

Country strategy for development cooperation

Kenya

January 2004 – December 2008



REGERINGSKANSLIET

UD

**COUNTRY STRATEGY FOR SWEDISH
DEVELOPMENT COOPERATION WITH KENYA**

2004-2008

	Kenya	
	2000	
Total population, millions	30.7	
Population growth rate	1.80 %	
Population aged 65 and over	3.00 %	
Population under 15 years of age	38.30 %	
Life expectancy, years	51.5 (w) 50.0 (m)	
Population living on less than 1 USD a day, 1994–2000	26.0 %	
HDI world ranking	134 of 173	
GDI world ranking	112 of 146	
Adult literacy rate	76 % (w) 88.9 % (m)	
Public expenditure on education	16.70 %	
Infant mortality rate per 1,000 live births	77	
Infant mortality rate (under 5) per 1,000 live births	120	
Incidence of HIV/AIDS among people aged 15–49	15 %	
GDP, USD billion	10.4	
GDP growth rate per capita, average 1990–2000	-0.50 %	
GDP per capita, PPP USD	1,022	
Inflation rate 1999–2000	5.90 %	
Total debt service as % of exports of goods and services	17.30	
Official development assistance (ODA) received per capita, USD	16.7	
Agriculture as % of GDP, 1998	26.10	
Industry as % of GDP, 1998	16.20	
Services as % of GDP, 1998	57.70	
Seats held by women in national parliament, %	3.60	
Women in government at ministerial level, 2000, %	1.40	
Corruption Perception Index, Transparency International, 2002	1.9	

Sources: Human Development Report, www.childinfo.org, www.fao.org

Abbreviations

PRSP: Poverty Reduction Strategy Paper

ERS: Economic Recovery Strategy

NARC: National Rainbow Coalition

EAC: East African Community

NALEP: The National Agriculture and Livestock Extension Programme

INTRODUCTION	4
1. POVERTY IN KENYA	5
1.1 Inequality and the inability to enjoy basic human rights	5
1.2 A democratic movement within an undemocratic culture	5
1.3 Economic decline	6
1.4 Social injustice	7
1.5 Mismanagement of natural resources	8
1.6 HIV/AIDS and poverty	8
1.7 The East African context	9
1.8 Democratic gains	9
2. MEASURES TO COMBAT POVERTY	10
2.1 The new Kenyan government's analysis	10
2.2 Responses by the international community	11
3. ASSESSMENT OF THE SWEDISH PROGRAMME	13
3.1 General observations	13
3.2 Programmes	14
4. POVERTY IN KENYA — CONCLUSIONS	17
4.1 Threats to development	18
4.2 Swedish development cooperation — conclusions	18
5. AIMS, OBJECTIVES AND COOPERATION AREAS	20
5.1 The aim of Swedish development cooperation	20
5.2 Guiding principles and strategic considerations	21
5.3 Principal dialogue issues	23
5.4 Programme areas	24
6. MODES OF COOPERATION, ADMINISTRATIVE CONSIDERATIONS AND FOLLOW-UP	28
6.1 Modes and forms of cooperation	28
6.2 Volume and capacity	29
6.3 Follow-up	29

INTRODUCTION

The present strategy for Swedish development cooperation with Kenya for 2004–2008 is based on the Kenyan poverty reduction strategy paper (PRSP) and plans for poverty reduction produced by the new government, elected in 2002.

Extensive discussions have taken place involving Kenyan stakeholders in civil society and the private sector, as well as official consultations with the Kenyan government. Meetings with interested parties have also been held in Stockholm. The country strategy is based on a country analysis and a performance analysis drawn up in 2003 by the Swedish embassy in Nairobi and Sida in Stockholm.

The democratisation process in Kenya has made significant headway in last 10 years despite an undemocratic political environment. The general election held in December 2002 confirmed this underlying positive trend and created a platform for enhanced cooperation with the Kenyan government. While setbacks are expected, the signs are that the trend will continue throughout the strategy period. Kenya faces major challenges. Provided the present positive trend continues and the basis for closer cooperation with the Kenyan government is maintained, increased financial assistance is proposed.

Chapters 1-3 present a description and assessment of the poverty situation in Kenya and the measures adopted to deal with it. They also include a summary of the experience acquired during the last five years of development cooperation with that country. General conclusions on poverty and specific conclusions concerning Swedish development cooperation form the subject matter of Chapter 4. Chapter 5 examines major aims and objectives, guiding principles and strategic considerations. Chapter 6 deals with cooperation methods and approaches, and administrative considerations.

1. POVERTY IN KENYA

1.1 Inequality and the inability to enjoy basic human rights

Despite its vast human and natural resource potential, Kenya suffers from severe and widespread poverty. There are large disparities in terms of income, power, and social structures. The poor make up more than half the population, while a tiny elite commands enormous wealth. Certain groups are more affected by poverty than others. These include the landless, female-headed households, pastoralists, subsistence farmers, urban slum dwellers, people with disabilities, and people suffering from HIV/AIDS. Inequalities are reflected on a number of levels:

- as regional imbalances: the percentage of poor people in the poorest region is twice that of the most prosperous region.
- as inequalities between men and women: women are worse off in all respects – security, income, development opportunities and risks.
- as inequalities between age groups, particularly with respect to empowerment: although the majority of Kenyans are under 18, the human rights of children and young people are consistently disregarded.

One manifestation of poverty in Kenya is the inability, due to lack of opportunity, of citizens to exercise their civil, social, economic and cultural rights. People lack access to an efficient judicial system – i.e. effective justice – to food security, to arable land, to proper, affordable health care, participation and security. The picture, however, is contradictory. On the one hand, the country's political leadership has failed to implement necessary reforms or safeguard the human rights of its citizens, although Kenya has signed the major international conventions on human rights. On the other hand, democracy has expanded in the last decade, thanks to the efforts of a dynamic community whose citizens have been actively committed to change at various levels. Thus there are grounds for optimism with regard to the country's long-term development. The election of a new government in 2002 has improved prospects for development. However, the main development problems remain and implementation of plans for poverty reduction, including democracy, empowerment and economic growth, represent a major challenge for the new government.

1.2 A democratic movement within an undemocratic culture

The political culture in Kenya is determined and perpetuated by existing social and regional disparities. It is patriarchal and often violent. It is largely based on ethnicity and personal status in society, mainly serving elite interests rather than political ideologies. It has entrenched regional and ethnic imbalances and has long been a breeding ground for corruption. It has hampered investment and reduced international support. It has shut women out of the decision-making process at every level, including the political arena. It has also marginalized young people. A concrete expression of elite domination are the 'patron-client relationships' that pervade Kenyan society. Elites have literally bought the support of the population, a process which has led to the creation of extended hierarchical networks.

