and ERP. Source : Strategy for Economic Recovery Discussion Paper.

## 2.5 ERP AND THE ISP CONVERGENCE

In general terms, there is a broad congruence between the priorities of the ERP and the ISP. There is a perfect fit between the enabling environment and good governance priority of ERP and the Strategic Objective 6 of ISP. There is also a congruence of priorities between promotion of smallholder agriculture and SMEs in the ERP and Strategic Objective 7. Again, with regard to health and fight against HIV/AIDS (Strategic Objective 3), there is consistency between the ISP and ERP. The ERP is not very strong in national resource management. This is not because NRM is not important. Rather, because NRM is not a critical factor for short term economic recovery. But NRM is important in its own right in the context of sustainable development. Furthermore, the focus of strategic objective 5 is to protect environment in areas adjacent to the game reserves, and is therefore consistent with Strategic Objective 5. Therefore Strategic Objective 5 is important and remains valid both in the context of ERP, but more importantly in the context of sustainable development.

The relationships between ERP and ISP are outlined below in tabular form :

**Table 1**

<b>ERP and ISP Interface</b>				
	<b>OBJECTIVE</b>	<b>ERP PRIORITY</b>	<b>ISP PRIORITY</b>	<b>COMMENTS</b>
1.	Accountable Governance	Very High	Very High	Should continue
2.	Increased rural household incomes	High	Very High	Should continue
3.	Control of HIV/AIDS	Very High	Very High	Should continue
4.	National Resources Management	High	Very High	Should continue. See preceding paragraph
5.	Education	Very High	None	Merits consideration USAID

**In general terms therefore, the priorities of ISP are consistent with the ERP and can be continued without significant modification. Minor modifications may be called for in the Intermediate Results (IRs) to reflect changes in emphasis on the ERP priorities as the need may arise.**

## **2.6 CHALLENGES AND OPPORTUNITIES**

### **1. Education**

Besides the four Strategic Objectives for which there is general, and in many cases very specific concordance of priorities between ERP and ISP, **there is one area which is of very high priority both in ERP and NARC manifesto but is missing in ISP; i.e. education, particularly primary education.** Education is an important tool for individual empowerment, is a social good, and is an instrument for economic development. The NARC government is committed to provisions for free primary education, and the response by donors has been very positive. **What is lacking are policies and strategies for tertiary education, both in terms of skill training at the technical institutes and university education.** And yet these are critical to economic recovery and sustained growth. According to a recent survey<sup>2</sup>, although more than 50 per cent of the unemployed youth have a minimum of primary education and 30 per cent have attained secondary education and above, 90 per cent of them lack skills. Furthermore, in a globalizing economy, higher level skills which require university education are called for. **This is an area which merits consideration by USAID in a revised ISP. Indeed this is an area that the USAID had a lot of experience in the early years of Kenya's independence. The possible resumption of USAID assistance in this area represents an opportunity for new commitment particularly in the light of the need to enhance Kenya's capacity to participate in the global economy.** Some suggestions for possible USAID support to education are treated in more detail in the section on Education.

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<sup>2</sup> Economic Survey 2001

## **2. Increased Rural Incomes and Agriculture**

**Among the areas covered in ISP which warrant modification and expansion is Strategic Objective 7, i.e. increased rural incomes.** The component of S07 dealing with rural SMEs is based on many years of socio-economic research and experimentation by both GoK and USAID, and it is expected that a Sessional Paper on SMEs will come out in the near future. The more challenging component of the S07 is the smallholder agricultural component. **The over arching constraint to smallholder agricultural development is institutional.** Prior to economic liberalization, the constraint to smallholder agricultural performance was deemed to be State failure. **With liberalization, market failure has emerged as the principal constraint to smallholder agricultural development.** In the last decade, agricultural output prices have barely increased in nominal terms, and have declined in real terms. Input prices in form of seeds, fertilizers, fuel, etc. have, on the other hand, increased phenomenally (an average of more than 20 per cent per year in nominal terms in case of fertilizers and seeds). The domestic terms of trade have turned severely against agriculture. There is therefore need to take quick action to address to this problem, otherwise agricultural productivity will continue on its downward slide a trend that is counter-productive to increased rural themes.

According to USAID's self-assessment, S07 performed very satisfactorily in 2001. This excellent performance was, however, limited to the few areas of USAID's intervention. **Overall agricultural performance in the country was dismal. For S07 to become effective, at least, five things need to be done:**

- *First* is the deepening of those activities covered within the Strategic Objective 7.
- *Second* is replication of these activities to other parts of the country.
- *Third* is the scaling up of the operations.
- *Fourth* is establishing the backward linkages of the S07 activities in form of supply chain to input procurement and forward linkages in form of output marketing. **An obvious constraint in the supply chain is rural**

**infrastructure. Rural access roads, on which USAID was heavily involved 20 years ago, is a clear case for USAID's intervention under S07.**

- ⇒ **Finally, and in general terms, USAID needs to be better informed about the institutional setting, constraints, and opportunities in the smallholder sector if the interventions under S07 are to have their full impact.** A suggested approach by the USAID to these concerns is outlined in Section dealing with Agriculture and Micro-Enterprise.

### **3. Budgeting Pressures**

Besides education and S07, the one aspect of the economy which will have far reaching implications on the feasibility of implementing the ERP and the PRSP is the budget. Implementation of PRSP is highly budget dependant, and budget constraint will limit the scope of its implementation. **For ERP, although its strategy is private sector led, the structure of the budget, and especially the size of its deficit, will have implication on macroeconomic aggregates, especially on money supply, inflation rate, and rates of interest.**

According to the Printed Estimates, total revenue for the current financial year was projected at Kshs 219 billion against total expenditure of Kshs 266 billion, yielding a deficit of Kshs 47 billion. After adjusting for foreign debt payment at Kshs 21 billion, the overall deficit was projected at Kshs 68 billion to be funded by programme grants, project loans, and proceeds from privatization. The net deficit to be financed from domestic borrowing was projected as Kshs 32 billion.

As has turned out, revenues are likely to under perform by Kshs 6 billion and expenditures are likely to exceed Printed estimates by Kshs 11 billion. After adjustment for scrutinization of pending bills and payments for debt, the average deficit for the current financial year is now estimated at Kshs 90 billion. Part of the deficit will be funded by external grants and loans and privatization proceeds to tune of Kshs 34 billion, yielding a deficit of Kshs 56 billion to be funded from domestic sources.

It is instructive to note that the Kshs 56 billion presents the best case scenario in terms of revenue generation and expenditure containment. It assumes that apart from free primary education, no new expenditure commitments will be entered into during the remainder of the current financial year. For the fiscal years 2004/05 to 2005/06, the MTEF assumes a doubling of external resource and proceeds from privatization from Kshs 34 billion in 2003/04 to Kshs 61 billion and Kshs 76 billion in the subsequent two years. With this, it will be possible to achieve the priorities of PRSP and by extension ERP while maintaining the level of budget deficit for domestic borrowing funding at manageable level.

**Clearly, the case for budget support is very strong. The question is whether USAID should divert funding from its committed Strategic Objectives to budget support. Our judgment is that it should not. One of the major strengths of the ISPs is consistency and continuity. Diversion of resources from the existing priorities to support budget would undermine this strength. Moreover, the resources from reallocation would be miniscule in relation to the size of the deficit. If, however, the USAID aid resources increase substantially over the next two to three years, then part of the increase can, in addition to scaling up of S07 priorities and tertiary education, be earmarked for budget support.**

## ***2.7 CHANNELS FOR DELIVERY OF USAID ASSISTANCE: GOVERNMENT MINISTRIES/AGENCIES VERSUS NON GOVERNMENTAL ORGANISATIONS***

Ideally, Official Development Assistance should be channeled through government Ministries and agencies of the recipient country. As the name implies, ODA is assistance from the donor government to the recipient government. The laws, regulations, financial procedures, and accounting practices governing commitment and disbursement of aid operate best when aid is channeled through the agencies of the recipient government. **More importantly, for the purpose of capacity**

**building and sustainability, aid is more effective when it is channeled through government agencies.**

Effective channelling of aid through government agencies, however, implies that certain preconditions have been met. First, it requires that the economy of the receipt country and its State institutions have the absorptive capacity, both in financial and institutional terms, to utilize the aid. Second, it requires that the recipient government should be committed to development. Third, it calls for compatibility of objectives, strategies, and policies of the donor and the recipient. And fourth, it requires good governance practices, both on the part of the donor, but more particularly on the part of the recipient government. In particular, it calls for transparency and accountability in the use of public resources, including donors, and control of corruption. On the part of donors, channelling of resources through receipt government's agencies calls for restraint in terms of promoting the use of the donor country's non-governmental organizations and private sector firms. Instead, efforts should be made to use local NGO/Private Sector agents in the delivery of services should be enhanced.

**In the case of USAID's assistance to Kenya, many of the preconditions just enumerated were not in place.** The budget constraint put a limit on the ability of Kenya Government to provide counterpart funding to the USAID's aid contribution. More importantly, under-motivation on the part of civil service undermined project, programme, and policy implementation. **In short, aid absorption capacity was severely limited.** Secondly, the government's commitment to development and to transparency, accountability, and good governance was weak. The only area where there was convergence of objectives and strategy was in economic liberalization, although in terms of implementation, the USAID Annual Report for 2001 expressed some disappointment.

**For above reasons, the bulk of USAID's aid resources, up to 70 per cent of the total, was channelled outside government's ministries/agencies.** With NARC government's commitment to good governance and the rule of law, its focus on private sector led economic growth, and its declared intention to enhancing the efficiency of the public service, these impediments to channelling of USAID's

resources through the government will be eased. Public service reform will, however, take time to be effected. **Absorption capacity of aid resources will therefore remain a constraint in the short term. The general conclusion therefore is that the USAID should consider increasing the ratio of its resources channeled through the government Ministries/agencies consistent with their improvement of aid absorptive capacity. More importantly, the USAID should consider capacity strengthening, both skill and institutional, for those Ministries and government agencies which are involved in implementing USAID funded activities.**

The process and mechanics of channelling aid are institution-bound. Meaningful analysis and recommendation on this topic can be done only on case by case basis, and the team did not have time to do so. **However, the following general observations on aid channelling can be made with respect to two of the Strategic Objectives:**

- 1. *Democratic Governance Strategic Objective.*** The bulk of USAID assistance to Kenya on this objective is channelled outside government. By Mission's own assessment, the Programme has been an outstanding success. With accession of NARC to power, the governance environment has changed. A good number of NGO leaders formerly supported by USAID are now in government. **Part of USAID assistance on governance and democracy can therefore now be channelled directly to government. However, it is important to maintain a vibrant civil society to check any government from excesses. USAID should therefore consider maintaining part of its assistance to government-related NGOs. To maintain the independence of the NGOs, the assistance should be channelled directly to them as is the case at present.**
- 2. *Agriculture and Micro enterprises Development.*** Significant amount of USAID's assistance for this Strategic Objective is channelled through the NGOs partly because of capacity constraints in the implementing Ministries. **This capacity constraint is likely to persist for the remainder of the ISP**

**period. For capacity reasons therefore, USAID should continue to channel part of its assistance under this Strategic Objective through the NGOs.** However, as indicated elsewhere in this report, smallholder agriculture cannot develop sustainably in the absence of government support in the form of policy environment, regulatory framework, infrastructure, technology transfer etc. **For this Strategy Objective to be achieved there is a prima facie case for increased channelling of USAID assistance through the government. Much of this assistance should be directed at training and capacity building both within the private sector and the key implementing agencies in government as outlined in the section on Agriculture.**

## **3.0 DEMOCRACY AND GOVERNANCE**

### **3.1 INTRODUCTION**

The purpose of this section is to inform USAID-Kenya the extent to which its Democracy and Governance Program needs to be updated to take into account the latest developments in democratization and governance in Kenya and to suggest other opportunities that USAID-Kenya should be aware of when implementing its democracy and governance programme in the near future. The section also takes into account the emerging objectives and policies of the NARC government.

Section (b) presents our understanding of the perceptions of USAID-Kenya on democracy and governance. Section (c) highlights latest developments with respect to democracy and governance in Kenya. Section (d) highlights the challenges and opportunities, while Section (e) suggests what needs to be done to enhance the scope of current USAID's democracy and governance programme. Lastly, section (f) gives a list of emerging opportunities for consideration by USAID-Kenya in the near future.

### **3.2 SUMMARY OF PERCEPTIONS OF USAID/KENYA ON DEMOCRACY AND GOVERNANCE IN KENYA**

During the KANU regime, power and authority were overly concentrated in the executive branch. As a result, there were inadequate checks and balances on inefficiency and malfeasance and inadequate incentives to govern responsively for the public good. The legislature lacked independence and was ineffective in carrying out its legislative or oversight responsibilities. The judiciary was plagued by corruption and inefficiency. Local government was largely an implementing arm of the executive branch of the national government, rather than an autonomous authority responsive to local community needs.

The political regime was primarily concerned with perpetuating its own power and in the process failed to ensure basic human rights, to provide security and basic services, and to promote the rule of law. It also failed to enlist the potential positive energies of

its population in nation-building. **Governance that is more efficient, transparent, accountable, and responsive to the people was Kenya's greatest need.**

Corruption was endemic at the national level and at the levels where the average citizen interacts with local regulatory authorities and service providers. Kenya's public service was bloated to the point that salaries and benefits comprised 50 to 55 percent of the government budget. Debt servicing and other statutory payments comprised another 35 to 40 percent, leaving only about ten percent of revenues for investments and the delivery of public services. This sad state of governance discouraged investment and entrepreneurship and deprived citizens of badly needed services.<sup>2</sup>

**Inconsistency in policies, laws, and regulatory frameworks added significantly to costs of doing business and offered powerful disincentives to investment.** Some of the Acts governing the agricultural sector, for example, were inconsistent or contradictory. GoK policy supported a liberalized market economy, yet the remaining marketing boards for key agricultural commodities continued to intervene in markets, usually to the detriment of producers. **The government's "stop and go" approach to liberalizing key agricultural sectors, such as maize, coffee, tea, and sugar, was wearing away at Kenya's competitiveness and was depressing rural incomes.**

The above perceptions of USAID/Kenya on the democracy and governance situation remained valid until December 2002 when national elections were held and a new government came to power. Indeed, a recent study conducted by the African Centre for Economic Growth on the status of governance in Kenya (the ECA Africa Governance study) confirms strongly the above position. There is consensus about overall low levels of democracy, participation and institutional effectiveness; performance at the level of law and order was wanting; and finally, the state (by November 2002) was veering towards collapse in light of the emergence of rival organizations in the use of force and the propagation of insecurity. On the status of democratization, parties failed to move beyond ethnic mobilization, there was lack of

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<sup>2</sup> USAID: USAID/Kenya Integrated Strategic Plan 2001 – 2003. May 2001, Nairobi.

internal democracy in parties, mobilization was constrained by provincial administration, police and militarization of the society. The electoral commission was plagued by lack of competence and the need for professionalism; actors were nominees of political parties, the calendar for registration was restricted, and constituencies were unequal in size and population. In effect, Kenya suffering from poor governance and crises of participation, identity, resource distribution and allocation, decreasing sense of legitimacy of the government, increasing inter-community violence and the emergence of private armies.<sup>3</sup>

**USAID/Kenya's program on democracy and governance was designed to respond to the above situation. In our opinion, the Strategic Objective No. 6 which sought to strengthen sustainable reforms and accountable governance, and which worked solely on the demand side of the political development equation in Kenya succeeded in strengthening the ability of civil society to effectively demand political, constitutional, and legal reforms. We agree that the thrust of the Strategic Objective No. 6 should continue but with an added focus on improving media coverage of political, economic, and other governance issues and support for critical committees of the parliament that address issues of transparency and accountability. We believe that the coming to an end of the Moi era offers the opportunity for USAID/Kenya to strengthen reforms, to make those institutions of governance that can check abuses of power more independent, and to promote popular participation in economic and political decision-making.**

### ***3.3 LATEST DEVELOPMENTS IN DEMOCRACY AND GOVERNANCE IN KENYA***

The NARC government, which has been in power since early January 2003, has already started acting on a number of democracy and governance problems. Institutions of governance are being revitalized as a way of doing away with personalized power. The new President's approach has been to empower ministers to

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<sup>3</sup> ACEG/UNECA, Country Report on the Status of Governance in Kenya. ACEG, January 2003, Nairobi.

make decisions that fall within their mandates and to implement them with a view to improving the quality of public services. The new approach departs from the previous one that was characterized by a powerful institution of the presidency that was not only responsible for major appointments, but also for key state functions. In the old regime, competence was sacrificed at the altar of personal loyalty and regime entrenchment was pursued to the detriment of good governance. In the new regime, professionally competent people are being invited to run public institutions in an effective, transparent and accountable manner.

The Chief Justice was recently suspended by the President on 21<sup>st</sup> February, 2003, and a five man Tribunal constituted to investigate his past conduct and his suitability to continue serving as Chief Justice. He was replaced by an acting Chief Justice whose image has not been tainted by corruption and who is expected to bring honour and integrity to the judiciary. One week after his suspension, the suspended Chief Justice tendered his resignation. The image of the judiciary has been tarnished by many cases of corruption including the one of a High Court Justice that is currently in court.

On the issue of human rights violation, the new Ministry of Justice and Constitutional Affairs announced (on 12<sup>th</sup> February, 2003), the setting up of a new commission to probe human rights abuses which include political murders and other violations of human rights by the KANU regime. The commission is to look into the unresolved murders of prominent Kenyan politicians and also to probe allegations of torture and murder in police cells as well as political persecutions by the previous regime.

**The Ministry is also pursuing the establishment of an anti-corruption authority that is expected to be independent, transparent, credible and above partisan politics.** At the same time, modalities of wealth declaration by those charged with public responsibilities are being crafted. The torch is also on public servants who undertake private business from the point of view of a conflict of interests. Similarly, a top-level meeting on Economic Recovery and Employment Creation recommended that public officials desist from conducting *harambee* fund-raising activities for public projects as a way of curbing its abuse by politicians and civil servants.

On the issue of building nationhood, the Ministry of Justice and Constitutional Affairs has promised the decriminalization of past national heroes such as Dedan Kimathi, and hopes to put in place a mechanism to recognize past and present national heroes. At the same time, the notorious Nyayo house torture chambers were opened to the public recently with the promise of converting the chambers into a national monument of shame. Kenyans were shocked at the inhuman treatment that fellow citizens were subjected to during the dark days of the KANU regime.

A lot of effort has also gone into strengthening law enforcement agencies. On 12<sup>th</sup> February 2003, changes were announced affecting more than 25 high ranking officers in the police and included the commissioner of police, the Deputy Commissioner of police, and the Heads of the General Service Unit and the Criminal Investigation Department. A task force is also to be set up to review the terms and conditions of service of police officers.

The Government has also indicated that it will tackle issues of serious abuse of human rights in prisons including torture of in-mates. Attention has been drawn to the inhuman living conditions, poor health services, torture of in-mates, congestion and grabbing of prison land. Prisoners have appealed for access to televisions, radios and reading materials.

The tireless efforts of the Minister of Local Government that are aimed at improving local authority services (garbage removal, relocation of hawkers from the central business district) and minimizing corruption (recent summary sacking of corrupt municipal council officials) are an indication that the government is keen to improve institutions and to wipe out corruption in the country.

The Minister for Justice and Constitutional Affairs considers that dealing with Kenya's corrupt past is the most sensitive legal and political issue in the country today. It touches the raw nerves of the society and threatens the concentration of wealth and power as well as the very survival of the previously entrenched KANU political elite. Appropriate legal and political processes need to be put in place for tackling the powerful vested interests so as to rid the country of its tragic history of looting and

plunder of public resources. The appropriateness of the traditional instruments of criminal prosecution and punishment, and amnesty as strategies for dealing with the corrupt past in the context of our legal and political situation needs to be re-examined.<sup>4</sup> Allowing the perpetrators to go uncondemned would undermine the fight against corruption and perpetuate the very lawlessness that the Government is intended to stop.

### **3.4 CHALLENGES AND OPPORTUNITIES**

#### ***i. Human Rights***

As for the way forward, the new constitutional dispensation Kenyans expect in 2003 will not mean much for the country's democratization unless there are genuine efforts to address the issues that have blocked the transition from dictatorship to democracy in the last decade. Democratization is anchored on, among others, promotion and protection of human rights, realization of citizenship, and nation building. Challenges and opportunities in each of these areas have been identified in a recently concluded study by the African Centre for Economic Growth (ACEG).<sup>5</sup> The challenge is to begin addressing the identified obstacles. This is a task for everybody: the state, civil society, the public, and the international community.

**In the area of human rights, the challenge is to strengthen both the normative and institutional frameworks.** The bill of rights in the Constitution needs to be expanded to protect additional civil and political rights as well as economic, social, and cultural rights. However, these efforts will not mean much unless the country's judiciary is revamped. The judiciary is an important component of an effective system for the protection of human rights. For the judiciary to effectively protect human rights, it has to be free, fair, independent, and courageous. Only a judiciary that is effectively shielded from pressure by the executive can arbitrate human rights cases

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<sup>4</sup> Hon. Kiraitu Murungi: Putting the Past to Rest: the Dilemmas of Prosecution and Amnesty in the Fight Against Corruption. [www.tikenya.org](http://www.tikenya.org), April 2002.

<sup>5</sup> Gitu M., "Human Rights, Citizenship and Nationhood in Kenya" in ACEG, Kenya's Democratic Transition: Challenges and Opportunities, ACEG. 2003, Nairobi.

fairly and without fear or favour. The judiciary has also tended to take a very narrow interpretation of human rights issues.

The prisons and police functions are two key institutions in the promotion and protection of human rights that are also in dire need of reform. These two institutions need to be professionalised, and given adequate budgetary support. Two emerging forces that can support the promotion and protection of human rights are the emergence of a strong human rights movement in Kenya and the growing culture among Kenyans of resisting human rights violations.

## ***ii. Citizenship and Nationhood***

**The ACEG research concludes that for the majority of Kenyans, their citizenship is unfulfilled.**<sup>6</sup> Fulfilled citizenship requires that all citizens be treated equally, be allowed to effectively participate in the country's political, social, and economic arena and have their basic needs met. In addition, fulfilled citizenship should mean the State should perform its duties to its citizens by providing security and infrastructure. Yet, the reality is that there are first class, second class, and third class Kenyans due to discrimination and political and economic marginalization. The space for participation outside the ballot box is limited and controlled by the elite. With nearly 60 percent of Kenyans living below the poverty line, their citizenship is diluted by hunger, poverty, disease, and lack of access to information and technology.

Kenya's search for nationhood is relatively recent, having begun with independence in 1963. In spite of the rhetoric, the Kenyan leadership since independence has failed to guide the nation towards nation building. Kenya is beset by many challenges in the search for nationhood but they are not insurmountable. These challenges include the lack of common roots and shared history, lack of a common language that unites the more than 40 different communities each with its own indigenous language, and the absence of a shared cultural heritage. With the necessary political leadership, the challenges can be surmounted. Tanzania is a good example of a country that has been

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<sup>6</sup> Gitu M. "Human Rights, Citizenship and Nationhood in Kenya" in ACEG, Democratic Transition in Kenya: Challenges and Opportunities, ACEG. 2003, Nairobi. Also Mullei A: Kenya's Democratic Transition: Challenges and Opportunities (Booklet), African Centre for Economic Growth, 2002.

able to travel far in the search for nationhood in spite of having had, at independence, the same challenges that Kenya has had.

In concluding this section, if the next administration wants to leave a good legacy, it must begin to lay the ground from early 2003. If it wants that legacy to be one of enhancing democratic governance, it must begin to entrench the promotion and protection of human rights, realization of citizenship, and nation building by addressing the challenges and taking advantage of opportunities that have been identified above. While still suffering from economic decay and decades of bad governance, signs of new hope abound. **Kenya now has a free press, and public discourse is far more open than in the recent past. The December 2002 elections were hailed as free and fair and civil society continues to be vocal in demanding change and quality services.**

### ***3.5 WHAT NEEDS TO BE DONE TO ENHANCE THE SCOPE OF USAID'S DEMOCRACY AND GOVERNANCE PROGRAMME***

#### ***i. Human Rights***

The Draft Constitution defines a lot of **activities that need to be facilitated**. Given the flagrant abuse of human rights in the KANU era, there is need for a **Commission on Human Rights and Administrative Justice**, which will have the task of receiving individual complaints about breaches of human rights. It will have the power to try to resolve these disputes by mediation between the parties, and also by recommending compensation.<sup>7</sup>

Secondly, Kenya is a party to a number of international human rights treaties (such as that on the rights of the child and the elimination of discrimination against women). Under these treaties the country is supposed to report periodically on its own performance in meeting the standards laid down. Organizations within the country also have the opportunity to comment on the government's human rights performance. The government's report is then expected to be discussed in the

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<sup>7</sup> The Constitution of Kenya Review Commission: The People's Choice: Constitution Review Draft. September 2002.

**Committee** set up to monitor each treaty. Kenya's performance in meeting this reporting obligation has been dismal. The Constitution makes it mandatory for the government to carry out these duties and also to make its reports public and to provide adequate opportunity for public discussion within the country. **The activities of the Commission and the Committee will need facilitation.**

***ii. Reform of the Judiciary***

The need to urgently reform the Judiciary cannot be overemphasized. The Judiciary is one of the three arms of government without which democratic governance is not possible. The other two arms of government- legislature and executive -have been re-energized through the recently concluded elections that to a large extent improved them.

In order to reform the Judiciary, an **Investigative Tribunal** should be established and mandated to look into cases of members of the Judiciary who have been identified with corruption, to investigate their suitability to hold current offices and to take measures to restore public confidence in the judiciary.

Other measure should include building capacity through training and equipping of the various levels of the Judiciary from **Lower Courts, High Courts, Courts of Appeal, to the Supreme Court** (when the last two are established as proposed in the new Constitution). **The Kadhi's Court** may also have to be supported in a similar manner.

The other arms of law enforcement such as the police and the prisons also suffer from the same problems of inadequately trained personnel and lack of equipment needed for rendering effective services. **These two institutions need to be professionalized, and given adequate budgetary support.** Part of their professional training should be in matters such as political neutrality, respect for the rule of law, democracy and human rights, defending national sovereignty, being disciplined and being friendly to members of the society.

***iii. Constitutional Reform***

There is need for far reaching reforms in the structure of government and the distribution and balance of power in the organs of government for sustainable democratization to take place. These reforms are only possible through constitutional review. Proposals have been made regarding: reduction of Presidential powers, free and fair elections, enhancement of checks and balances and securing human rights, among others. **Completion of the constitutional review process should therefore be a priority and needs to be supported.**

***iv. Operationalizing and Institutionalizing the Constitution***

Upon the enactment of the new constitution, the immediate challenges will revolve around operationalizing it. Several new institutions will be created under the constitution. Existing institutions will either get more mandates or lose some of their current responsibilities. A few may be abolished all together.

The institutions will have to be staffed with the right people and equipped as appropriate. Policy makers and the public will have to be made aware of the provisions of the new constitution and its implications on the governance of the country. **New and old institutions will need to be supported and at the same time massive and immediate civic education will be necessary to empower Kenyans to understand and apply the new constitution.**

***v. Rehabilitating and rejuvenating the Public service***

The new government cannot possibly implement its programme with the public service in its current state. There is need for a thorough audit of the public service to identify performers and weed out deadwoods in the civil service while paying attention to gender equity and affirmative action for people with disabilities. **There is need for designing the audit and merit based recruitment systems as well as implementing them and the government will need support at the three levels.**

***vi. Civic Engagement in Governance and Development***

Four issues require attention at this level. First the KANU government viewed civil society with suspicion and pursued a policy of containment. Civil Society

Organizations (CSOs) should now be recognized as partners in the governance and development of the country. There should be mechanisms for consultation, networking and feedback between the government and the CSOs.

A second area of concern is that NGOs were often regarded as puppets of donors. These were seen to pursue the agenda of donors to the detriment of national interests. Competition for donor resources was a major cause of the friction between NGOs and the government. There are those in the NARC Government who see NGOs as being extremely useful in the sense that when the government had abdicated its responsibilities of social and economic development and was very disappointing to donors, NGOs stepped in. Though there are a few poorly managed and non-accountable NGOs (especially those which are not registered with the NGO Council and are not accountable to any one), the majority is genuine. NGOs also have high calibre intellectual and technical support and are more grounded in development issues, undertake systematic research, have access to new ideas and are more in touch with global networks. Many former NGO leaders are now senior officers in the NARC Government and will be implementing from within the Government what they were advocating for. There is none-the-less a new generation of leadership in NGOs. NGOs and CSOs should therefore continue to keep the government on its toes in technical and policy matters of development.<sup>8</sup>

**Given the new and development conscious political environment, donor engagement with NGOs need not antagonize donor-government relations.**

It is hoped that in the near future, the NARC government will facilitate the development of a Civil Society participation in governance and development and thereby will fully recognize, protect and promote the right of citizens to participate in the governance and development of the country. The necessary mechanisms for consultation and networking will also need to be put in place. Finally, donor support

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<sup>8</sup> Based on interview with Mr. Githongo, Permanent Secretary, Ministry of Ethics and Governance and formerly Executive Director, Transparency International – Kenya. See also Clayton A. (Editor): NGOs, Civil Society and the State: Building Democracy in transitional Societies. INTRAC Publication, 1996

to CSOs will need to be increased. **There is need to facilitate CSOs in order for them to play the important role that is expected of them in the future.**

***vii. Human Rights Abuses and Injustices***

Gross violations of human rights here include tribal clashes. There is need for those responsible for the violations to be held accountable. **A Truth and Reconciliation Commission (TRC)** may be necessary for cases that involve many people such as the ethnic clashes. Apart from the punishment of perpetrators, compensation and rehabilitation of victims is critical. **This effort requires support from well-wishers.**

***viii. National Legal Aid Scheme***

Efforts to set up this scheme have been on since 1998 with the aim of enforcing the fundamental rights of the poor. For the poor, justice remains a mirage without a legal aid system. The new Ministry of Justice and Constitutional Affairs will provide oversight in expediting the process of setting up National Legal Aid Scheme. **The exercise will no doubt require facilitation**

***ix. Other Concerns (Juvenile Courts and Refugee Situation)***

These touch on the poor quality of prosecution in the juvenile courts, and the human rights of refugees, among others. **These need to be studied with a view to recommending and implementing improvement from the current poor situation**

***3.6 SUGGESTIONS ON EMERGING OPPORTUNITIES FOR CONSIDERATION***

This section identifies and recommends innovative approaches for bringing about improved welfare in the Kenyan society. The areas here have inherent advantages and should be appealing since the NARC government considers them among priority concerns that require urgent intervention.

## **1. Promoting Administrative Accountability**

Lack of administrative accountability in the management of public affairs is one cause of bad governance. Bad governance in turn is a major cause of deterioration in the delivery of public services and the poor development record. The poor performance of the economy has in turn resulted into the widespread unemployment and poverty that we experience today. According to a study conducted by the African Centre for Economic Growth, lack of administrative accountability has been the major cause of the consistent decline of the country's economic growth since the early 1970s.<sup>9</sup>

Although there are a number of legal instruments and watchdog institutions that have been put in place since independence to regulate and monitor the ethical standards of public officials in Kenya, all these have failed to ensure strict accountability in the management of public affairs. This is due primarily to the constant interference in the independent operations of the watchdog institutions and the failure to effectively enforce the legal instruments by the government.