Historically, formal power has been vested primarily in the executive branch – i.e. the government, which over the years has effectively curtailed the powers wielded by the legislature (parliament) and judiciary as part of the constitutional system of checks and balances. The latter branch, plagued by corruption and political interference, has failed to ensure access to proper justice by the poor, which has significantly reduced public confidence in the system. Few local authorities are transparent, accountable or participatory. The same applies to the civil service. Service delivery by the state is inefficient and inadequate to the needs of the vast majority of poor people. Although civil society organisations have supported innovation and best practices, this has not been sufficiently reflected in policies at national level. As a result, people have lost confidence in their ability to influence political decision-making and exercise a measure of control over the country's resources. However, this negative picture of public institutions could change if the ongoing constitutional reform process is successfully completed and proposed reforms are implemented. The Kenyan parliament has already recovered some of its former credibility.

The Kenyan paradox consists in the fact that a democratic movement has taken root and flourished in an undemocratic environment. Civil society has become a force to be reckoned with and has created the momentum for many of the changes and political reforms which actually have taken place. Many organisations are fighting effectively for further reforms and empowering poor communities through mobilisation, civic education and legal assistance. Parts of the Kenyan civil service have relatively high capacity and provide services to the poor. A number of ministries have developed sound sector-based policies and are currently endeavouring to implement extensive sectoral reforms. Sustainable systems and structures for popular participation are not yet in place and civil society must develop further in several respects: as political watchdog, development cooperation partner and social movement.

1.3 Economic decline

The last 10 years constitute a lost decade in terms of economic and social development. Economic growth exceeded population growth in only 2 of those 10 years. Poverty¹ rose from 45 % to 55 % and average per capita income fell from USD 360 to 320 annually. Unemployment and underemployment are severe. This dismal economic picture is closely linked to the widespread corruption mentioned above, the absence of effective public institutions, decaying infrastructure and the lack of a properly functioning judicial system.

The prevailing weaknesses in the agricultural sector also stem from poor governance, mismanaged institutions and corruption. The sector is characterised by stagnant productivity, a growing shortage of arable land due to increased population densities and land degradation. Poverty is further exacerbated by low levels of agricultural productivity.

Economic performance has also been adversely affected by external factors, such as the El Niño rains, droughts, falling producer prices on the world market and

¹ Measured as the percentage of the population living below the poverty line.

declining tourism in the wake of terrorist attacks. The HIV/AIDS epidemic has also had a severe negative impact on growth.

The structural challenges in the budget include the cost of maintaining a large public sector and the budget deficit. The latter is mainly financed through domestic borrowing, which in turn crowds out other investment (private and public development expenditure in the budget).

The private sector is diversified and possesses abundant potential for further development. However, this potential is not being fully realised. If the necessary reforms are implemented the private sector will be able to play a major role in Kenya's economic recovery and future development, particularly given the opportunities inherent in membership of the new East African Community, EAC.

1.4 Social injustice

Social stratification in Kenya is a direct reflection of disparities in power and political influence. Areas and groups perceived to belong to the political opposition have been marginalised. Declining incomes, population growth, environmental degradation, rapid urbanisation, ethnic/tribal politics, HIV/AIDS, unemployment, corruption and crime have placed a severe strain on the social fabric. These social injustices and poverty, particularly among children, have been aggravated by the deterioration in the quality of public services. The mortality rate is high and 21 % of all children in Kenya are underweight.

Only 25 % of Kenyans have access to health care within 8 km of their homes. Health expenditure in rural areas accounts for 30 % of government spending on health. About 50 % of the health sector is financed by civil society, particularly churches.

Children have no say in the decisions affecting their lives and are unprotected against violence, abuse and discrimination. Government efforts to implement the right of all children to education – a right enshrined in new child legislation enacted in 2002 – are highly encouraging. As a result, enrolment in primary education has risen from 5.8 million children in 2002 to at least 7 million in 2003. However, corporal punishment and sexual abuse in schools are issues which have not been tackled strategically.

Over-burdened and compelled to take on new roles, family and other social structures are finding it increasingly difficult to fulfil their social responsibilities. This has severely affected the ability of the community to care for vulnerable groups and individuals. By 2002, 1.5 million Kenyans had died of AIDS, leaving 1 million children orphaned. Child prostitution and trafficking occur on a small scale. Female genital mutilation is illegal but widespread. Young girls, increasingly aware of the law and their rights, have begun to protest against these traditions. Food shortages due to low agricultural productivity and poor soil and water conservation have led to extensive malnutrition among children.

Urban poverty has risen dramatically and little has been done to address the acute lack of public services and infrastructure in the growing slum areas. The rapid increase in the urban population and urban poverty is expected to continue.

1.5 Mismanagement of natural resources

Today, Kenya faces severe environmental problems. The greatest of these – land degradation – poses a real threat to sustainable food production. The destruction of indigenous forests has not only contributed to soil erosion and loss of biological diversity but has also had an adverse effect on water catchments and river flows. Water and electricity shortages and the floods of recent years are directly attributable to the loss of forest cover. The growing population is placing further pressure on land, the coastal and marine environment, forests, water and biological resources. In sum, the country's natural resources have been severely ravaged and the environmental problems are directly linked to mismanagement and widespread corruption.

Although Kenya is a signatory to all the major international conventions on the environment, weak institutional capacity and lack of good governance preclude effective implementation. The government has drawn up a biodiversity assessment and action plan – the National Environmental Action Plan. Kenya is a world leader with respect to the protection of endangered species. A vigorous environmental movement in civil society has played a key role in limiting environmental degradation. There is, thus, a pressing need to strengthen environmental protection and speed up implementation of existing environmental plans and commitments, particularly in view of the fact that natural resources have been used to benefit the governing elite.

1.6 HIV/AIDS and poverty

Perhaps the most alarming aspect of poverty in Kenya today is the devastating effect of the HIV/AIDS epidemic. According to official sources, 15 % of the adult population is HIV-positive, one of the highest prevalence rate in East Africa. Women and young girls are especially at risk, a fact which reflects the very real inequalities between the sexes. Every Kenyan family is affected in some way by the epidemic. The disease kills young, economically productive people and increases national and household expenditure. Family breadwinners, political decision-makers and business leaders are carried off. When relatives and/or parents die, the burden falls on the surviving children and the elderly. There are currently approximately 1 million AIDS orphans in Kenya, and coherent preventive measures, care and social security are urgently needed. Following consultation with donors, the government has overhauled the organisation of HIV/AIDS institutions in an effort to strengthen the Constituency AIDS Control Committees (CACC). The role of the National AIDS Control Council (NACC) was changed and in some respects strengthened as part of this reorganisation. Kenya's second application to the Global Fund (GF) has been approved. Resources from the Global Fund, World Bank MAP funds, the WHO 3 by 5 Initiative, and bilateral donors underlie the government's strategic efforts to combat HIV/AIDS.

1.7 The East African context

As a participant in several regional initiatives, Kenya attaches considerable importance to regional and sub-regional integration. There is a strong awareness that development and prosperity in Kenya is dependent on overall development in the region. The clearest evidence of this is the government's commitment to the revived East African Community (EAC). The aim here is to establish a political federation, to be preceded by a customs union and a monetary union. The East African Legislative Assembly and the East African Court of Justice have already been established. The EAC's mandate includes the coordination and promotion of sustainable development of the Lake Victoria basin. As Kenya is the largest economy in East Africa, its weak growth and lack of investment is a regional problem obstructing the potential for trade. Kenya has made considerable progress in liberalising its trade regime and protectionism is on the decrease. Continued trade reforms are vital, however, if investment and trade are to grow.

The conflicts in the Horn of Africa and the Great Lakes Region not only undermine stability and security but are also having a detrimental effect on socio-economic development. Difficulty in policing the borders with Sudan and Somalia make it easy for small arms and other light weapons to find their way into Kenya. As a result of armed conflicts in the region, Kenya has become an asylum country, mainly for Sudanese and Somali refugees. Corruption, abuse of power and lack of capacity in the police service and immigration authorities – in addition to poorly policed frontiers – have left Kenya more exposed to terrorist attacks. The new government has clearly declared its willingness to provide the necessary resources to build peace and fight terrorism.

1.8 Democratic gains

Although the last 10 years have seen a falling back in economic and social terms, progress has been made in the political sphere. Reform-minded politicians and dynamic forces in civil society helped drive a process of democratisation from below which has effectively expanded the democratic space in Kenya, despite the paucity of institutional or legislative reforms. The media, which enjoys substantial independence, has also played a central role. In several sectors, civil servants have implemented measures aimed at reforming the state and its functions towards more participatory, progressive policies. The campaign for constitutional reform has been at the centre of the democratisation process. This offensive, the PRSP and other processes and programmes have directly involved the poor. The third multi-party elections in Kenya were held in December 2002. The peaceful transition to a new government may be regarded as a confirmation of this long-term democratisation process, and its impact and momentum are likely to continue. The landslide victory won by Mwai Kibaki and his National Rainbow Coalition (NARC) has transformed the political arena in Kenya, opening up new prospects of change.

2. MEASURES TO COMBAT POVERTY

2.1 The new Kenyan government's analysis

Although Kenya has long been known for the high analytical quality of its strategy papers, practical implementation to date has been weak. The existing PRSP, covering the period 2001–2004, was drawn up by the previous government. The paper forms part of a long-term vision with a 15-year perspective. The drafting process was marked by broad public participation and countrywide consultations with stakeholders. The PRSP is based on a multi-dimensional view of poverty. It identifies a number of underlying causes: low agricultural productivity and inadequate market conditions, insecurity, unemployment and low wages, bad economic and political governance, landlessness, inadequate road networks, and costs incurred in connection with social service provision, education, and the HIV/AIDS epidemic. Distribution of government expenditure must be more equitable, i.e. more pro-poor. Efforts must be made to restore confidence in the public sector, and democratic governance is seen as a prerequisite for sustainable poverty reduction. The PRSP strongly emphasises the need for environmentally sustainable development. It highlights the causal links between environment and poverty, health, government policies and institutional failures. Although a gender equality analysis was undertaken in the drafting stages, little of the material found its way into the final document.

The PRSP is a well-thought-out analytical document and as such provides a sound basis for analysing poverty in Kenya, despite the fact that its priorities are not clearly stated. The absence of any real will on the part of the previous government to implement it or change its policies is reflected in the poor quality of the PRSP action plan.

The new NARC government is taking active steps to eliminate corruption, promote cooperation with civil society, decentralise power, introduce free primary education, lower interest on domestic borrowing, reduce the price of electricity and draft a new constitution.

The government has accordingly drawn up two main strategies: an economic recovery strategy for wealth and employment creation (ERS) and a social recovery strategy. Both are linked to the PRSP. The main objectives are economic growth and poverty reduction. Ownership of the NARC strategy papers is strong, but implementation will be a huge task. An implementation plan is under way.

In November 2003, the IMF approved a poverty reduction and growth facility (PRGF) for Kenya. The loan was conditional on early completion of the country's ERS and investment plan. The ERS and a revised investment plan were sent to the IMF and World Bank boards in February this year. The two bodies are now drawing up a joint staff assessment as a basis for decision and the document will in all probability be approved by their respective boards.

A dominant theme of the new government's poverty reduction policies is the restoration of rule of law, good governance and accountability. Improved

democratic governance is essential to the creation of an environment in which Kenyans and non-Kenyans alike will feel secure about investing their resources. To implement the PRSP and ensure more effective distribution of government expenditure, the government plans to allocate budget resources within a rolling, three-year medium term expenditure framework. To address human rights issues, good governance (especially corruption) and economic growth the government has established a new Ministry of Justice and Constitutional Affairs. Two major pieces of legislation were passed into law in May 2003: 1) the Anti-Corruption and Economic Crimes Act, and 2) the Public Officers Ethics Act. The Kenya National Human Rights Act is currently being operationalised. Devolution of political decision-making from central to local levels has been advocated in connection with the new constitutional proposals currently under debate. Other important issues in connection with the proposals are the creation of a prime ministerial post, the powers to be invested in such a post, and radical reforms of the judicial system.

The ERS emphasises the need for productive jobs and the importance of better conditions for the private sector, including improved security for persons and property, a properly functioning judiciary and more efficient infrastructure. To bring about economic recovery, the government will focus resources on education, improving natural resource management, health and medical care services and infrastructure, and creating more jobs.

Extensive stakeholder consultations have taken place, involving more than 8,000 people in ten districts, as part of the preparations for the EAC's regional vision and strategy for the sustainable development for the Lake Victoria basin. The description of poverty conditions in the resulting country report is similar to that in the PRSP.

Kenya is a signatory to most of the international conventions on human rights and the new government has declared its intention of signing those that remain. The previous government did little to implement these agreements. However, the new NARC government has taken a number of important steps reflecting its resolve to live up to them. It has appointed an independent human rights commission to review the ratification of supplementary protocols, update reporting on human rights and develop a human rights plan for Kenya. The commission will also deal with systematic human rights violations and actively promote preventive measures aimed at reducing crimes against human rights.