**The NARC government recognizes the need for promoting administrative accountability and has committed itself to a comprehensive public sector reform covering the following areas:**

- Reform to streamline the functions and structure of central government;
- Reform of the management systems in government to ensure effective delivery of services;
- Devolution of some key functions to empower local authorities;
- Institution of stringent accountability measures to ensure that public investments generate benefits to the taxpayers;
- Putting in place proper institutions and strategies to fight corruption on a sustainable basis;
- Giving the Public Service Commission the necessary autonomy to discharge its functions without political interference from the Executive;

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<sup>9</sup> Odhiambo-Mbai C. "Accountability in Governance" in ACEG: Kenya's Democratic transition: Challenges and Opportunities. ACEG, 2003. Also Republic of Kenya: Working Party on Government Expenditure- Report and Recommendations of the Working Party (Chairman: Phillip Ndegwa). July 1982, Government printer, Nairobi

- ➔ Promoting security of tenure for public servants; developing a capacity building strategy for newly reformed local governments to ensure their effectiveness; and providing incentives to boost the morale of public servants and thereby improve efficiency. **There is need for support to enable the NARC government implement these reforms successfully.**

## **2. Financial and Budgetary Accountability**

Raising and spending public money are clearly functions which require careful regulation especially in a country like Kenya where most people are poor and can hardly afford any wastage of their own or public money and where, even more importantly, there has been massive criticism of impropriety in the use of public money. There is therefore need to identify weaknesses in the management and use of public finances, recommend improvements thereto and ensure that the amended Constitution reflects the need for greater involvement of the public and parliament in the preparation and approval of the budget.

The nerve centre in financial and budgetary accountability revolves around offices of the Accountant General in charge of Central Accounting, the Controller and Auditor General, Public Accounts Committee and Public Investments Committee. **The independence of these institutions needs to be strengthened and facilitated to monitor execution of on-going activities at ministry offices and in the field.**

The Ministry of Finance has also several departments whose activities include financial services (Budgetary Supply Department, Fiscal and Monetary Affairs Department, External Resources Department); revenue collection (under Kenya Revenue Authority with Value Added Tax Department, Income Tax Department, and Customs and Excise Department, among others); Parastatal Reform Commission, and Central Tendering. **All these departments need to be strengthened in terms of qualified personnel and equipment.**

From the Treasury, budgetary resources are channelled through line ministries to the districts where they are spent on public administration, economic sector projects and social sector projects. In principle, Kenya has a coherent system of procurement

regulations found in the Supplies Manual of 1978 and subsequent Treasury Circulars. Many factors none-the-less contribute to the ineffectiveness of the procurement system. The rules, principles and procedures of procuring good and services are not easily understood because they have not been compiled in one document; they are scattered in various Treasury Circulars which are not always known or readily accessible to interested parties and users; there is no comprehensive harmonization of the various procurement systems in the country ( ie for the central government, local authorities and parastatal enterprises); there are no definite criteria for the evaluation of tenders and quotations established before the tenders are received; there is inadequate preparation before tenders or quotations are received in terms of independent cost estimates (often contractor cartels collude to deliberately quote much higher values); there are weak checks and balances in the procurement mechanism; ministerial tenders committees are often dominated by one person or a few individuals who influence decisions; many decisions are based on inadequate information; and there are no strong reward and punishment instruments for those involved in procurement.

Reports of the Controller and Auditor General (CAG), the Parliamentary Public Accounts Committee (PAC) and the Public Investments Committee (PIC) show that the country annually incurs huge losses in the procurement process largely due to deliberate disregard for the established procurement procedures. **It is important to institute measures to seal loopholes that are associated with: long bureaucratic procedures even for awards of low amounts; very large ministerial and district tender boards; a Supplies Manual and Treasury Circulars that are not integrated fully into one document; a number of gaps in the official documents which cause confusion or introduce unnecessary use of discretion; and dispute settlement procedures and bid security requirements that are not adequately spelt out in the official documents.**

In addition to tightening expenditure controls and especially procurement procedures there is also need for tracking of government revenues from the very many different sources. The aim is to increase transparency and accountability through the use of a system that tracks all government revenue and expenditure transactions at all levels

and reports on the actual status of funds (both internal and external revenues and expenditures), project implementation status, and so on. Such a system that provides information in real time can not only increase efficiency in the various departments, but also facilitate the Auditor General's work and that of the Public Accounts Committee and the Public Investment Committee that serve as watchdogs over public finances. **There is therefore need for computerized information systems and for well trained personnel to man such systems.**

For the Parliamentary committees to function efficiently there is need to improve the Parliament Library and to set up a fully-fledged Research Unit. The Library needs to be equipped with professional librarians, relevant reading materials and computers. There should also be a campaign to promote the culture of reading and writing. The Research Unit should be able to carry out non partisan research to facilitate the work of the sectoral parliamentary committees and parliamentary watchdog committees.<sup>10</sup>

### ***3. Devolved Government and Local Participation***

The NARC Government explains in its Manifesto that in order to enable Kenyans benefit from public investments resulting from the taxes they pay, there is need to establish a new paradigm in our development process.<sup>11</sup> This paradigm will come through a community-driven development approach, in which beneficiaries select their own development priorities and participate in the management of the implementation process. Development projects will be owned and jointly implemented by communities and local authorities. Only large development projects and those cutting across communities and local government boundaries will be implemented by Central Government.

**This calls for the devolution of power in which the decision-making and implementation of development projects are shared with local communities.** For this reason, the NARC government has promised to: share power and responsibilities with both the local authorities and communities; support

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<sup>10</sup> Based on interviews with Clerk and Deputy Clerk to the National Assembly to the National Assembly of Kenya.

<sup>11</sup> National Rainbow Coalition (NARC): Democracy and Empowerment – Manifesto of the National Rainbow Coalition (NARC). November 2002, Nairobi.

Community-Based Organizations (CBOs) and build the necessary capacities needed to enable them play their role in development. **For this to be realized, it is mandatory to:**

- ➔ Remove any powers of central government to unduly interfere in the day-to-day running of local authorities;
- ➔ Make it mandatory for local authorities to account to their electorates through preparation of accounts and transparent annual audits;
- ➔ Require that where a local authority fails to meet its obligations to its electorates it will be subject to sanctions; and require that local governments and their communities identify local priorities through free and open dialogue.

Many countries are currently exploring initiatives aimed improving local governance such as: city assessment missions, integrity conferences at the municipal level, regional and national meetings of mayors and civil sector organizations, and workshops to solve specific local government corruption issues.<sup>12</sup> The outputs of these activities include: local surveys on corruption perceptions and local authority service provision, establishment of islands of integrity within local authorities, preparation of best practices examples, and preparation of manuals for cities on addressing corruption. Other approaches include promoting transparency through better communications such as town meetings and hearings on issues, promoting the accountability of local governments through monitoring of activities by coalitions of partners at the local level, working directly with local governments on important corruption issues, creating local or regional chapters to address local concerns more directly, developing standards of conduct and operations for local governments, and applying the scorecard survey at the local level . **These approaches need to be given a try in Kenya.**

**In order to make further progress with respect to enhanced local participation in governance, there is need to support empowerment of communities as an overall goal of development; facilitate access of citizens to information on**

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<sup>12</sup> Interview with Mr. Githongo, Permanent Secretary in the Ministry of Ethics and Governance. Also Republic of Kenya: District Focus for Rural Development. March 1987. Government Printer, Nairobi.

**development plans, public services and social investment funds; encourage use of feedback from communities; build institutional capacity of community-based organizations; and establish enabling policy and legislation for operations of civil society organizations.**

According to USAID's own assessment, its assistance to Kenya on governance has been very effective. The NARC government has shown commitment on good governance. USAID's program on governance should therefore be continued and enhanced. Furthermore, in light of Kenya Government's commitment on good governance an increasing portion of USAID's assistance should be directed towards supporting government's initiatives including strengthening GoK's capacity to address the issues at hand.

## **4.0 AGRICULTURE AND MICRO AND SMALL ENTERPRISES (MSEs)**

### **4.1 AGRICULTURE**

#### ***Background***

**USAID-Kenya's strategy to focus on support to agriculture and micro-enterprises is well founded on the realities on the ground, namely:-**

- Agriculture contributes 26% of the Gross Domestic Product (GDP), while agricultural linkages of the real economy contribute another 27%.
- Agriculture employs 70% of Kenya's labour force.
- Agriculture generates 60% of all foreign exchange.
- Agriculture provides 75% of raw materials for industry.
- Agriculture contributes 45% of government revenues.

Moreover, agriculture has a high growth multiplier of 1.64 compared to 1.23 for non-agricultural sectors. **In addition, the focus on agriculture is soundly anchored on a gender-sensitive framework.**

- Women contribute between 70-80% of all labour in food production; and about 50% of all cash crop production.
- Women play a key role in MSEs owning about 56% of all MSEs.
- Most agricultural produce related and rural MSEs are headed by women.
- Nearly 40% of small holder farms are managed by women.

**The focus of USAID's Kenya strategy in agriculture and MSEs is further buttressed by a long and largely successful intervention and support program to agriculture since 1963. The lessons learnt over the years should therefore enhance the capacity of USAID to provide value for money in many strands of its proposed strategy in the agricultural and MSEs sectors.**

**Key past achievements by the USAID in this sector include:-**

- Development of agricultural institutions and manpower in the early years of independence. The Harvard Scheme and development of high level manpower for Ministry of Agriculture in the early years of independence.
- Support in the development of key research and training institutions in agriculture – Egerton University, KARI and Tegemeo Institute.
- Capacity building for reform of the agricultural framework, particularly liberalisation of agricultural marketing boards, and enhanced policy dialogue with GoK.
- Development of high yielding seed varieties and other improved technological inputs.

**While the USAID should continue to rely on its comparative advantage and experience in the above areas, it should be prepared to meet new challenges and opportunities in agriculture in the next few years.**

#### ***4.2 CHALLENGES AND OPPORTUNITIES IN AGRICULTURE***

Like the rest of the economy, agricultural performance has deteriorated in the last decade. During the 1990's, Kenya made significant gains in liberalising the agricultural sector. With the liberalisation of the foreign exchange regime, trade in agricultural inputs and marketing of crops was deregulated and the role of government regulated marketing boards considerably reduced. **But these reforms were often poorly sequenced with input supplies deregulated before the price fixing functions or operational efficiencies of the agricultural boards were modified and reinforced.**

Farmers in general and small-scale holders in particular have therefore been faced with increased input costs (fertilisers, seeds, tools); and declining output prices. In addition, the capacity of the government delivery system has gradually been eroded, and farmers no longer enjoy an efficient and effective extension service. The withdrawal of input subsidies under Structural Adjustment Programmes (SAP), and

the drastic deterioration of physical infrastructure, high marketing costs because of inefficient markets have all conspired to erode agricultural productivity. Furthermore, pressure on arable land due to rapid population growth has meant that agriculture is fast encroaching on semi-arid areas. In the high productivity zones, land subdivision is leading to unsustainable production patterns; while the ASAL lands remain largely outside the scope of many GoK and donor intervention strategies. At the international level, the terms of trade facing many farmers – both for cash crops and export commodities – have turned against the farmer drastically. By the middle of the 1990s, one bag of fertilizer was costing three bags of maize as opposed to one in 1990.

**Finally, with the collapse of the Co-operative sector, farmers' access to credit was drastically reduced. The challenge to USAID-Kenya strategy in agriculture therefore remains:-**

- Restoration of agricultural productivity – both land and labour.
- Strengthening farmer organisations to deliver services to the small holder sector
- Assisting the GoK in the reform of the marketing and regulatory framework in the agricultural sector; particularly the co-operative sector.
- Supporting emerging private sector driven/owned producer organisations in the sector e.g. the dairy sector and the horticultural sector. In addition, there is need to support GoK efforts to reform farmer organisations in coffee, tea and sugar sub-sectors. Many of these organisations are still riddled with problems of poor governance, poor management and political interference.
- Improving access of farmers to improved seeds and other technological inputs, hence the significance of the work of USAID in seed multiplication.

**While current USAID-Kenya Strategy contains all the above elements, program resources are far too thinly spread to have any significant impact on rural incomes. Perhaps there is need for USAID to undertake a value for money audit of each of its activities in this area to determine where its interventions could have the most impact in terms of incomes of the beneficiaries on the**

**ground. Such an audit should take into account USAID's own comparative advantage vis-à-vis activities of the donors in this field.**

### **4.3 GENDER PERSPECTIVE**

An USAID-Kenya ISP strategy reflecting the above broad issues in agriculture would not only be consonant with the GoK/PRSP perspective, but it would greatly contribute to the government's short and medium term goals of restoring agricultural growth. **Moreover, were the strategy to maintain its avowed strong gender sensitivity, it would also contribute to rapid reduction in rural poverty. Every effort should therefore be made to ensure that all program activities consciously reflect gender concerns by designing programs so that they reach maximum number of women beneficiaries. This would entail:-**

- Strengthening GoK program delivery systems to ensure greatest outreach to women farmers and MSEs owned by women.
- Increasing support to women led/owned credit organisations and other MFIs.
- Increasing support to institutions, public or private that are engaged in development of appropriate technologies, particularly those that reduce the physical burden for women in search of water and fuel wood.
- Improving and increasing access by women to more reliable market information systems.
- Support to measures to improve market infrastructure and rural access roads to ensure more efficient marketing arrangements, particularly for food crops in which women are largely engaged.

Finally, as observed above, the task of resuscitating Kenya's agricultural growth is so vast that perhaps no one donor may be able to do justice to the problem. **USAID should therefore identify its niche/advantage and focus its resources in the identified priority area.** More effective collaboration with other donor agencies engaged in this field could enhance the returns to USAID resources committed to this sector.

#### **4.4 THE MSEs SUB-SECTOR**

**At the very outset, it is important to note the strong linkages between agriculture and the MSE sub-sector**

- 66% of MSEs are found in rural areas,
- Because of the decreasing agricultural productivity; many farmers are forced to start MSEs enterprises as a form of safety net.
- Indeed, many rural MSEs are linked directly to the processing or supply of agricultural inputs and tools to the agricultural sector.

**As a stand alone activity; MSEs are also important because:-**

- They contribute nearly 20% of Kenya's GDP.
- They are the fastest growing source of employment, growing by 12.3% in 1998 and 23% in 1999. Overall, MSEs employ nearly 2.5 million workers half of whom are women.
- A significant proportion of MSEs, 31%, are in the agricultural sector, while 25% of all MSEs jobs are strongly linked to the sector.

GoK's commitment to MSEs, commonly known as *Jua Kali*, is not in doubt. Every government policy document on economic performance and recovery reiterates the importance of the sub-sector in terms of employment creation and enhanced industrial growth. **However, the performance of the MSEs sector remains hampered by three critical constraints:-**

- Limited access to credit and other financial services. It is estimated that only 10% of MSEs enterprises receive any credit or financial support from financial sector institutions.
- Lack of appropriate and adequate infrastructural services – power, water, sanitation, access roads, telephones.
- Lack of or inadequate technological inputs to the sub-sector.

#### **4.5 CREDIT TO MSEs**

With regard to credit, many banking institutions and Micro Finance Institutions (MFIs) rarely provide credit to MSEs on the grounds that the latter do not meet collateral requirements; while many MFIs are themselves too weak (financially and institutionally) to meet the huge demand for credit by MSEs. Government policy in this area has been aimed at reforming the MFIs regulatory framework to accommodate MSEs credit and financial needs; **but little progress has been made to change the relevant legal instruments governing lending to MSEs.** In addition there is need to strengthen business development agents dealing with MSEs.