2.2 Responses by the international community

Most donors cut back on development assistance to Kenya in the early 1990s in reaction to human rights violations, bad governance and wide-scale corruption. A substantial proportion of support was transferred from government authorities to civil society organisations, thus precluding sector-wide approaches or programme support. The result was weak government ownership and restricted donor coordination. Several donors are now stepping up their aid programmes and serious efforts are being made to coordinate support.

The Bretton Woods institutions are currently preparing to extend substantially enhanced support to Kenya. However, further loans will be conditional on good governance, implementation of measures to combat corruption and achievement of economic benchmarks. In November 2003, the IMF board approved a new 3-year PRGF for Kenya. The decision should be seen against the background of relations between the Bretton Woods institutions, which have been strained for many years.

Although UN agencies take the view that short-term impacts can be achieved, sustainability is dependent on political and economic reforms. The European Union is Kenya's biggest donor, providing project as well as extensive budget support to the new government. UK and Denmark continue to operate sizeable programmes, mainly channelled through non-governmental structures. These are now being expanded. Norway and the Netherlands, which have confined their support to civil society in recent years, are now preparing to step up support. The large US programme is also being extended.

In November 2003, a consultative group (CG) meeting was held in Nairobi. The donors present expressed their unqualified support for the Kenyan government's declared policy. The message which emerged from the meeting underlined the importance of implementing that policy without further delay.

The CG meeting must be regarded as a success for the government, not only because significant financial resources were promised against implementation of the government's development strategy, but also because the meeting marked a normalisation of relations with the donor community.

Kenya can look forward to substantially increased aid flows, perhaps a doubling of existing flows within the next few years. At present 7 % of Kenya's national budget is financed by development assistance.

3. ASSESSMENT OF THE SWEDISH PROGRAMME

Development cooperation with Kenya, 1999-2003, MSEK

	1999	2000	2001	2002	2003 prel.
Democracy, human rights and good governance	8	14	31	37	35
Social sectors	29	24	17	15	69 ²
Infrastructure, urban	7	30	33	34	19
Natural resources	19	30	30	29	25
Humanitarian assistance		4	7	1	
NGOs	29	24	20	21	20
Other		4	2	3	3
Administration	13	10	8	9	10
Total	105	140	148	149	181

Source: Sida Yearbook

3.1 General observations

As stated in the country strategy for the period 1999–2003, the overall objective of development cooperation with Kenya has been to promote:

- democracy and human rights,
- sustainable economic and social development,
- improved living conditions for the rural poor, and
- the sustainable use of natural resources.

The bulk of programme support was extended to five principal sectors:

Agriculture, Democratic Governance, Health, Rural Roads and Water and Sanitation. Sweden was one of the few donors to continue working within existing government structures, and some 60 % of Swedish funds were channelled through the government, with the remainder going to organisations in civil society.

Conditions for development cooperation reflected the contradictory situation in the country during the strategy period, with continued economic mismanagement and lack of political will to tackle poverty on the one hand, and successful efforts by civil society, the political opposition and progressive forces in the civil service to strengthen democratic development on the other. As anticipated in the country strategy, no genuine partnership with the previous government was developed. While degree of ownership varied from programme to programme, development cooperation at ministerial level and relations with civil society were guided as far as possible by basic partnership and ownership principles.

One favourable development was noted, though not equally manifest in all ministries and authorities. In some instances, Swedish support helped initiate institutional reforms such as the new Water Act and new institutions responsible for road repair and maintenance. In certain cases, there were initial (roads) or

² Including special support for primary education.

sustained (health) delays in implementation. Unwillingness and/or inability to implement the necessary reforms and fight corruption on the part of the previous government limited the sustainability of the results.

During the strategy period, Sweden collaborated with the Kenyan government on projects aimed at improving financial management and reporting procedures. The measures contributed significantly to better programme implementation and improved accounting of funds.

Kenya consistently ranks near the bottom of Transparency International's annual index. Extensive audits were conducted with a view to preventing corruption within programmes supported by Sweden, and assistance was extended to cooperation partners wishing to improve their financial systems.

Sweden actively promoted the sustainable use of natural resources, most notably within the National Agriculture and Livestock Extension Programme (NALEP) and the water sector, and substantial progress has been made. However, the previous government's failure to stop illegal land-grabbing, deforestation and the degradation of scarce water resources has had a detrimental impact on the environment.

Measures aimed at mainstreaming gender equality concerns and strengthening women's rights were built into most programmes. Measurable progress in promoting women's rights was recorded in the democracy and human rights programmes. Although measures to combat HIV/AIDS are being introduced in all programmes, it will be some time before results become apparent.

3.2 Programmes

Democracy, human rights and good governance: Support for democracy, human rights and good governance has helped promote democratic reforms at national level, including constitutional reform, the adult education programme, and access to justice for the poor, particularly women and children. Support for measures aimed at promoting good governance was extended to the Ministry of Finance and mainstreamed into all programmes. As stated earlier, democratic development in Kenya is moving in the right direction. It is fair to conclude, on the basis of evaluations and studies, that Swedish support has contributed to the relative strength of democratic forces and to a peaceful transition from the previous regime. Greatest progress was achieved in two vital areas: strengthening women's and children's rights and political and legal empowerment of the poor. Although approaches may have to be adapted to the political transition and change of government, these thematic areas within the programmes remain relevant to the political situation in Kenya. Support for cultural activities was also provided through the regional appropriation.

Health: The Rural Integrated Health Service Programme is aimed at strengthening and decentralising the health service delivery system. It includes support for six districts, channelled through the Ministry of Health. Implementation has been slow and specific activities and disbursements have been fairly limited. Important improvements were carried out in the first half of 2003,

with greater commitment and willingness to assume responsibility on the part of the Ministry of Health. Although the health districts supported by Sweden are gradually improving as regards service delivery, support for systems development and implementation is still urgently needed.

Water: Support in the water sector has focused on the development of guidelines and regulations, as well as on specific aspects of service delivery including the promotion of sanitation and hygienic conditions. Local communities have made significant contributions to the programme and results have exceeded stated targets. The training component of the programme featured discussions of overarching issues such as democracy and governance, the environment, gender equality, HIV/AIDS and conflict resolution. With the adoption of a legal framework for the water sector, the challenge is now to restructure existing institutions in the sector. In the coming years it will be necessary to consolidate reform and boost capacity. The present inadequate and unsustainable use, management and protection of water resources must also be addressed, as must the principles for water allocation.