#### **4.6 INFRASTRUCTURAL SUPPORT**

For a long time, the MSEs have played a 'cat and mouse' game with the local authorities with regard to access and occupancy of appropriate working spaces. Despite the so called *Nyayo Jua Kali* sheds, the MSEs sub-sector has been plagued with lack of an appropriate working environment – environmental and marketing wise. MSEs also face problems obtaining licenses and are constantly harassed by local authorities and government regulatory agencies.

#### **4.7 TECHNOLOGICAL SUPPORT**

Few MSEs have the capacity to access the technological industrial support services provided by the GoK e.g. Kenya Bureau of Standards, and other government research services, e.g. health laboratories. Moreover the outreach of many NGOs and PVOs working in this area is confined to the main urban areas. **Although the GoK is aware of these problems, there has been little progress in the implementation of government policies in support of this sector.**

## **4.8 CHALLENGES AND OPPORTUNITIES**

Fortunately, the USAID-Kenya has had a successful track record in this area. Through its support, the K-REP has been successfully transformed from an MFI type institution to a fully fledged Micro-Enterprise bank. **The USAID/ISP Strategy aims at replicating this success to other parts of the MFI framework.** Indeed, the ISP envisages USAID activities to raise the number of MSEs accessing credit from 10-20%. In addition, USAID/ISP seeks to concentrate resources to develop new savings and loan products through:

- ➔ K-REP Bank
- ➔ K-Rep Holdings
- ➔ Co-op Bank of Kenya
- ➔ Kenya Women Finance Trust
- ➔ Faulu Kenya and Other MFIs

The USAID mission will provide capacity building support to these and other institutions to strengthen their capacity and outreach to as many local MFIs as possible. **In addition, the mission is committed to increasing loanable funds to these institutions for on-lending to MSEs.**

As observed above, proper and appropriate physical resources are necessary to raise the productivity of MSEs. **While the ISP recognises this, it is silent on the potential role that the USAID could play in this key area. Yet this is perhaps one area where USAID catalytic support to provision of infrastructure say sanitation for *Jua Kali* sheds could be most effective in terms of value for money.** Lastly, it is recognised that without appropriate technological inputs, many MSEs will fail to graduate to higher productivity activities, especially in the area of exports. **Support by the USAID to private (and to a lesser extent public) technology providers such as APPROTEC will therefore be crucial in efforts to revamp the MSEs sub-sector.**

## **4.9 EMPLOYMENT CREATION**

The NARC government has committed itself to promoting employment as a first priority and has recently launched a Country Action Programme of poverty reducing employment. The Country Action Program comprises a total of seventy project proposals that are estimated to cost US\$ 33,256,193 of which about 70% of the budget is expected to be met by development partners. The underlying aim is to help people help themselves individually and collectively and to make sure that Kenyans share in the benefits of development. **The proposed areas for employment promotion include:**

- Co-operative employment;
- Enhancing youth and women employment;
- Building industrial parks for micro and small enterprises;
- Put in place labour intensive infrastructure programs such as rural access roads;
- Employment for street children;
- Vocational training projects for retrenched workers'; and
- HIV/AIDS related employment opportunities - including alternative employment for commercial sex workers.

Thematic ministries are expected to liaise with the National Coordinator who will be based in the Ministry of Labour and Human Resources Development. The programme is also expected to have a Secretariat team, a Technical Working Team and a National Steering Committee comprising of Civil Society/NGOs, Private Sector, Government and Project proponent, representatives, to address advocacy concerns prevailing at each stage of implementation.

The Country Action Programme calls for co-ordination of strategies at various levels. Projects need to be undertaken and promoted in minimum complementary packages that allow for appropriate synergies to be maximized and for virtuous cycles of employment growth and income generation to be kick-started. This requires that fragmented and dispersed approaches to project formulation and implementation be gradually steered toward holistic interventions that attempt to ensure that activities

that are directly employment generating are promoted, and that the necessary value chains and channels, and enabling social services, and economic (macro and physical infrastructure), regulatory and institutional environments, are also in place.

**Given the priority that the NARC government attaches to employment creation, this employment initiative should be an area of interest for USAID in terms of financial support and capacity building.**

#### ***4.10 USAID-KENYA/GOVERNMENT OF KENYA PARTNERSHIP IN PRIVATE SECTOR DEVELOPMENT AND TRADE OPPORTUNITIES***

##### ***Introduction***

1. Efforts to promote the private Sector in Kenya have been at the core of USAID-Kenya assistance strategy for a long time. In the past, USAID-Kenya has concentrated on supporting business and private sector associations to become more effective instruments for support of business development activities through training and capacity building for more efficient internal management and information systems. This has enabled institutions such as the Kenya Association of Manufacturers (KAM) to emerge as effective voices of the private sector in Kenya. USAID's efforts in this area have enabled the private sector in Kenya to engage in policy dialogue with the Government. However, the capacity of the private sector to engage the Government in regulatory issues remains weak. Moreover, outside the main agricultural trade/marketing boards, matters and issues pertaining to trade, whether regional or international remain very much beyond the capacity of many business organizations. **But as Kenya seeks to become an active player in the global economy, there is need to create the capacity in the private sector and the Government of Kenya (GoK), to effectively take advantage of new opportunities created by the ever changing global trading relationships.**

2. In the past, USAID's strategy in this area has sought to improve market efficiencies and trade priorities/access to both domestic and international markets. USAID has supported measures to improve market information; efficient marketing systems, particularly in the export sector with special emphasis on horticulture as well as in the mainstream agricultural marketing board. These efforts have improved market performance and lowered costs, thus, enhancing profitability and opening up new markets for commodities where local value added is significant; e.g. in the dairy industry , and the horticulture sector.
3. However, the success of these efforts is threatened by changing international/global trade relations, namely the World Trade Organization (WTO) regulations and requirements. These new requirements pose an immediate threat to job creation and enhanced income generation in that they affect the two most critical sectors – horticultural exports and textiles, on which so much hinges in terms of economic recovery. Horticultural exports are now worth nearly Kshs 20billion per year and have created nearly one million jobs; while exports of textiles have emerged as key to revived manufacturing performance.
4. **The threats in this area of trade development take three forms:-**
  - Tariff escalations as various exemptions under the WTO and EU/Lome convention lapse. Higher tariffs are imposed on higher value added products thus limiting the scope for trade in processed agricultural commodities, such as packaged tea and coffee where Kenya has a clear comparative advantage.
  - Sanitary and Phyto-sanitary (SPS) regulations (non-tariff barriers). More stringent SPS are imposed to limit the rate of growth of horticultural and fresh produce exports.
  - Continued subsidies to farm, products/exports of Kenya to the EU. Such subsidies inhibit access to the EU markets for Kenya's export produce, thus limiting foreign exchange earnings in Kenya.

**Actions to address these issues should form the central pillars of USAID-Kenya strategy in the enhancement and development of Kenya's international trade regime.**

#### ***4.11 OPPORTUNITIES FOR MORE EFFECTIVE GLOBAL PARTICIPATION***

##### ***1. WTO Trade Prospects***

Kenya became a member of the WTO in January 1995. Under this arrangement, many of the domestic barriers to free trade are supposed to be reduced/integrated into a global framework that prohibits barriers to competition by the year 2007. Yet work to integrate/harmonise Kenya's legislative and regulatory framework has yet to take off either in the private sector or within the GoK. **Within the Government, the institutional mechanism created to deal with this issue, the NCWTO within the Ministry of Trade remains largely ineffective.** In the private sector, many participants (both institutional and business firms) lack the capacity to understand or take advantage of the provisions of these agreements.

**USAID's strategy therefore needs to take into account the need to:-**

- i. Strengthen private sector institutions to take advantage of the preferences and to overcome new barriers to globalisation as Kenya expands her international trade obligations.
- ii. Strengthen public sector/GoK capacities to deal effectively with WTO related issues of competition, access to markets, product standards, international trade requirements (financing of exports).
- iii. Strengthen the GoK capacity to review, revise, harmonise existing trade legislation to reflect Kenya's commitments to such international undertakings.

**Actions under (i.) above should include:-**

- ➔ Training of private sector operators in the implications and requirements of various multi-lateral agreements in order to enhance access to markets. This is particularly important for AGOA as well as the mainstream requirements of WTO and the EU/Lome convention.

- Support for promotional and representation activities of private sector actors.

**Actions under (ii.) above should include:-**

- Support of the GoK's effort in mainstreaming the trade laws of Kenya into a cohesive integrated international law/trade regime.
- Training and capacity building of GoK staff particularly in Customs and Excise Department (and private sector actors) in the requirements of WTO – type arrangements with a view to enhancing participation of Kenyan enterprises in the globalisation process.
- Capacity building to upgrade the physical infrastructure of national institutions in this area. **Of particular importance is the support to the State Law Office (SLO) and the NCWTO both in training and provision of hardware equipment.**

**USAID – Kenya strategy should therefore support national capacity building for understanding trade agreements as well as improving trade negotiations skills of the private sector, NGOs and selected government and parliamentary staff.** It should be noted that capacity building in these areas is costly; and the USAID- Kenya office should review their stated intention of holding back support to the creation of physical infrastructure until the mainstreaming of legislative framework is accomplished. Indeed, without such support much is unlikely to be accomplished.

## ***2. AGOA Trade Prospects***

While the WTO trade regime concerns primarily the prospects for growth in agricultural products, the AGOA arrangement affects the manufacturing sector, more specifically the textile sub-sector. Whereas every effort should be made to access the North American horticulture market, Kenya is unlikely to have a comparative advantage vis-à-vis countries such as Mexico and Latin America. Exports of textile apparels to the US were worth about US \$100 million by September 2002. Furthermore, it is estimated that textile firms benefiting from AGOA had created 20,000 jobs by the year 2002. **The AGOA goals of increasing flows of US FDI to Kenya have however not been very successful. So far, only about US\$13 million**

**of new US investments have materialised under AGOA.** Instead, AGOA has benefited many Asian manufacturers who have re-located to Kenya as they exhaust their national export quotas. **There is need therefore for the USAID to explore measures to increase and enhance investment flows from the US to Kenya.** Furthermore, for AGOA to be useful to Kenya, it must stimulate increased trade between Kenya and the US; and to this end, measures must be taken within the USAID-Kenya strategy to build local capacity along the lines suggested above.

#### ***4.12 WTO/AGOA TRADE INITIATIVES AND POVERTY REDUCTION***

Efforts to strengthen the national capacity to participate in global trade assume particular significance in the light of the GoK's commitment to rapid job creation (500,000 this year) and poverty reduction. **Not only are the horticulture sector and the textile sub-sector the fastest growing sub sectors, they also happen to be the most labour intensive and therefore crucial for the success of the GoK's recovery strategy within the framework of the PRSP. However, the GoK's PRSP has not adequately addressed the linkage between poverty reduction and enhanced export performance. Perhaps this is one area where the USAID can take advantage of this policy gap to develop a more effective support program for GoK and the private sector.**

USAID support to Kenya's enhanced trade performance should therefore take the form of Technical Assistance to build capacity for national analytical capability; as well as institutional support to both private and public institutions engaged in trade promotional activities at the national, regional and international levels.

Lastly, USAID might consider raising the issue of enhanced incentives/lower barriers or better preferential treatment for exports of coffee and tea to the US, since this is one area where Kenya's comparative advantage could quickly respond to Kenya's efforts on poverty reduction given that these commodities are largely grown by small

holders. **Support to enhanced trade performance would also help tilt the balance in favour of trade rather than aid in GoK/US Government relations.**

## 5.0 CURRENT HIV/AIDS AND HEALTH PROGRAM

### 5.1 INTRODUCTION

This section sets out to review the current HIV/AIDS Program and "recommend possibilities for further strengthening partnership with the new government to enhance absorptive capacity, improve coordination, and strengthen implementation." The current *USAID/Kenya HIV/AIDS and Health Program* (henceforth Program) is described in several documents<sup>13</sup>, all of which have informed this section. The Program is a response to the HIV/AIDS pandemic in the country and to the deteriorating health of the general population, partly caused by the pandemic, and partly by cumulative effects of poor governance and economic decline over the past two decades.

The Program is part of an Integrated Strategic Plan (ISP) by the USAID to assist the Kenyan Government, and the people in general, tackle the root causes of poverty in the country, which have been identified to include low levels of productivity, crumbling economic infrastructure, underdeveloped institutions of democracy and governance, poor policies, inefficient regulatory framework, corruption, unemployment and HIV/AIDS. **Despite, the broad development context in which the Program is designed, it is highly focused.** It is restricted mainly to interventions designed to improve health in specific segments of the population, and in specific parts of the country. There is recognition in the Program design that interventions that cover the whole country are the responsibility of the Kenya Government. However, the Program is informed by Kenya's development policies, as articulated in the current National Development Plan, the National HIV/AIDS Strategic Plan (NSP), and the Poverty Reduction Strategy Paper (PRSP). Furthermore,

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<sup>13</sup> USAID (2003), *Concept Paper for Re-design of the USAID HIV/AIDS Program in Support of the Government of Kenya's Fight Against AIDS*, Office of Population and Health, Nairobi, January.

USAID (2003), Annual Report Part II: SO Narratives and Resource Request, Office of population, Health and Nutrition, Nairobi, January.

USAID (2001), *USAID'S HIV/AIDS Program in Support of the Government of Kenya's Fight Against AIDS, 2000-2005*, Office of Population and Health, Nairobi, November.

USAID (2000), *USAID/Kenya Integrated Strategic Plan, 2001-2005*, USAID/Kenya, November.

Program is being revised to reflect new funding opportunities, and the new political environment in the country. The activities of the Program are implemented by a diverse group of stakeholders, including US firms, Kenyan NGOs, the Ministry of Health and community-based groups. The Program is an outcome of broad consultations in Kenya and elsewhere. **Its activities are well designed and are consistent with health needs of the Kenyan population.**

## **5.2 PROGRAM OBJECTIVE**

The Program is designed to achieve Strategic Objective 3 (SO3) of ISP, whose overall goal is to improve governance and economic prosperity in Kenya. Consequently, the Program objective is to: **Reduce Fertility and the Risk of HIV/AIDS Transmission through Sustainable, Integrated and Family Planning and Health Services.**

To facilitate the monitoring of progress in achieving this objective, a number of intermediate results have been identified. These include actions to:-

- Improve enabling environment for the provision of health care;
- Increase use of proven, effective interventions to decrease risk of transmission and mitigate the impact of HIV/AIDS;
- Increase customer use of Family Planning, Reproductive Health and Care & Support services.

The ISP identifies, 12 major activity components that are being implemented under the current Program by a diverse group of international and Kenyan partners. The components include:-

- Behavior Change Communications;
- Blood Safety;
- Care and Support;
- Integration of HIV/AIDS and Reproductive Health Programs;
- Commodities Logistics Management;
- Micro-finance;

- Prevention of Mother to Child Transmission;
- Policy and Advocacy;
- Social Marketing;
- Tuberculosis Control and Treatment;
- Voluntary Counseling and Testing;
- Workplace Interventions.

**Taken together with the activities of other donors and efforts by GoK through the Ministry of Health, these interventions form a robust programme framework that should adequately address the challenge of HIV/AIDS and health problems in Kenya. USAID-Kenya activities in this area should therefore be strengthened.**

### ***5.3 CHALLENGES AND OPPORTUNITIES***

The main challenges and opportunities in this sector pertain to:-

- Program synergy with government health activities,
- National absorptive capacity of Program resources,
- Coordination and implementation of Program interventions at the national - and local levels.

### ***5.4 PROGRAM PARTNERSHIPS***

The main government partners in the implementation of USAID HIV/AIDS Health Program are the National AIDS Coordination Council and departments of the Ministry of Health, notably the Divisions of Health Care Financing and Planning, and the National AIDS Control Unit. The Program has many local partners in the private and NGO sectors. The high visibility of the Program in the public health sector has advantages and disadvantages for the Ministry of Health. **The Program offers the Ministry of Health opportunities to implement efficiency enhancing reforms that would normally not be funded through regular budgetary allocations from the Government. The potential disadvantage of the Program is that it might**

**divert scarce resources of the Ministry, particularly personnel, from national level activities to specific Program interventions. This risk arises for two reasons.**

The Program does not provide funding for recruitment of additional health personnel. However, if there is no conflict of activities, particularly with respect to the sequencing and location of the Program and MOH interventions, the problem of resource diversion would not occur. In that case, the MOH would implement Program activities as if they were its own interventions. **Thus, to the extent possible, USAID should consider integrating its Program activities with national priority activities of the Ministry, so that the two sets of activities can be implemented and managed together. An excellent previous example of such integrated intervention is the USAID-supported health care financing reform implemented in the early 1990s.** USAID program inputs (financial, managerial, and logistical), helped the Ministry of Health reform its health services financing system. The new fee-based system, a *joint* product of the MOH and USAID is now a significant source of the revenue used to finance service provision in the public health sector. There may be need to consider **reducing to the smallest possible number, Program interventions for which *intermediate results* and population-level *outcomes* would be attributed mainly to USAID provided inputs.**

There is overemphasis of causal links between USAID-supported projects and measurable indicators of health sector performance in ISP. Even with the best of data, and the state-of-the art measurement frameworks, such causal links are extremely difficult to establish conclusively (Heckman et al., 1998). Over a given time period, it is far easier and more credible to attribute intermediate results, IR 3.1.1- IR 3.3.3, to *all* inputs (USAID, MOH and other) rather than to USAID inputs only. These intermediate outputs are best viewed as **jointly produced intermediate outputs. They should, therefore, be used to judge performance of a *partnership*, rather than that of a particular partner.**

The assessment of performance of a specific partner can, nonetheless, be based on inputs contributed by the partner to a project and/or on the extent of implementation of project activities. If inputs are efficiently used, input-based performance would be an appropriate indicator of performance because project *outputs* and *outcomes* would be proportional to input usage from the various sources. Similarly, project outputs and outcomes would depend on the extent to which project activities have been effectively implemented. Under input- and implementation-based performance indicators, monitoring of efficiency and effectiveness in the implementation of project activities would be key tasks of project management. Best practice benchmarks can be used for such monitoring. Training of project personnel would focus heavily on project management, monitoring and evaluation and the numbers of such personnel trained can be taken as proxies for intermediate results of the Program. **Use of input-based indicators to evaluate performance of the Program of a particular partner is worth considering.**

**The potential for conflict between the Program and MOH activities is great because as currently designed, the Program emphasizes specific, targeted interventions, whereas, the MOH emphasis is on scaled up activities, designed to cover the whole country and the whole population.** Furthermore, conflict is in-built in activity sequencing of the two partners (at the implementation phase) because USAID has pressure to get short-term results for their Washington reports, whereas MOH does not have such pressure. Since, the overall aim of ISP is to improve governance and economic welfare in Kenya, a **Program that would help the Government of Kenya (through the Ministry of Health and other line Program Ministries) implement health interventions of proven effectiveness, would better achieve the overall goal of the ISP than specific activities geared towards IRs within a short period.** In any case, results from many of the interventions (e.g., BCC and VCT), have long gestation periods so that their benefits could be grossly understated by the **IRs**. Unfavourable **IRs** can lead to termination of interventions with large payoffs in the long-run. Consistent with the idea of using input-based indicators to judge Program performance, **USAID might consider allocating substantial resources to training of personnel in MOH and other line Ministries.**

## **5.5 ABSORPTIVE CAPACITY**

The ability of a country to benefit from foreign development assistance depends on many domestic factors, including the quality of governance, which is being handled effectively by the on-going interventions under ISP. Consideration could be given to **intensification of governance interventions to further increase absorptive capacity. In the health sector, absorptive capacity is hindered by non-functioning health facilities, particularly in peripheral rural and urban areas. Rehabilitation of health facilities in rural and slum areas (including skill upgrading of staff and maintenance of medical equipment) would contribute to enhancement of absorptive capacity in the health sector.**

## **5.6 COORDINATION**

The National HIV/AIDS Control Council coordinates HIV/AIDS-related interventions at the provincial, district and constituency levels in the country. The National HIV/AIDS Control Program is responsible for implementation and coordination of control interventions within the public health sector. These two institutions are identified in the ISP as the coordinators of HIV/AIDS work in Kenya, but their division of work is not evident from the documents reviewed. **There is no mention in the ISP of a national unit that coordinates donor funded health interventions in the country. If such a unit does not exist, USAID might consider assisting the Government in its establishment.** There is no question that the MOH should coordinate health interventions initiated by the USAID HIV/AIDS and Health Program in various communities in the country because such coordination would create synergy and also because eventually, the Government of Kenya would be responsible for their sustainability. **Maintaining the NACC in the Office of the President, as recently decided by GoK, goes contrary to this recommendation.**

## **5.7 SUSTAINABILITY**

The ISP is critical of the dominant view that sustainability means a (poor) country's reliance on its own resources in meeting essential health needs of the population. This critical view of sustainability is very helpful in creating an opportunity for long-term funding of health activities by donors. While self-sufficiency is the ultimate aim of both the Government and of donors, in the short- and medium-terms, the country must rely on foreign assistance to meet its critical health needs. **This long-term view of sustainability implies that donors can fund budgetary items that must be sustained in the medium term with foreign resources.**

## **6.0 EDUCATION IN KENYA: CRITICAL ISSUES AND OPPORTUNITIES**

### **6.1 TOWARDS SECTOR WIDE APPROACHES (SWAPS)**

There is emerging consensus among education policy makers that a Sector Wide Approach (SWA) to dealing with education issues is necessary. The SWAp entails a process of partnership, directed by the Ministry of Education, and which brings key funding agencies into dialogue, consultation and co-ordination in support of education sector. Involvement of all stakeholders in the resulting dialogue is an essential element of the partnership.

*Secondly*, SWAp entails articulation of a comprehensive sector policy framework that brings out sector objectives and strategies for implementation of the objectives in the short and medium terms. The framework should cover critical areas, policies, programs, projects and specific interventions that incorporates all relevant areas, policies, programs and projects.

*Thirdly*, it entails working out an expenditure framework that takes into consideration of available resources and agreed policies, programs and priorities.

*Fourthly*, the approach deals with the issues of implementation, structures and procedures. It entails strengthening of management systems, reporting and evaluation procedures and enhancing staff capacities and competencies within the Ministry. **The challenge for donors in this respect is to work within the accepted framework and procedures of the partnership and avoid “stand-alone” activities.**

The 1999 Commission of Inquiry into the Education System articulated a similar approach, which is called Totally Integrated Quality Education and Training (TIQET). The Commission advocated a comprehensive and integrated approach to education that was to ensure quality in delivery in the education and training processes. While the partnership with funding agencies in realizing this broad

objective was not articulated, the nascent idea of SWAp is evident in the report. **We suggest that this is a good starting point for partnership with funding agencies and future interventions should aim at promoting an approach that encourages consultations with all stakeholders and integrates education into the broader concerns for poverty alleviation strategies. The Ministry should provide the leadership and guidance necessary for this approach to take root and bear fruits.**

This section emphasizes the need for a Sector Wide Approach that incorporates the ongoing reforms, interventions, partnerships and stakeholders' consultations in Basic Education. **We recommend the building and strengthening the necessary capacities in the Ministry of Education, Science and Technology to deal with the challenges and opportunities that come with sector wide approach and especially in the management of the delicate and complex relationships with stakeholders.**

## **6.2 BASIC EDUCATION**

The major challenge to the Government of Kenya in the field of education is the implementation of free primary education. The challenge emanates not only from the timing of the implementation but also the resources required to meet needs of those already enrolled, and the 1.3 million new entrants. The free education program will require additional teachers, facilities and materials. A number of challenges to the whole of education system have emerged as result of this policy. First, the allocation of extra resources to the education budget, which even before the introduction of free primary education was taking a lions' share of the recurrent expenditure.

*Secondly*, within the Ministry there is the challenge of allocating resources among various levels of the education system. This should be viewed in light of non-discretionary proportion of the education budget that goes to pay for teachers' salaries. The issue of teachers' salary is highly contentious as demand for better terms of service remain in the forefront.

*Thirdly*, there is the persistent challenge of quality improvement, upgrading of facility and addressing regional and gender inequalities. *Fourthly*, there is the challenge of availability of capacity for planning, implementation, monitoring and evaluation of the reforms. The existing capacities have been stretched to the limits and there is urgent need to build and reorient the existing capacities at all levels of the education system.

Finally, there the challenge of how to create an enabling environment that incorporates various stakeholders (parents, educational entrepreneurs, private sector, funding agencies, etc) in the planning and implementation processes, and thereby bringing additional resources and capacities to the education system.

**We recommend that the Koech Report be reviewed in light of the current challenges to come up with a strategic plan for the reform and sustainability of the education sector.** The expansion of basic education is a major challenge to the country and interventions in this sector should be based on critical assessment of needs which currently are not being met such as quality improvement, access and equity, facilities, sanitation and special education needs.

**Despite the many concerns in basic education we recommend that USAID at this juncture pay more attention to issues of tertiary education while rethinking the overall future support of education in Kenya. Since the current USAID's ISP (2001 – 2005) does not provide support for any education sector tertiary education provides an entry point which allows USAID to address critical policy and capacity building issues and at the same time enter into dialogue with the Ministry of Education, Science and Technology on possible long term support. USAID has in the past supported manpower development (Tom Mboya airlifts) and institutional development and training in the tertiary sector (Egerton University).** These efforts had lasting impact in the development of the country. Reengagement in this sector would enable the agency to contribute to the training of professionals and sub-professionals for long term economic growth, increased labor productivity, facilitate utilization of global technologies in dealing with poverty alleviation. The interventions envisaged below would enable the programs and outputs of tertiary institutions to be responsive to the needs of the society, while

drawing on the best practices in international arena. The capacities built at this level could be made available in dealing with the issues of basic education as well as other sectors of the society such as agriculture, trade, health, and natural resource management.

### **6.3 TERTIARY EDUCATION**

Tertiary education sector refers to a diversity of institutions that provide higher education, training, upgrading of skills, research and policy analysis. In the last twenty years this sector has expanded rapidly in terms of institutions established, or upgraded to provide post secondary education and training. Existing faculties have been expanded while new ones have been opened in the colleges that have been upgraded. Consequently enrolment at tertiary level has increased considerably especially in the last two decades.

The expansion of tertiary education has involved both public and private institutions. A notable phenomenon in this sector has been the entry of private and religious organisations, which have played a critical role in the expansion of private tertiary education. Currently, there are six public universities and fifteen private universities catering for an enrolment of about 40,000 and 10,000 students respectively. The private sector is now the major player in provision of non-university training opportunities.

**The expansion of public university education has tended to eliminate middle level technical and professional institutions.** To some extent, existing institutions have been neglected and thereby left a major gap in terms of training of sub professionals and technical personnel. At present, there are four national polytechnics, one medical training college with 23 constituent colleges attached to various provincial and district hospitals. Other public institutions include 18 technical training institutes, 19 institutes of technology, Kenya College Communication Technology (KCCT), 21 primary schools teacher training colleges, 4 Diploma teachers training colleges, 4 agriculture training institutes and one internationally recognised institution in the field of hospitality (Kenya Utalii College). With the demand for affordable

quality tertiary education, the private sector has been instrumental in filling this huge gap. There are numerous institutions that are privately owned: 17 in health, 8 in education, and many more in the field of information technology, accountancy, banking and finance spread all over urban centres in the country. The opportunities provided by the private sector are not only catering for the Kenyan needs but also for the regional market.

Because of the rising unemployment, and rising qualification requirements for the available employment, demand for higher education has continued to rise. To meet this demand external degree programmes have been established at public universities and more recently fee-paying students have been admitted in public universities. The expansion of private institutions needs to be seen in the context of unsatiated demand for higher education and training. The expansion in domestic higher education institutions has however not stopped the exodus of students to USA, Europe, Asia and other African countries in search of higher education. It is estimated that about thirty thousands Kenyans are enrolled in overseas universities each year. As the Kenyan economy has deteriorated, some of these students are opting to remain overseas rather than face the prospects of unemployment on their return to Kenya.

#### **6.4. CRITICAL ISSUES**

**The expansion of opportunities in the tertiary sector has underlined a number of persistent issues: -**

##### **☞ Access, Equity and Gender**

As we have noted above, the available opportunities in Kenya in both private and public universities are hardly able to meet the excessive appetite for higher education. Hence access to higher education institution remains a persistent and troubling concern. **Tied with this is the issue of equity.** It is becoming increasingly notable that the children from low-income backgrounds have limited opportunities of access to higher education and training. This is as a result of a process of selection that progressively eliminates poor children from the education system by limiting access to quality primary and secondary education on account of their economic disability. The

ability to buy quality education at the lower levels enables the children of the middle class and the rich to have relatively better quality learning in national and private schools, and thereby ensuring better chances of access to the highly competitive tertiary institutions.

**While socio-economic factors are notable constraints in access to education, there are also glaring inequalities in girls and women access to tertiary education.** In most of the tertiary institutions, women make about one third of the enrolment. In the period 1997/98 to 2000/2001 female enrolment in the universities was between 31 percent and 35 percent of the total enrolment. Despite the efforts made to improve girls and women participation in education change has been very slow in higher education and especially in technical and professional field. This can be attributed to girls not taking science subjects at secondary school level and those who do so perform poorly. In 2002 198,356 sat for KCSE 46 percent were girls however for reasons indicated most of these would not be competing for opportunities in tertiary institutions. This issue has been taken up by institutions like FAWE and women NGOs in the last decade but disparities at this level are still very wide and persistent. Again this can be traced through the education system where enrolment patterns, dropout, economic and cultural factors have tended to discriminate against girls and women in higher levels of the education system.

### ➔ ***Resource Constraints***

The expansion of institutions in the tertiary sector has rarely been accompanied by additional allocation of resources. **Hence resource constraints have been a perennial problem that has led to deterioration of the infrastructure and many stalled projects, thereby seriously compromising the quality of education provided in these institutions especially in the public sector institutions.**

Public institutions are totally depended on government funding. However, government funds have often not been available at the desired levels hence many capital development projects to build classrooms, laboratories and other facilities are stalled. **There are limited efforts to diversify sources of revenues but these have not alleviated the perennial resource constraints.** The parallel degree programmes,

which recruit fee-paying university students, are intended to supplement university incomes. However these programmes have created tension in universities as they are viewed competitors to regular programmes, favouring some of the teaching staff who receive additional compensation and on the whole they are viewed as compromising the quality of the regular programmes. The most successful parallel programmes are to be found in Nairobi where there is a ready market for these kind of services.

On the whole, the sector is characterised by poorly paid and motivated teachers who in many cases hardly give more than fifty percent of their working time to teaching. They spend much of their time moonlighting to supplement their earnings. Consequently, the quality of education has suffered a great deal and there are constant complains that public universities are giving sub-standard degrees. In the context of many closures of public universities due to student strikes and dilapidated facilities, the questions being raised regarding the standards of education offered in these institutions need to be addressed.

### ➤ ***Relevance***

**Another persistent question is whether the education provided is relevant to the labour market needs of the country.** The rising level of unemployment among graduates of tertiary institutions has led some observers to conclude that what is being taught and learnt in these institutions is not relevant. We need however to note that the problem might be lack of demand in a situation of oversupply. The question therefore arises whether the growth of such institutions should be encouraged.

### ➤ ***Governance and Political Intrusion***

The tertiary institutions have been highly politicised not only because of the competition for limited opportunities but because structures of governance and funding have been highly dominated by the government. The president is Chancellor of all public universities and is responsible for appointments in key positions. This has led to political patronage and sycophancy in management and governance of these institutions. As a result the staff and other stakeholders are denied a voice in the recruitment of their top leaders and managers. Consequently student politics have

been radicalised leading to destructive behaviour to the detriment of the quality of education.