Roads: The purpose of the roads programme is to improve maintenance of the road network through the application of intermediate technology and labour-intensive methods. The focus of support has gradually changed over the years, from the construction of new roads to the repair and maintenance of existing ones. Sweden has also supported reforms in this sector. Although the original objectives of the programme were largely met within the agreed budget framework a further year's extension became necessary due to delay. Following a mid-term review, government financial procedures were improved, leading to better implementation in the field. The establishment of the Kenya Roads Board and District Roads Committees has encouraged increased stakeholder participation in decision-making at the district level and improved transparency and accountability with regard to fund allocation and utilisation.

Agriculture: The National Agriculture and Livestock Extension Programme, NALEP, is less than three years old and no significant impact with regard to the main goal of social and economic development and poverty alleviation in the rural areas is to be expected at this stage. After a slow start the programme gained momentum and is today regarded as the Ministry of Agriculture's most efficient and effective rural development programme. NALEP has had significant success in reforming and modernising agriculture and involving local communities – including rural women – in planning and setting priorities. However, reaching the poorest farmers has proved difficult. Mainstreaming of gender equality concerns forms an integral part of the programme.

Education: The new government's first priority when coming to power was to introduce free primary education. Sweden extended a one-off grant to the education sector in 2003 as an extra contribution to the new government's reforms. It is still too early to analyse the effects of this allocation.

Swedish NGOs

Support from Sida for the development cooperation programmes operated by Swedish NGOs appears under a special budget post. The aim is to strengthen Kenyan civil society by helping to expand the capacity of local cooperation partners. Nine Swedish NGOs, all of which have framework agreements with Sida, received funding for programmes in Kenya during the period. A total of SEK 88.7 million was utilised in 1999–2002. The estimated total for 2002 is SEK 19.1 million. In general, the programmes seem relevant in the Kenyan context. The various projects and programmes fill different and complementary needs. Ongoing efforts to strengthen local organisations is vital if these are to become role models for the democratic process and a platform for the social, political and economic empowerment of poor and marginalised groups. Organisations have reported increasing involvement on the part of women in the programmes.

4. POVERTY IN KENYA — CONCLUSIONS

The causes of poverty in Kenya are manifold and a wide and complex range of measures will be needed to combat it. A multidimensional understanding of poverty compels multidimensional poverty strategies. Both the country analysis and the performance analysis call attention to the need to restore democratic governance, a condition also strongly emphasised in the PRSP and related documents. According to the country analysis, lack of democratic governance is the root cause of poverty in Kenya. It is both an aspect of poverty and a serious obstacle to sustainable, equitable growth and social development. Where there is no rule of law, respect for human rights or scope for participation in the decision-making process, opportunities for development among the poorer sections of the community are severely limited. Moreover investors, foreign and domestic, have been reluctant to invest money in the country, given Kenya's inefficient, corrupt and insecure environment. When the situation deteriorated drastically in the early 1990s donors also reacted by cutting back assistance, slowing development efforts. Mismanagement of public institutions, a weak judiciary and widespread corruption have eroded efficiency and created an environment hostile to growth and social development. Lack of confidence in the government has had a negative impact on investment and trade. This in turn has adversely affected growth and employment, further intensifying poverty. Corruption and unwillingness and/or inability to manage natural resources effectively have given rise to severe environmental problems, further aggravating poverty and eroded the basis for future growth. Inefficiency in the public sector and inadequate social services have combined to multiply social injustices and widen poverty gaps. In sum, growing poverty and lack of democratic governance have reinforced each other and created a downward spiral.

The present government came to power with the intention of strengthening democracy and fighting poverty. While improving governance and strengthening democratic culture in Kenya is vital, more is required if poverty is to be combated successfully. Economic recovery is crucial and large-scale investment in physical infrastructure and the social services is urgently needed. These are among the preconditions highlighted in the government's economic recovery strategy (ERS). If investors are to be attracted, confidence between Kenya's political leaders, its people and its cooperation partners must be restored. Sound policies based on careful, in-depth analysis are essential. If growth in Kenya is to be pro-poor it must be high, sustainable and based on new distribution principles designed to benefit the poorer sections of the population. The latter can be achieved mainly through enhanced employment and income opportunities and by enlarging the resource base of a redistributive tax system. Efforts must also be made to reduce the glaring socio-economic disparities between regions and between men and women, and to allow poor young people greater participation in the decision-making process.

Although improved relations with donors will give Kenya access to external concessional credits, the economic challenge remains a daunting one. Despite renewed private sector confidence in the government, terrorist threats or attacks could discourage investment, particularly in the tourism sector. Moreover, limited

capacity in the public sector will continue to constrain efforts to implement government policies and strategies.

As before, civil society will play a central role as the driving force behind further democratisation and as a base for social development. In the course of their work in connection with human rights, civil society organisations have accumulated a body of knowledge and expertise that will serve Kenya in good stead in future years. What is needed now are systems and structures capable of facilitating long-term cooperation between the government and civil society.

4.1 Threats to development

Inherent in the ethnic divisions that shape and define Kenyan politics is the perpetual risk of conflict. Violence in cities and in families is widespread. Many women are subjected to abuse and sexual assault. If inequalities continue to grow, social conflicts could intensify, creating further violence in society. Tensions are mounting over the activities of politically organised gangs of youths acting as bodyguards for influential groupings. Some of these may accurately be described as militias. International terrorism, which has hit Kenya hard, could conceivably hamper development efforts during the strategy period.

Kenya's present economic development is unsustainable from the environmental standpoint. Urgent measures must be taken to deal with land degradation, deforestation, wildlife poaching, threats to biological diversity, poor or non-existing water management, and inadequate waste management and disposal in urban areas. Elements of the old cattle rustling tradition are perpetuated in modern Kenyan politics, economics and warfare. Failure to address these problems will lead to further resource depletion and conflict intensification.

The new government faces immense challenges in its struggle against poverty. If tangible results are too long in coming, Kenyans may become disillusioned. This could exacerbate tensions and conflicts and undermine democratic gains.

HIV/AIDS poses a serious threat, not just to individuals but also to social and economic structures.

4.2 Swedish development cooperation — conclusions

The overriding conclusion to be drawn from the country analysis and the performance analysis is that support for democratisation in Kenya has been highly relevant, and that Sweden should focus even more closely on these issues in future. Support for democratic governance is a central element of Kenya's ERS.

The country analysis also concludes that there are grounds for guarded optimism concerning the country's long-term democratic development, which has now been substantially reinforced by the new government's commitment to fight poverty. The urgent need to implement existing poverty strategies is a further motive for stepping up Swedish development cooperation in Kenya.