Many studies have identified governance of tertiary institutions as a critical issue that need to be addressed. First, the role of the government should be redefined with the view of limiting its involvement and thereby increasing the autonomy of the institutions. Secondly, the institutions should reform their governance and management structures with a view of bringing accountability and internal efficiency.

### ➔ ***Research Capacity***

In the last two decades one of the functions of the institutions of higher learning that has suffered a great deal as a result of the expansion, resource constraints and political interference has been the research capacity. The current status of research infrastructure in the universities exemplifies the intellectual decay, which is denying the country the skills and knowledge it requires for teaching and development. Budgetary allocation for research and development has minuscule and where budgetary constraints are experienced research materials and libraries are the first to be cut. **Consequently donor funding for building, strengthening and maintenance of research capacity has been the mainstay of research activities in universities (publications, journals, travel, conferences etc).** The weakened research capacities in the universities has tended to drive resources and researchers from the universities to Non-governmental institutions depriving a critical input to universities' teaching and learning. The se phenomenon has lead to many bright researchers from universities and colleges to establish their consultancy and in many instances to become contract labour for donor agencies.

### ➔ ***Limited innovations and reforms***

Although there have been increasing interest in promoting innovations and reforms within the tertiary sector hardly any major changes have occurred in the sector. To a large extent this slow acceptance of innovations and reforms can be attributed to the fact that they have been donor sponsored and had limited support from the government. The strong presence of government in the structures of governance and

lack of incentives has also tended to dampen enthusiasm for innovation and reform in the tertiary sector.

Efforts of ADEA and the Ford Foundation to encourage exchange of information and experiences in undertaking innovations and reforms in Africa is an initiative that has potential and local institutions should be encouraged to take advantage of this initiative.

**In conclusion we would like to argue that a policy framework for the development of tertiary sector is urgently needed. This would involve the redefinition of roles of various actors in the sector including the government. A policy framework need to be articulated to provide an enabling environment for public and private initiatives to thrive, create incentives for creativity, innovations and reforms. The policy framework should also cater for institutions in this sector to look at issues of internal efficiency, governance management, accountability, quality improvement, equity and diversification of funding sources including cost sharing. Revitalisation of intellectual and research capacities and communities should be part of reforms in the sector.**

**A strategic plan would be required for co-ordinated growth of the sector to promote specialisation, eliminate duplication and foster competition for the available resources. A common scheme of service for the personnel in the sector would also be required.**

**The rehabilitation, reform and consolidation of the sector should be the priority in the next five years. Economic needs rather than political expediency should guide any further expansion.**

## **6.5 GOVERNMENT POLICIES AND PRIORITIES**

So far the NARC Government has not articulated its policy and priorities that it wishes to pursue in the tertiary education sector. Statements issued prior to the General Elections of 2002 mainly decried the deterioration that had occurred in higher education and the lack of training opportunities for the Kenyan youth to

prepare themselves for the rapidly changing labour market. It was noted that one consequence of this situation has been the big number of Kenyans seeking education and training overseas.

However in the last two and half months, the Ministry of Education, Science and Technology have given most of its attention to the implementation of free primary education and dealing with teachers' grievances. A task force on free primary education has been established and a number of meetings with stakeholders have been held. From these initiatives policies related to free primary education and problems of implementation have started to be addressed and necessary budgetary allocations are being made. Funding agencies have also come forward with indication of what kind of support they can give to the government to realise this objective of free primary education in the country. While attention has been focused on primary education, strikes at a number of tertiary institutions have brought into focus the problems facing this sector. From interviews with policy makers, it is emerging that in the coming few months the sector will be closely studied with a view of coming up with a coherent policy and strategies for dealing with the most glaring problems. USAID support of initiative like this one would go along way in clarifying policies and interventions required in this sector.

**Discussions held with senior policy makers have underlined some critical issues in tertiary education that need urgent attention. Hence there is an urgent need for the government to pay attention to the critical issues that are facing the tertiary education sector. These are: -**

- ➔ **The articulation of policies and priorities that will guide the development and revitalisation of the sector to meet the needs of the Kenya economy in the twenty-first century.** Past interventions in the sector were guided by political expediency and no systematic planning was undertaken. Changes undertaken then tended to ignore skill requirements and the relevance of the curriculum, and the financial implications that those changes entailed. Political needs rather than professional imperatives propelled changes at this level. Formulation of policies would correct past mistakes and map out future directions.

- ➔ **A legal framework to guide the development of institutions and future programmes in the sector need to be formulated and enacted.** Currently there are laws and regulations, which govern the operation and management of public universities and training institutions, and the licensing of private universities. The Commission for Higher Education (CHE) is expected to play a co-ordinating role in the development of this sector, but its position is weakened by lack of overall authority on all institutions under its mandate. Equally, its effectiveness has suffered from political intervention indicated above. Hence a legal framework that fosters autonomy of the institutions, internal reforms and diversified funding and other aspects of development of tertiary institutions is urgently required. The legal framework to govern and manage the tertiary sector should be harmonised with the Education Act, which provides guidelines for the development of basic education. The report of the Commission of Inquiry into Education System of Kenya (Koech Report), has made useful recommendations on how the legal framework governing education should be changed. This would be a good starting point for any work in this field.
- ➔ The changes going on in the education sector have not only challenged the dominant attitude and values among Ministry officials and teachers but also underlined the lack of capacity to formulate policies and guide implementations that are required. It is becoming evident that the Ministries capacity to generate, analyse and disseminate data and information required for decision making is over stretched. While strengthening of this capacity could start with the reorientation and motivation of the staff in place at all levels of the ministry including schools, there is urgent need to build and strengthening capacities for implementation of the changes envisaged.
- ➔ The lack of capacity within the Ministry of Education, Science and Technology should be seen in the context of overall decline of research and analytical capacity in the society which we referred to earlier. The decline of research capacity has been a phenomenon of the last two decades. This has denied the government the opportunity of utilising the talents available in the institutions of higher learning in dealing with the problems in the society. This is in contrast with the earlier period of independence when there was a vibrant

research community that generated information and data that impacted positively on policy making and implementation. The Institute for Development Studies (IDS) and Institute for Population Studies (IPS) at the University of Nairobi are examples of this previous engagement between university's research communities and the government ministries. **It is worthwhile to note that donor resources and programmes supported much of these efforts. USAID played a significant role in this field.** The establishment of research NGOs for instance the Institute for Policy Analysis and Research (IPAR), Institute for Economic Affairs (IEA) and government institutions like Kenya Institute of Public Policy Research and Analysis (KIPPRA), is an attempt to rectify the prevailing situation in universities. This phenomenon has led to internal migration of talented researchers from the universities to the NGO sector and consultancy. Where this has not occurred there is a tendency to straddle between university employment and private consultancy.

The Ministry of Education Science and Technology need to build linkages with these institutions with a view of tapping the potential and talents available to reinforce its capacity. Donor agencies can facilitate this process which has the potential of yielding positive results in implementation of education reforms and at the same time build linkages between the public sector and research institutions.

- ➔ The financing of the tertiary institutions is a persistent worry contributing to decay, lack of autonomy, decline in quality of teaching and learning, and students' riots and staff exodus. Policies regarding funding need to be addressed fully with cost sharing being fully endorsed.

**There is also lack of accountability and transparency in use of resources that are allocated to the sector.** While other institutions are expected to show results of the resources committed to them, there is hardly any process of accountability in the tertiary institutions. The challenge therefore is to institute mechanisms of accountability that exist in other institutions, and put in place management systems that are result oriented.

On the whole the sector requires a critical analysis in light of the changes taking place in other sectors of the society and global environment. A clear government policy, which articulates the role of the state and other stakeholders, is urgently needed. The potential of this sector to the society is hardly being fully utilised especially in reforming and revitalising other sectors of the society. **Formulation of clear policies will enable the sector to be reformed, initiate innovations and redefine its relationship with the government, other stakeholders and the society in general.**

## **6.6 PARTNERSHIP**

There has been strong donor support for basic and tertiary education in Kenya since independence. Donors have been in the forefront of building and equipping of education institutions, development of Human Resources, support of research infrastructure, development of curriculum materials and networking. Co-ordination of donor intervention has however not worked very well. Current thinking is advocating for a co-ordinated sector wide approach in support of education. It is hoped that this approach will become the accepted norm of the partners supporting education in Kenya.

Donor efforts in the tertiary sector have to a large extent helped the country to develop and maintain its university education, a credible research community and training in middle level institutions. Some of these initiatives are continuing while others have reached their maturity. However, there is urgent need for some of these institutions and programs to be rehabilitated and revitalised to meet current labour market needs. The national polytechnics and similar colleges are examples of institutions that need to be rehabilitated and their role in training clearly thought out. There is re-emerging donor interest in revitalisation of research and capacity building function in the universities. An example of this is the partnership established between East African Universities and four USA foundations (the Carnegie Corporation, the Ford Foundation, the MacArthur Foundation and the Rockefeller Foundation).

Donors are well placed to continue to strengthen inter-universities programs and co-operations in East Africa as well as fostering mechanisms for sharing experiences gained in other parts of Africa.

However, there are a number of concerns relating to donor involvement in the tertiary sector that need attention to improve the effectiveness and coverage of the resources available while avoiding duplication and rivalry. **The concerns include:** -

- **Creating an inventory of the activities and programmes donors are undertaking in this sector.** What resources are available, how they are utilised and with what impact. Such an assessment could be part of policy review, which the government could undertake to give direction on the future of tertiary education and training.
- **Co-ordination of donor efforts and initiatives.** This could be realised through the establishment of a mechanism for donor dialogue with the key stakeholders. This would provide for sharing of information, experience, ironing out areas of duplication and identifying emerging priorities and synergies. This is what is advocated by SWAp.
- **More effective donor collaboration would bring out lessons learnt and pitfalls in management of foreign assistance to tertiary sector.** Some donors have accumulated very wide experience in the support of the sector but this experience is not widely shared or disseminated.
- **An indication of where donors can make a difference or have comparative advantage in promotion of excellence, innovation and change.** Donors in the past have been in the forefront of funding and promoting excellence in tertiary education and training. For instance the support they have given to the universities in the introduction of ICTs. It would be useful to evaluate the development and effectiveness of the tertiary education in this area of IT development.
- **Consolidation in gains made in girls and women education. In the last ten years, donors have played a critical role in advocating and promoting girls' and women education.** Major efforts in this respect has been made in basic education and some gains have been made. However, more work remains

particularly in mathematics and sciences. Donor efforts should be extended to improve gender equality and access to tertiary education and training. However this can not be realised without interventions that eliminate factors that hinder girls access to tertiary institutions.

While the Association for Development of Education in Africa (ADEA) provides a framework for co-ordination and sharing of information among donors working in Sub-Saharan Africa, **a similar mechanism is however required in Kenya with the mandate to co-ordinate donor** interventions and partnership in this sector. In this way effective and efficient utilisation of donor assistance can be realised, and its focus channelled to issues of priorities in the country.

## **6.7 CHALLENGES AND OPPORTUNITIES**

The challenges and opportunities in the tertiary sector can be categorised into two. First are those which relate to establishment of policy framework to guide interventions and management of tertiary education and training. Closely related to this is the capacity available in the Ministry of Education, Science and Technology to formulate policies and to oversee. **To identify the needs in the Ministry we recommend that a SWOT analysis be undertaken and a strategic plan formulated.** This would indicate critical areas of capacity building, skill deficiencies and additional manpower needs. It would also help in medium and long term planning for implementation of reforms and co-ordination of various stakeholders.

*Secondly*, there are challenges and opportunities that relate to institutions that exist in this sector. The starting point would be assessment and audit of institutions in this sector. From discussions with policy makers and independent observers it is very clear that there is no systematic data on status of institutions of this sector. A working committee to assess the status of the institutions in the sector in terms of facilities, available staff and their qualifications, status of the infrastructure and procedures for recruitment of students, etc, is envisaged. It is expected that the committee will give future directions of these institutions. This proposal is however not as comprehensive as we have recommended elsewhere in this report.

We would like to highlight a number of challenges that need to be given attention if a comprehensive tertiary sector analysis is undertaken.

- ➔ **Measures to strengthen institutional governance and management capacities of tertiary institutions in Kenya.** The capacities required include: strategic planning, leadership and reform of governance structures to cater for accountability, transparency, quality control, effective participation of main stakeholders (Alumni, staff and students associations, etc) in the planning and management of the institutions in the sector. The challenge is to get rid of a legacy of political patronage and interference, and to create institutions where modern methods of governance and management prevail.
- ➔ **The strengthening of research and analytical capacity for internal and societal reforms and policy implementation.** These institutions need to engage in self-analysis and revitalisation while building linkages with the ongoing changes in the Kenyan society. By strengthening their analytical capacity they could provide useful inputs into the reforms and projects undertaken by the government, private sector and other institutions in the society. In this way they would become relevant to the community and seize upon opportunities to apply their research knowledge in dealing with ongoing concerns in the country. The public universities could utilise their various specialisation in developing the necessary capacities in those areas and making them available to the sectors that need them. For instance Kenyatta University could take a special interest in the basic education reforms. Egerton University could do the same in the field of agriculture and rural development, University of Nairobi – engineering and IT skills. Areas that other universities can play a role could be identified.
- ➔ **Programs to attract, develop, retain and reward staff.** Although there have been concerted effort to develop staff for tertiary institutions, the problem of retention and motivating them to carry out their function have been limited. Consequently, brain drain is an ongoing phenomenon despite efforts by donors and institutions themselves to replace the loss. The loss of talents and capacities is made worse by the fact that those in employment do not use their full energies in their assignments they have been employed to carry out. The loss of staff through illness or death related to HIV/AIDS has aggravated this

problem. An analysis of capacity needed and available in this sector will go along way in working out strategies for retention, replacement and training. This is an area which USAID has a comparative advantage based on its past involvement in Kenya and potential linkages it can foster with the USA institutions.

- ➔ **An assessment is required to identify areas of ICTs application, gaps, constraints and potential. The role and the contribution of the African Virtual University could be part of this assessment.** In the past ten years tertiary education has adopted ICTs, however it is not clear what has so far been achieved by these innovations in terms of management, learning and teaching outputs.
- ➔ **Translating the gains in basic education into opportunities for girls and women at tertiary level.** Access of women to the training and education opportunities existing in tertiary institutions is a challenge that could be given attention in the reform envisaged in the sector in the coming three to four years. The concern should not only be focused on gender imbalance in student enrolment but also the fields of study pursued. Other issues like opportunities for women in administration and teaching should be addressed.

## **6.8 OPPORTUNITIES FOR USAID INTERVENTION/SUPPORT**

The above analysis has identified a number of issues and challenges that face the development of the tertiary education in Kenya. On the whole, they do offer opportunities for USAID intervention for short term and possibly for long term interventions. However, the short-term interventions could be limited by the available resources in-house expertise and the limitation imposed by the current ISP. There is also the question of where USAID has a comparative advantage that would make a difference in the country during the current ISP. The initiative taken at this stage could lay strong foundation for long term involvement in the education sector as whole. Preparatory work for this could be done by strategic interventions at this juncture.

**Below we summarise perceived opportunities for USAID in the coming three years.**

**a) For and within the Ministry of Education, Science and Technology**

- ➔ **Support policy formulation and co-ordinated development of the tertiary education sector in Kenya. USAID should facilitate this process through immediate commitment of resources to support the appointment of a national board or committee to analyse the current situation and make recommendations on the way forward to the Ministry of Education, Science and Technology, taking into consideration the sector-wide needs.** The current legal framework (University Acts and the Education Act) allows the President to appoint such an inspection team, but resources are required to enable it to function.
- ➔ **Build and strengthen the capacity within the Ministry for effective management of the tertiary sector, which would embrace the public and private universities, training institutions, science and technology colleges and overseas training.** This capacity is necessary to manage the increasingly complex system of public and private institutions that are responsive to the needs of the economy.
- ➔ **Strengthen and build capacity for the Commission for Higher Education (CHE) and other institutions at this level, for instance the Higher Education Loans Board (HELB), and the Kenya National Examination Council to play effective role in rehabilitation, co-ordination and direction of the tertiary education sector.**
- ➔ **Strengthen the Ministry's capacity to co-ordinate education partners and build effective systems for management, utilisation, monitoring and reporting on donor funds.**

**b) Reform and Revitalisation of Tertiary Institutions**

- ➔ **Support reforms of governance and management of tertiary institutions with a view of establishing autonomy, effective management and**

participation of key stakeholders, while building mechanisms of responsiveness to the society and the market forces.

- ➔ Initiate mechanisms for effective and accountable financial management systems, and diversification of funding sources of the sector.
- ➔ Build and strengthen research capacity, and link it to the needs of the society. **At this juncture there is urgent need to strengthen analytical capacity for reforms and implementation of policies with government structures, a service which the universities could provide in the coming three years.** In this way they would strengthen the capacity of government to implement its policies and reforms. Nevertheless we should recognise that there are institutions outside the universities that are carrying some of these responsibilities. Therefore, there is need for a co-ordinated and a complementary initiative to be taken in this field as a way of strengthening independent and critical inputs into the country's change process.
- ➔ Assist tertiary institutions to build and sustain linkages with other tertiary institutions, and in particular Centres of Excellence in the United States.

**USAID past experiences in institutional development in Kenya and drawing on its vast experiences elsewhere in Africa has a comparative advantage in the development of tertiary education, which could be utilised in building a credible education program in Kenya during the current ISP and beyond.**

## **LIST OF ANNEXES**

### ***Annex 1: Terms of References***

This purchase order is to promote an independent assessment of USAID- Kenya's Strategic plan and the implementation of that plan with a view to contributing to:

- a. the revalidation/modification of the Mission's Strategic Plan; and
- b. improving Mission effectiveness with our external partners as presented with Section II above.

Suggested Approach to achieve the desired contribution:

1. Review the implementation of current USAID-Kenya's Integrated Strategic Plan (ISP) and assess its relative strengths and weaknesses in terms of:
  - a. achieving development results in the ISP, particularly intended impact at the people level;
  - b. fostering development partnership with and ownership by the host country;
  - c. building or strengthening institutional capacity to better use and account for resources; and
  - d. relative effectiveness (value for money) of delivering USAID assistance via non-governmental organisation to achieve intended development objectives.
2. Inform USAID- Kenya the Government of Kenya Economic Recovery Strategy and the latest development of the revised Poverty Reduction Strategy.
3. Based on the above findings (Tasks 1 and 2), advise USAID- Kenya the extent to which its current ISP needs to be updated to take into consideration of a newly democratically elected government with clear mandate from the people of Kenya. More specifically, make recommendations to USAID- Kenya regarding:

- i. The Appropriate Balance between delivering USAID Assistance through the Government Ministries/Agencies and via Non-Governmental Organizations.

Critically assess the appropriateness of selectively targeting some areas of USAID assistance to go through the government, especially if such assistance helps expand its capacity to better implement public sector reform. In this context, the assessment would also review the feasibility of policy-based, sector assistance that could put us in a better position to engage the government in macroeconomic policies, structural reforms and good governance.

- ii. The Current Democracy and Governance Program with the View to strengthen Institutions Critical for Combating Corruption and Promoting Accountability.

Identify key institutions that USAID ought to explore for possible support, such as, Kenya's judiciary, the auditor general, public procurement, and the civil service.

- iii. The Current HIV/AIDS and Health Program  
USAID is Kenya's largest bilateral donor in the fight against HIV/AIDS. Review and recommend possibilities for further strengthening partnership with the new government to enhance absorptive capacity, improve coordination and strengthen implementation.

- iv. Opportunities to Promote Economic Growth and Employment  
Given the new government emphasis on employment creation as a means for economic recovery growth, and poverty reduction, review the effectiveness of USAID- Kenya assistance in agricultural and micro-enterprises development in contributing to the government's objective. Identify possible opportunities for USAID- Kenya to assist the Kenya Government and the private sector in the area of trade, investment and

globalization, including recommendations for strengthening institutions in support of building trade capacity.

- v. **Opportunities and Comparative Advantages in the Education System.** While USAID has not historically had a primary education program in Kenya, we recognise the new government emphasis on education. Identify possible opportunities based on GoK priorities as well as USAID comparative advantage vis-à-vis other development partners to strengthen the education sector in Kenya.

To date much of the focus has been on primary education. What are the needs/opportunities in tertiary education? The United States has supported Kenya since the time of the Mboya Air Lift and as recently as the 1990s Training for Development Program. Assess the relevance of such programs to Kenya in the 21<sup>st</sup> Century and discuss the appropriate balance between overseas training and enhanced capacity of Kenyan tertiary education institutions.

- vi. **Other opportunities of which USAID- Kenya Should be aware**  
The list above has been derived from USAID- Kenya's ongoing program and our sense of evolving priorities within Kenya. The list, however, is not exhaustive. The Mission welcomes additional ideas on how the USAID program may most effectively contribute to Kenya's development.
- vii. **Review of USAID- Kenya's First 100-Day Monitoring Benchmarks**  
Review the performance of the Government of Kenya and assess to what extent progress has been made towards achieving these benchmarks.

## ***Annex 2: List of Persons Interviewed***

1. Hon. Prof George Saitoti, Minister for Education, Science and Technology.
2. Hon. Dr. Kilemi Mwiria, Assistant Minister for Education, Science and Technology (Higher Education).
3. Ms. Naomi Wangai, Director of Education.
4. Mr. J.B. Ng'erechi, Senior Deputy Director of Education (Technical Training).
5. Mr. F.T Kimemia, Senior Deputy Director of Education (Secondary Education).
6. Prof. Peter Anyang-Nyong, M.P. , Minister for Planning and National Development
7. Mr Joseph Magari, Permanent Secretary, Ministry of Finance
8. Ms Monicah Aoko, Deputy Chief Economist, Ministry of Planning and National Development
9. Mrs Phyllis Makau, Senior Economist, Ministry of Planning and National Development
10. Hon. Charity Ngilu, M.P., Minister for Health
11. Prof. Julius Meme, Permanent Secretary, Ministry of Health
12. Mr. Stephen Muchiri, Deputy Chief Economist, Ministry of Health
13. Dr. Kipkerich Chumo Koske, Chief Pharmacist, Ministry of Health
14. Hon. Kiraitu Murungi, M. P., Minister for Justice and Constitutional Affairs
15. Mr. John Githongo, Permanent Secretary, Governance and Ethics
16. Mr. Samuel Ndindiri, Clerk of the National Assembly
17. Mr. Owino Omolo, Deputy Clerk of the National Assembly

**Annex 3: Interface of the Priorities of the NARC Manifesto, PRSP and ERP – Matrix**

**1. Governance and Security**

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i>                      The performance of the public sector on issues of governance and security has been found wanting. The justice system is perceived to be corrupt in the dispensation of justice. Public service provision is not accountable or transparent. Gender inequality is evident. L.As are ineffective in service provision. The budgeting process and use of public finances is both opaque and wasteful.</p>	<p><i>Diagnosis</i>                      Proper administration of justice has been lacking under an undemocratic environment. Courts have been used as an instrument of intimidation and corrupt practices. The centralization of power has impeded service provision and failed to realize dividends from public investments. Poor planning has resulted in a 2% completion of politically selected projects. Massive wastage has., resulted and no corrective measures have been put in place.</p>	<p><i>Diagnosis</i>                      Poverty contributes to the high level of insecurity including the emergence of politico-religious . groups like Mungiki. Endemic corruption is a symptom of state and institutional failure in governance.</p>

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Strategy/Action</i>            Give high priority to security with the recruitment and training of security officers. Deal with general crime by providing security equipment and vehicles. Seal loop holes that lead to the proliferation of illegal arms. Diffuse ethnic tensions by beefing up security and resolving land disputes. Deal with domestic violence, cattle rustling and banditry effectively. The Local Authority Government Act</p>	<p><i>Strategy/Action</i>            Eradication of corruption in the administration of justice should be a high priority            Separation of powers between arms of government is necessary to provide balances and checks.            Parliament shall vet all public appointments. It will be, essential to retrain, equip and pay security personnel well.            All government departments must be made independent.            Decentralization of authority to the L.A.s to improve on services needs to implemented.</p>	<p><i>Strategy/Action</i>            Bold reforms in the public, sector. Begin by weeding out reputational liabilities.            Restore government credibility through institutional reform in the judiciary, police, and regulatory agencies etc.</p>

2. **Social Investments**

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i> A majority of Kenyans do not have access to education. Retention and completion rates are low especially for girls. Exploitation of parents who can pay by schools is on the bursaries and the school feeding programme has not been transparent. Equity, quality, accessibility, affordability of healthcare for. The centralized management of health services has led to a deterioration of the service. Childhood and maternal mortality have increased. The fight against HIV/AIDS has the wrong premises. Treatment and support of infected and affected is not well coordinated</p>	<p><i>Diagnosis</i> Inequity in access to education by geography gender, affluence and poverty is evident. Declining enrolment ratios are being High wastage rates and relevance of courses to the labour market raises fundamental issues in the sector. Policy making and implementation has been the riddled with inconsistencies devoid of a rigorous evaluation of systematic data and information. Financial management of the sector lacks transparency and Centralized management of the health care system, corruption, poor recruitment and training have deteriorated the provision of healthcare.</p>	<p><i>Diagnosis</i> Education has low enrolment, transition and completion rates due to bad policies. Health provision is grossly experienced. inadequate compounded by increase. Provision of HIV/AIDS</p>

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Strategy/Action</i> Strengthen preventive and promotive healthcare through malaria control, expanded programme on immunization. Equity, quality and accessibility should be enhanced in the provision of health care. Increase the enrolment rates and access to education. Improve quality and relevance to the labour market. Coordination of HIV/AIDS control programming through National Aids Control Council.</p>	<p><i>Strategy/Action</i> There is a need to develop comprehensive HIV/AIDS research and control programme. Reform health sector through decentralization and avail more investments in preventive health. There is a need to review the current education system and provide compulsory and free primary education.</p>	<p><i>Strategy/Action</i> Make basic education free and compulsory. Reduce burden of textbooks, uniform and boarding fees as outlined in NARC's PEAP. Eradicate corruption in the health sector and establish a properly regulated health insurance industry. Decentralize management structure. HIV/AIDS- Step up emphasis on behaviour change as a primary focus. Mainstream socio-economic impact into policy formulation at all levels as the most productive labour force are infected. Establish dedicated "think tank" on HIV/AIDS.</p>

### 3. **Macro Economic Objective**

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i> Kenya has transited from a high growth path in the 60s to a path of decline in the 90s. This unsatisfactory performance has been blamed on policy inconsistency, slow pace of reform and governance problem. An increase in government consumption (wages salaries) has led to a decline in public investments. And the outcome is a huge backlog of investment required to enhance competitiveness of the private sector.</p>	<p><i>Diagnosis</i> Lack of fiscal discipline has been cause of macroeconomic been resource driven with the government spending as much money as it can raise has also failed to prioritize and there is no framework of a cost benefit analysis of public expenditure. The budgetary process has been shrouded in secrecy and it's virtually impossible to establish the cost structure of government services.</p>	<p><i>Diagnosis</i> Failure to balance low inflation with other key mismanagement. Budget has variables like real interest rates, real exchange rate and the real wage rate. The result is a huge debt in taxes and aid. Government overhang and large NPLs and loss of external competitiveness.</p>

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Strategy/Action</i>  Realign composition of GDP to investment. Direct expenditure to poverty eradication through creation of employment. Institute appropriate taxation policies. Tariff harmonization within EAC/COMESA would be prudent. Institutional reform for monetary policy is required. Restructure domestic debt to 70% long-term. Maintain development expenditure at 14% of total expenditures. Maintain debt to GDP-22%. Reduce stock of pending bills. Recurrent shs. 6.7 billion and development shs 5.7 billion.</p>	<p><i>Strategy/Action</i>  Institute stringent accountability measures in public investments. Put in place proper institutions and strategies to fight corruption on a - sustainable basis. Reduce debt on a sustainable basis.</p>	<p><i>Strategy/Action</i>  Constitute an independent monetary policy committee with a mandate to stabilize all key macroeconomic aggregates namely inflation, interest rates and the exchange rate. On NPLs; Increase the capacity of courts to determine the cases of injunctions. Institute fair-trading practices to protect consumers of bank products.</p>

#### 4. Infrastructure

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i>            Currently its estimated that 57% of the classified roads are in good condition while 43% are in poor condition. Rural access roads most of which fall under the L. As and are unclassified have also deteriorated due to lack of financing. Lack of efficiency in the use of roads funds and lack of adequate quality control in the execution of road works. Main sources of energy are wood (70%), petroleum (21%) and electricity (9%). Demand for wood fuel outstrips supply and the country faces wood fuel deficit of 4.1million tons by the year 2005 with grave consequences to the environment. Electricity supply is inadequate and</p>	<p><i>Diagnosis</i>            The electricity sub-sector has been fraught with mismanagement leading to great losses by producers unreliable supply and high tariffs. Petroleum has led to high pollution levels. Roads have become dilapidated contributing to high transport costs. Kenya Railways is incapable of paying its debts.</p>	<p><i>Diagnosis</i>            Infrastructure (energy transport and communication) is expensive and unreliable making the cost of doing business high not to mention higher food prices due to bad roads.</p>

<p>unreliable. Kenyans lack access to clean water working sewerage systems. Other infrastructural facilities that are in bad shape are railways, telecommunication and maritime services.</p>		
<p><i>Strategy/Action</i> Develop and manage effectively the road network to require little maintenance. Develop an efficient railway and marine transport. Ensure reliable efficient affordable communication. Improve water supply and sanitation. Develop energy sector policy.</p>	<p><i>Strategy/Action</i> Amend laws governing energy generation. Complete audit of all public funds that have gone to the energy sector Establish a fund to develop renewable sources of energy Reduces taxes on diesel by Rehabilitate the broken down road network the following year. This Evaluate exhaustively the entire railway system Liberalize the telecommunication network Privatize Telkom</p>	<p><i>Strategy/Action</i> Immediate privatization of KenGen's thermal generating units. Concessioning of Kenya Railways based on the success Konza-Magadi line framework. Take stock of road network and whether funds spent on them were well used. Make Mombasa to Busia a dual carriageway. shs 10per litre. Same again action will also benefit the agricultural sector to improve production</p>

## 5. Agriculture

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i> The extension services to the sector are poor and so too is the state of the rural infrastructure. The marketing and distribution system is also considered poor. The sector is also not prepared for the effects of globalization or regional trade agreements. The cultivation of a large number of commodities is on the decline. The sector is starved of both credit and financial services.</p>	<p><i>Diagnosis</i> Lack of political support and haphazard implementation of policy, Institutional failure that is expected to support the industry, for example AFC, KFA. Inadequate, inappropriate mix and the high cost of inputs contribute to the unviability of the sector. Marketing of produce is also in disarray. Inability to manage the risks brought about crop failure due to drought has also impacted negatively on the sector.</p>	<p><i>Diagnosis</i> Kenya is a high cost base producer of import competing , commodities (maize, wheat and sugar). 1m ports can be landed at well below the production costs of the majority of domestic producers Livestock which Contribute 40% of agricultural GDP, is threatened with disease and a failure by the government to prioritise sub sector development. High value exports (tea, coffee, horticulture) are on the decline (coffee) or stagnated (horticulture). Government interference is blamed for the dismal performance of the coffee sector. Service inputs financial, marketing, research/extension and policy are costly and cumbersome.</p>