Other specific conclusions emerging from the country analysis are:

- Donor coordination must be improved.
- Greater focus on measures against the further spread of HIV/AIDS is essential.
- Promoting gender equality is crucial in the fight against all aspects of poverty.
- The Swedish programme will need to focus more closely on the problems of rapid urbanisation and the even more dramatic rise in urban poverty.
- Swedish support for health, water, roads, agriculture and education remain relevant. These sectors correspond to those identified in the PRSP and the ERS.
- Support for judicial reform is essential. The aim is to strengthen the rule of law and improve access to justice by the poor and thereby contribute to pro-poor growth. This is also in line with Kenya's ERS.
- The Lake Victoria basin area – home to a third of the population – requires special strategic attention as one of the poorest areas of the country and the region most severely hit by HIV/AIDS.

It is fair to conclude on the basis of the performance analysis that support for civil society is of strategic importance. Like efforts to strengthen and change the state from within, this form of support has been successful.

Results obtained from the water, road and agricultural sectors justify continued support efforts. The environmental aspects of agricultural support, as well as support in other sectors, must be strengthened. The weakest performance during the strategy period was recorded by the health sector. Recent monitoring and follow-up activities give grounds for guarded optimism.

The new government's commitment to fight poverty has helped improve the sustainability of programme results. The performance analysis emphasises the need to continue supporting efforts to enhance democratic governance in Kenya. The new constitutional proposals to devolve the present highly centralised decision-making and service delivery structures must be carefully monitored and, if appropriate, supported during the strategy period.

5. AIMS, OBJECTIVES AND COOPERATION AREAS

The analyses and conclusions outlined above, along with the priorities set out in the Kenyan ERS and the commitments of other donors, provide the basis for the following aims and objectives. The conclusions have helped guide the strategic choices taken during the strategy process. A further objective was to consolidate programmes and ensure that consideration was given to Sweden's comparative advantages, both generally and specifically in relation to Kenya.

5.1 The aim of Swedish development cooperation

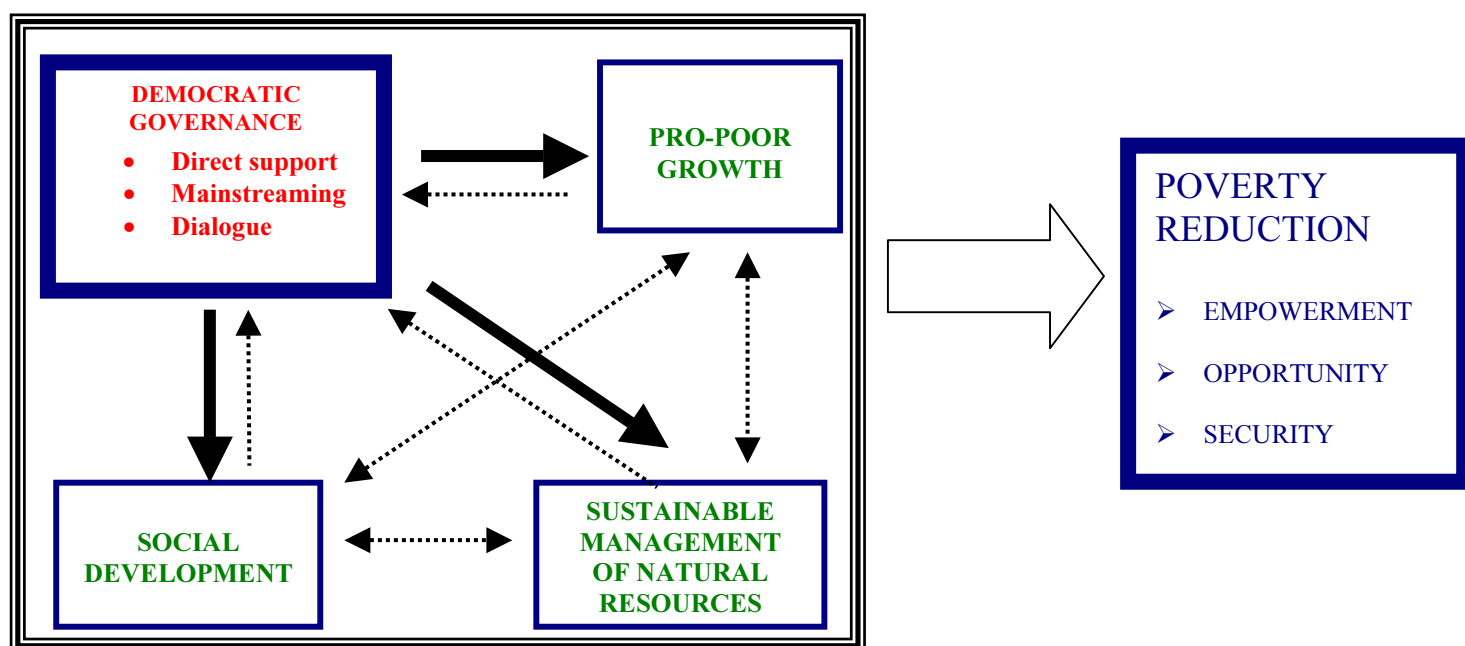
The primary objective of Swedish development cooperation with Kenya during the 2004–2008 strategy period will be to contribute to Kenyan efforts to reduce poverty. This goal is fully in line with the Swedish Riksdag's decision (Govt. communication 2003/04:112) on the government bill *Our Common Responsibility – Sweden's Policy for Global Development* (Govt. bill 2002/03:122). Within the context of this overall objective, development cooperation efforts will focus on four programme areas on the basis of the recently launched ERS.

This is analysed and described under the following programme areas: pro-poor growth; social development, sustainable management of natural resources, and democratic governance. These areas strongly reinforce one another. Although most projects and measures relate to more than one area, they appear under a single heading in the present strategy paper.

Swedish development cooperation must focus on democratic governance and human rights, gender equality and popular participation in the decision-making process. Implementation is to be based on the following, three-pronged approach:

- dialogue at all levels, political and within programmes,
- mainstreaming democracy and human rights concerns in all programmes, and
- direct support for measures promoting democratic governance with the aim of strengthening access by the poor to their rights and promoting needed reforms.

The diagram below illustrates a multidimensional approach to poverty reduction, with a focus on mainstreaming the principles and concerns of democratic governance in all programmes. The arrows show how closely interlinked the various objectives are and how essential they are to poverty reduction. The bold arrows highlight the special importance of democratic governance and human rights to poverty reduction in Kenya.



5.2 Guiding principles and strategic considerations

Swedish development cooperation is predicated on the Kenyan government's ambitions and continued willingness to implement political, economic and social reforms. Cooperation must be characterised by Kenyan ownership and involvement at all levels. If they are to combat poverty successfully, the Kenyan government and donors must not only determine *what* to do in Kenya, but also *how* to do it. Thus, efforts to promote democratic governance must involve not only support for the reform of political and legal institutions, but also the development of a democratic culture and the promotion of respect for democracy and human rights in all sectors and programmes.

Thus in the context of development cooperation, democratic governance is at once method and goal; its purpose is to enhance the functioning and accountability of institutions so that they in turn can improve conditions for growth and social development. Non-discrimination, transparency and accountability will therefore be emphasised. Sweden will renew its efforts to improve financial management procedures with the help of accounting firms.

Mainstreaming democratic governance concerns in all programmes will also facilitate the integration of local perspectives with national development. Local and community structures have often been ignored despite their immense potential for overcoming obstacles to development. Greater importance should therefore be attached to measures aimed at promoting participation and representation in the decision-making process. The enjoyment by women, men and children of basic rights is fundamental to the sustainability of democratic processes. The interplay between public institutions and civil society is crucial in this connection.

Sweden will seek to promote equality for all, regardless of gender, ethnicity, geographical location, disability or age. Special importance will be given to mainstreaming gender equality and women's rights issues and concerns. This will be achieved through:

- assessments of the impact on stakeholders and target groups, in terms of gender and age, at the planning stage of all interventions and projects,
- the promotion of equal rights and opportunities for women and men as part of the government reform process, and
- emphasis on the promotion of gender equality and the ability of women to exercise their rights in the dialogue with stakeholders.

As regards gender equality objectives, Sweden will focus specifically on women's participation in policy development and "the equal right of women and men to land and property", an area prioritised by Kenyan institutions.

The prospects of developing a genuine partnership with Kenya have been greatly enhanced with the advent of the new NARC government. Wherever possible Sweden should seek to promote approaches – such as sector-wide approaches – that strengthen national ownership. Sida is required to critically assess its operations with a view to identifying procedures and practices that promote – or are at variance with – Kenyan ownership.

Efforts must be made to realise synergies from different programmes and from bilateral funding projects to civil society and the government, multilateral support and assistance extended by Swedish NGOs. Where possible, Sweden must help facilitate cooperation between the government and civil society. Efforts should also be made to further broaden and intensify relations between Kenya and Sweden in areas of mutual interest such as research, culture, trade and investment.

Promotion of the Swedish resource base remains a vital aim. Consultation and cooperation must take place as and when appropriate between development cooperation bodies, the business sector and government authorities responsible for import/export promotion with a view to ensuring that the experience, know-how and resources commanded by these bodies are turned to account and interact productively.

Greater focus on measures to prevent the further spread of HIV/AIDS is of fundamental importance.

Sweden will focus on the Lake Victoria basin as part of efforts to address the country's severe regional inequalities. This means that where possible, appropriate and in line with Kenyan priorities, programmes must be targeted at this area.

The Kenyan government is attaching increasing importance to sector-wide programmes and budget support. If cooperation with the new government continues to develop favourably, budget support may be considered during the strategy period and, if so, assessed in accordance with current guidelines. This form of support should be extended in cooperation with other bilateral donors, the EU, the World Bank and the IMF and be used to support implementation of Kenya's ERS. Efforts are currently being made to develop joint procedures for

reporting, auditing and procurement. Donors should also seek to coordinate support for sectoral programmes with the help of coordinated reporting methods and by channelling funds through the government system.

Rapid development in the field of information and communication technology has generated new ways of enhancing programme efficiency. It can improve access to markets and increase service delivery potential. A strategy for exploiting advances in ICT will be drawn up during the first phase of the strategy period.

Kenya has undergone a peaceful, democratic transition to a qualitatively more democratic polity, with more space for civil society, a more empowered citizenry, greater press freedom and a new constitution under way. In view of these developments, a return to a situation comparable to the mismanagement and repression of previous years is not considered likely. Should events in Kenya take a different course, however, the extent and direction of cooperation as outlined in the strategy must be reviewed. During the strategy period, the democratisation process will be carefully followed and analysed and the current focus on democratic governance through dialogue, mainstreaming and direct programmes, will be adjusted accordingly.

5.3 Principal dialogue issues

The advent of the new Kenyan government, with its commitment to reform, opens up new prospects for constructive dialogue at different levels. Sweden would like to see a dialogue based on a number of specific premises including the need for democratic governance and human rights, implementation of the PRS/ERS, Kenyan ownership, economic growth and non-discrimination. This will ensure that non-discrimination, participation in decision-making, transparency, accountability and corruption become key areas of concern. It is vital that dialogue concerning development cooperation be participatory and transparent, and thereby enhance learning and generate constructive solutions. Particular emphasis will be placed on the equal worth and inalienable dignity of all, regardless of sex, ethnic background, geographical location, disability or age.

In view of the often extreme disparities in income between the regions of Kenya and between its men and women, Sweden aims to prioritise gender equality issues and their connection with growth and poverty reduction. This focus within the dialogue will serve to highlight the role of economic and social rights in the fight against poverty.

The following issues for dialogue are interlinked and mutually reinforcing. Specific areas of concern for Sweden are:

- Equality, including:
 - growth based on a distribution policy aimed at benefiting the poor, and
 - gender equality, with special focus on women's rights to participation, land, property and other productive resources,
- Sustainable management of natural resources,
- The rights of children,
- National prioritisation and implementation of measures to combat HIV/AIDS.

5.4 Programme areas

Pro-poor growth

Aim: To support high, sustainable, pro-poor growth in Kenya and contribute to an environment in which communities and individuals can more readily pursue their livelihoods and develop.

Economic growth in Kenya is closely linked to the development of society as a whole – democratic development being one example. Support for efforts to spur growth is essential given the urgent need for economic recovery. As lack of democratic governance in Kenya is inextricably linked to the country's economic performance, Sweden's overall focus on democratisation and human rights must be seen as its major contribution to growth. Thus Sweden wants to help create an environment conducive to enterprise and entrepreneurs. Further support for pro-poor growth will be extended by helping the Kenyan government implement the PRSP and ERS, and create job and income opportunities.

According to the PRSP, successful revitalisation of the **agricultural sector** is the key to poverty reduction and economic recovery in Kenya. Support for the NALEP will continue. This will be aimed at providing sustainable, demand-driven advisory services, boosting agricultural production, enhancing food security, increasing the participation of men and women in production and reducing inequalities in rural areas. Other support areas such as financial services, seed supply, marketing and rural development funds may be added according to the aims and capacity of the actual programme. Sweden will also seek to strengthen policy-making through active dialogue with the Ministry of Agriculture, donors and other stakeholders. The Ministry has indicated that it would welcome Swedish assistance in policy and strategy development for the sector.