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Strategy/Action</i>            There is a need to improve crop development and enhance food security. Improve market development, regulation and stabilization of prices. Improve livestock development. Research and development must be intensified. Enhance the cooperative movement. Increase share of credit that is channelled to the sector. Strengthen and promote agricultural research and technology transfer. Improve livestock husbandry production and marketing. Support development of sustainable markets and marketing infrastructure. Provide improved rural water supply .</p>	<p><i>Strategy/Action</i>            Institute sector review to for sector wide development strategy. Withdraw government from production and marketing of goods and services. Design a programme for rehabilitation of producer organizations. Review taxes that impact the sector. Provide incentives for increased investments by ensuring that farmers have the knowledge and capacity to demand production technologies and information. And to deal with other stakeholders and market their produce. Design an agriculture sector strategy that addresses the entire product chain to encourage processing and value addition. Agricultural research should address the key demands of food security and poverty alleviation.</p>	<p><i>Strategy/Action</i>            Change focus of commercial farmers from securing high price to increasing yields. Terminate research/ extension activities that don't improve yield. Encourage a stakeholder agreement to clear domestic sugar stocks similar to the wheat agreements. Use funds from SDF to provide trade credit rather investing in of paper. Renegotiate transitional relief from COMESA. Improve environment for provision of credit.</p>

## 6. Industry

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i> High cost of manufacturing is considered an impediment to the growth of industry, Globalization and regional trade agreements also threaten the industrial sector electricity and infrastructure related costs is a deterrent to potential industrialist. In addition an inappropriate legal framework, high cost of meeting regulatory requirements (transition costs) and insecurity are factors that contribute negatively to the growth of the sector. Small scale industries with a huge potential for creating employment cannot access credit, are faced with a high cost of infrastructure, poor</p>	<p><i>Diagnosis</i> Industrial sector has consistently declined and almost virtually collapsed, This dismal performance is due to inadequate infrastructure, high cost of capital haphazard liberalization of the economy, the diversion of goods on transit and goods designated as exports in the local market and corruption and red tape. Investors are operating at high cost and under capacity.</p>	<p><i>Diagnosis</i> High interest rates have reversed all gains in macroeconomic competitiveness resulting in high labour costs. Some export firms resorted to – trans-shipment of garments which resulted in a punitive reduction of Kenya’s export quota. SME have been unable to grow resulting in the stagnation of the sector. SMEs remain the seedbed of the industrial sector often growing into medium size firms. SME growth is inhibited by secure property rights, intellectual property rights and a lack of confidence to reinvest in own enterprise, they are also constrained in accessing external finance and do not have linkages with large firms (outsourcing). Provision of physical infrastructure is left to the government. Transaction costs are high.</p>

<p>infrastructure, poor markets and poor linkages to appropriate technology.</p>		
<p><b>PRSP</b></p>	<p><b>NARC Manifesto</b></p>	<p><b>Economic Recovery Strategy</b></p>
<p><i>Strategy/Action</i>  The legal and regulatory framework on Industrial Mining Act should be reviewed. Promote industrial mineral development. promote Internal/external trade Revitalise growth of SME sector by removing barriers. Encourage dialogue with Private sector on ,ways to facilitate Industrial growth: Strengthen Kenya Industrial Research and Development Institute, Industrial mineral</p>	<p><i>Strategy/Action</i>  Consult with stakeholders and identify key areas of concern that need to be addressed. Establish a sustainable and consultative forum to discuss issues relating to industrial development. Develop a new industrial development policy. Review research and development institutions and their current mandates against the needs of development for the nation, Institute mechanisms so that research work in the agricultural sector can be transmitted through the product chain (processing and marketing) to trigger industrial growth.</p>	<p><i>Strategy/Action</i>  Provision of physical infrastructure is critical in resolving security of tenure and property rights. Transactions costs (securing a license, tax compliance and compliance with labour laws) should be reviewed. Garments sector is pivotal o recovery strategy. Enabling environment if required and incentives structure to fully integrate the country into a globally competitive textile industry. To remove duties on both inputs and outputs to improve exports.</p>

## 1. Services

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Diagnosis</i> The tourism sector has declined recently. The following challenges have been identified in the sector, inadequate promotion and marketing, poor tourism infrastructure and facilities, lack of community involvement and environmental degradation. Another aspect of services is finance, which is considered of high cost (interest) and available to a few. Governments own appetite crowds out the private sector</p>	<p><i>Diagnosis</i> The financial sector has evolved from a framework where it was expected to be the servant of national development. Sector is generally characterized by high interest rates and high levels of NPLs in state owned banks. Tourism sector has declined due to lack of adequate destination marketing. The imposition of tourist visas is also viewed as a major disincentive in the sector.</p>	<p><i>Diagnosis</i> High level of NPLs is attributed to four factors. Recession; loans hampered by litigation; imprudent lending; loans given under undue pressure (State owned banks). But fundamentally, regulatory failure (conflict of interest) and high interest regime are main causes. Tourism is yet to fully recover from the effects from 1997 election related violence and has shown sign of secular decline. Capacity utilization measured by hotel occupancy rate has shown a steady decline</p>

<b>PRSP</b>	<b>NARC Manifesto</b>	<b>Economic Recovery Strategy</b>
<p><i>Strategy/Action</i> Enhance domestic regional international tourism benign and develop financial systems with the private sector that assists rather than hinders pro poor economic development. by reorganizing firms like KTDC ICDC and KIE. Promote access to finance through different segment of the capital market. Enact a micro finance industry bill and improve access to credit through MFIs. Reduce level of NPLs. Create an insurance regulatory.</p>	<p><i>Strategy/Action</i> Reduce government appetite for credit and refinance illiquid banks. Find a solution for non performing banks by, classifying the NPLs in two categories 1. Genuine NPLs and 2. Political NPLs. Set up special courts on NPLs. Ensure media licenses are issued transparently. Put in place policy framework to improve quality, access and cost of telecommunication Technology. Prepare national strategy to promote education in ICT</p>	<p><i>Strategy/Action</i> 5 banks are culpable KCB, NBK, COOP, IDB, Consolidated, Institute prudent corporate governance measures in the 5 banks. Create a framework for a secondary debt market. Transfer licensing authority to CBK. Increase capacity of commercial courts to determine cases of injunctions. Establish fair-trading practices to protect consumers of bank products experiencing difficulties. Retirement tourism offers distinct possibilities in addition to domestic.</p>

## ***Annex 4: Performance Monitoring Benchmarks – The First 100 Days***

### **MONITORING BENCHMARKS: THE FIRST 100 DAYS/ END MARCH PROGRESS**

<b>PERFORMANCE BENCHMARKS</b>	<b>COMMENTS</b>
1. Appoint cabinet members, senior government officials and parastatals heads based on meritocracy and integrity, and establish a policy of zero tolerance for corruption in high places.	<ul style="list-style-type: none"> <li>• A relatively progressive cabinet and senior government officials have already been named and sworn in.</li> <li>• Changes have already been made in some key parastatals management to remove suspected corrupt managers.</li> <li>• A strong statement has been made by the President affirming the new government's zero tolerance for corruption.</li> </ul>
2. Encourage and facilitate the prosecution of corruption cases that are pending in court within the rule of law.	<ul style="list-style-type: none"> <li>• Several corrupt managers have already been taken to court (Kenya Pipeline Company); and other previous scandals are being vigorously pursued e.g. Goldenberg Commission.</li> </ul>
3. As the first order of government business, ensure the passage and implementation of the Public Service (Code of Ethics) Bill and Anti-Corruption legislation.	<ul style="list-style-type: none"> <li>• The Draft Bills on Code of Ethics and Economic Crimes have already been finalized and presented to Parliament.</li> <li>• Anti-Corruption legislation with powers for prosecution has also been prepared and presented to Parliament.</li> </ul>
4. Take legal action against banks and individuals that have violated the law including closure of certain banks and recovery of defaulted loans.	<ul style="list-style-type: none"> <li>• Action has already been taken to close one bank (Euro Bank) suspected of involvement in corruption – NHIF Kshs. 256 million.</li> <li>• Efforts to recover loans in the banking system have been initiated and are being pursued vigorously by the authorities.</li> </ul>

<b>PERFORMANCE BENCHMARKS</b>	<b>COMMENTS</b>
<p>5. Initiate the judiciary reforms process and at the same time take appropriate action to remove certain judges and individuals who are known to be corrupt.</p>	<ul style="list-style-type: none"> <li>• A High Court judge has already been taken to court on suspicion of corruption.</li> <li>• The Chief Justice accused of corruption has already resigned.</li> <li>• The President has already appointed a Chief Justice whose anti-corruption credentials are unimpeachable.</li> <li>• Reform of the Judiciary remains at the fore-front of government policy agenda, and the new Chief Justice has already announced several reforms to eliminate administrative delays in the judiciary.</li> </ul>
<p>6. Adopt clear policy statements and direction for parastatals reform and privatization with the goal of streamlining the sector and improving the sector's efficiency either through privatization, divestiture or management contracting.</p>	<ul style="list-style-type: none"> <li>• The government has reiterated its commitment to reform of the parastatals sector and undertaken to prepare key parastatals – Kenya Railways and Telkom – for rapid restructuring and improved management. A new management team has already been installed in Telkom.</li> </ul>
<p>7. Modify the State Corporation Act to allow state-owned enterprise more autonomy in running the enterprise in a commercial and professional manner and without political interference, including moving the parastatals out of the control of the Office of the President.</p>	<ul style="list-style-type: none"> <li>• Government has reiterated its commitment to improved managerial autonomy of state owned enterprises; and has made changes to certain public enterprises, replacing incompetent managers with meritocratic appointments.</li> <li>• Actions to reorganize the management of the sector are ongoing in the Office of the President.</li> </ul>

<b>PERFORMANCE BENCHMARKS</b>	<b>COMMENTS</b>
<p>8. Change the leadership and management of key utilities parastatals that have mismanaged the enterprises over the years, such as the Kenya Power and Lighting Corporation, and Telkom Kenya.</p>	<ul style="list-style-type: none"> <li>• The top leadership of the KPLC has already been removed and replaced by a more competent and untainted officer and Board.</li> <li>• Other changes in parastatal management were announced on March 26<sup>th</sup> 2003.</li> </ul>
<p>9. Initiate the Public Expenditure Review (PER) Process, which has not been carried out since 1997. The resulting PER should assist in assessing efficacy and adherence to public procurement procedures, and help to identify gaps in the legal and institutional framework that hinder supervision of the national budget.</p>	<ul style="list-style-type: none"> <li>• Preparations are being made within the Ministry of Finance and Planning to undertake a new PER in the beginning of the next fiscal year i.e. 2003/04, commencing July 1, 2003.</li> </ul>
<p>10. Review existing public service reform plans with the view of implementing policy measures intended to enhance professional public service with the right incentive structure to improve delivery of public services with integrity.</p>	<ul style="list-style-type: none"> <li>• Progress is being made in the Office of the President to revive the Public Sector Reform process in consultation with the development partners and actions in this area should start in the next fiscal year 2003/04 – July 2003.</li> </ul>

**Annex 5: Performance Monitoring Benchmarks – The First Year**  
**MONITORING BENCHMARKS: THE FIRST YEAR**

<b>PERFORMANCE BENCHMARKS</b>	<b>COMMENTS</b>
<p>1. Reach agreement with the IMF under the Poverty Reduction and Growth (PRGF) and begin implementation of the program on schedule.</p>	<p>a. Government is actively pursuing policy dialogue with Bretton Woods institutions in the context of the PRSP and its Economic Recovery Programme and actions to begin implementation of the critical measures should start in the new fiscal year 2003/04; in July this year.</p>
<p>2. Continue to maintain sound macro-economic policies (fiscal, monetary, exchange rate, balance of payments and debts).</p>	<p>b. Government is reviewing the macro-economic framework and assumptions in the context of the formulation of the Economic Recovery Programme. While targets call for a growth rate of 6%, every effort will be made to maintain a consistent, stable and predictable macro-economic framework in order to attract investment and create jobs – 500,000 in this calendar year.</p>
<p>3. Complete and begin to implement the recommendations from the Public Expenditure Review exercise by the beginning of the Financial Year 2003/04 budget is presented to the Parliament</p>	<p>c. The Government has already indicated its commitments to this goal and will undertake the necessary measures after presentation of the next budget in June 2003.</p>

<b>PERFORMANCE BENCHMARKS</b>	<b>COMMENTS</b>
4. Realign budget allocations consistent with the Poverty Reduction Strategy priorities (education, health, agriculture, roads and transport).	d. Efforts to realign budgetary allocations in line with PRSP social sector priorities are ongoing and should be reflected in the 2003/04 budget to be presented to Parliament in June.
5. Adopt pro-development policies, including introducing necessary legislation in support of the pro-development stance, for example, in the areas of forestry, land dairy, horticulture and women in development.	e. Actions to review policies priorities in key growth sectors, are ongoing and various policy papers (e.g. dairy) should be presented to Parliament in the course of the next Fiscal Year. f. Elsewhere (forestry, women, horticulture) policy reforms are being pursued to reflect the commitments of the new NARC government.
6. Implement the parastatal reform and privatization program as agreed with the International Financial Institutions.	g. The Parastatal Reform Programme of the government is ongoing; but has received a huge impetus in the form of the political backing of the new NARC government. h. However, the need to define an appropriate legal framework for privatization may affect progress in this area.
7. Complete the financial sector review and begin to implement the recommendations	i. Government has already committed itself to completing this task in the course of the next Fiscal Year.

PERFORMANCE BENCHMARKS	COMMENTS
8. Establish transparency in the budget process and identify gaps and weaknesses with the goal of enhancing budget transparency.	j. Actions to improve the budgetary process are ongoing in the context of the preparation of the Government's Economic Recovery Program and the Government Action Plan. Government consultation with stakeholders being strengthened to enhance budget transparency through public hearings on proposed expenditure plans.
9. Develop and adopt a national anti-corruption strategy in collaboration with all major stakeholders.	k. Actions to operationalize the key anti-corruption legislation being enacted are being put in place in the Ministry of Justice in collaboration with all stakeholders and development partners.
10. Establish institutional framework to support the implementation of the Public Service (Code of Ethics) and Anti-Corruption Laws.	l. Actions to operationalize the key anti-corruption legislation being enacted are being put in place in the Ministry of Justice in collaboration with all stakeholders and development partners.
11. Develop a plan of action for the legal sector and judiciary reform with the goal of strengthening Kenya's rule of law.	m. Government has reiterated its commitment to judicial reform and measures to start implementation of the <b>Kwach Report</b> are already under way in the Ministry of Justice and Constitutional Affairs.
12. Re-initiate the constitutional reform process.	n. Government is committed to resumption of the Constitutional Reform Process, and the National Constitutional Conference should take place before the end of the year.

<b>PERFORMANCE BENCHMARKS</b>	<b>COMMENTS</b>
<p>13. Initiate a process of local government reform with the goal of empowering and strengthening local authorities to improve public service delivery and accountability.</p>	<p>o. Government is committed to reform of the Local Authorities with a view to making them more accountable and improving their capacity for service delivery. Actions to initiate the process should start in the next fiscal year. In the mean time, government has taken actions to remove corrupt /incompetent officers in various local authorities.</p>

*Note: Government's commitments are reflected in the speech by the President during the official opening of Parliament on February 18, 2003*

## ***Annex 6: List of Documents Consulted***

**USAID-Kenya Integrated Strategic Plan 2001-2005**

**GoK Poverty Reduction Strategy Paper: 2001-2004**

**GoK: Strategy for Economic Recovery**, March 1, 2003-03-31

**Proposed Trade Initiative**: Paper by USAID, February 2003-03-31

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**USAID (2003) Concept Paper for Redesign of the USAID HIV/AIDS**

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