The extent to which child labour is used in agriculture must be determined and steps taken to safeguard children's rights. Special attention will be devoted to the poorest sections of the population. Most agricultural work is performed by women and their rights to land and property must be safeguarded if production is to increase. In the context of gender equality promotion, this is also a goal in itself. Sweden will accordingly seek to strengthen women's access to, control over and right to own, buy and inherit land, property and other productive resources. These aims will be pursued primarily by extending support to selected NGOs, the NALEP and bodies responsible for judicial reform.

Production costs, competitiveness, and access to markets are contingent on the quality of Kenya's infrastructure, which has declined over the years. The PRSP identifies the inadequate **road network** as a major constraint on socio-economic development. Support for the roads sector will continue until the end of the strategy period, when it will be phased out. The geographical focus will be on the Lake Victoria basin. As in the past, the programme must be based on a participatory approach.

Capacity support for **regional and global cooperation should be actively tested in view of the demand for it in Kenya**. Industrial development and trade are vital to poverty reduction. Kenyan capacity and know-how in these areas must be

strengthened if the country is to develop and broaden its international trade, take an active part in international trade talks (mainly within the WTO but also at regional level) and implement and follow up commitments entered into at negotiations. If Kenya so requests, Sweden must – in a spirit of constructive cooperation – undertake trial measures to enhance Kenya's negotiating capacity, and provide strategic support aimed at strengthening the ability of the Kenyan business sector to take full advantage of trade policy developments.

As the foremost priority for the business community is the rule of law, support for **legal sector reform** will also aim at creating a better environment for growth.

In order to help Kenya implement its poverty reduction strategy and speed up economic reform – thereby promoting growth, **budget support** may be extended on a trial basis during the strategy period. Support will be conditional on the existence of an agreement between Kenya and the IMF. To the extent permitted by general and support-related conditions, agreements extending over several years should be aimed at in order to facilitate budget planning by the Kenyan government. Efforts must be made to ensure coordination with other donors and harmonisation with Kenya's administrative processes and procedures. A further precondition is ongoing development of a more effective system for budget follow-up and financial control. An assessment of government financial control should be undertaken and particular attention will be focused on the conclusions in Kenya's public expenditure reviews (PER) and country financial accountability assessments (CFAA). Budget support may be provided in the form of assistance for ESR implementation. As regards budget capacity building, the following types of support may be considered: budget planning (especially gender budgeting) financial management, debt management, the development of an efficient redistributive fiscal system, and other initiatives aimed at supporting implementation of national strategies.

Social development

Aim: To promote just and equitable social development with respect to sex, ethnicity, disability or age, and to contribute to the establishment of a pluralistic society.

Social development in Kenya is not just a matter of service delivery. It involves the rectification of distorted power structures and the creation of conditions under which people can determine and shape their own lives. It is a complex process – embracing individuals, groups and the community as a whole – in which civil society and informal networks play key roles. Support from Swedish NGOs to Kenyan community-based organisations and popular movements is vital to social development, both in terms of service delivery and skills development in connection with gender equality issues and leadership.

HIV/AIDS: Sweden plans to raise its level of intervention as regards prevention of HIV transmission and mitigation of its impact. National priorities and implementation will be vital policy dialogue issues and serve to guide Swedish support. HIV/AIDS will be addressed in all sectors with special emphasis on agriculture, health and water. Sweden must also contribute by extending direct

support focused on prevention, thereby encompassing issues such as women's and men's roles and responsibilities. This could include support to government institutions, and civil society organisation. Efforts must focus on the poorest and most affected areas of the Lake Victoria basin.

Health issues are crucial in the context of social and economic development. In 'unequal Kenya', poor people lack access to health and medical care services as these are often too distant and/or expensive. Future support to the health sector must therefore be aimed at rectifying inequitable resource distribution. This will entail redirecting resources to primary care and reducing dependency on 'out-of-pocket' payments. Equitable financing and more efficient use of resources within the system will contribute to better health and medical care for the poor. The focus on justice and rights at local level should be intensified by empowering people through participatory processes and demanding greater accountability.

Water shortages have increased over the years, as have floods, pollution and conflicts over water access. According to the PRSP, access to clean water is a major priority for poor people and a prerequisite for good health. Swedish support must aim to promote the sustainable management and equitable use of water resources, better access to safe drinking water and basic sanitation facilities, i.e. latrines, for people in rural areas. Support will therefore be directed at water sector reform, improved service delivery and protection, and management of water catchments. The possibility of improving donor coordination and adopting sector wide approaches will be explored.

The status, position and role of **children** reflect the values of a society. Children in Kenya have been hard hit by growing poverty and violence. Society's inability to provide proper protection has had disastrous consequences for many children. In addition to supporting the government in efforts to integrate child rights in all programmes, Sweden must look into the possibility of supporting strategic interventions at national level, e.g. the establishment of a children's ombudsman. Sweden will also continue to support organisations that promote child rights. The right to education will form part of efforts in this sphere.

Sustainable management of natural resources

Aim: To support the sustainable management, protection and utilisation of natural resources.

The interdependence of good governance, effective management of natural resources and poverty is well known and calls for action. Unsustainable use of natural resources creates poverty now and, unless properly addressed, will seriously aggravate the situation in the long term. Sustainable management of natural resources must be mainstreamed in the water and roads sectors and particularly in the agricultural sector. Efforts to strengthen capacity for environmentally sustainable social and economic production for export should also form part of the strategy. Immediate problems as well as the long-term aspects will be raised in the dialogue. The feasibility of direct support for specific environmental protection initiatives must be explored. Support for implementation of recent environmental legislation by the National Environment Management

Authority (NEMA), concerned ministries and relevant NGOs may also be considered. Adult education, lobby-work and participatory approaches are important. Support for environmental protection can draw on experience acquired in connection with NALEP, the water programme, reform of the legal sector and support for women's and men's equal right to land.

Democratic governance

Aim: To support democratic governance in Kenya, including access to justice for the poor, particularly women and children.

As well as mainstreaming democratic governance issues and concerns in all areas of development cooperation, direct support is aimed at strengthening stakeholders and enhancing specific democratic development processes. It must promote justice for the poor, particularly women and children, and democratic reform at national level. Direct funding will be extended to the following main areas:

Democratic Reform. The objective here is to help consolidate the democratic political transition in Kenya, in particular through reform of the constitution and related institutions. Another important task is to address the unequal balance of power between the judiciary, legislative and executive branches of government.

Greater access to justice for poor. Sweden wishes to strengthen access to justice for poor people, partly through direct support for the development of 'paralegals' and partly through support for legal sector reform. Support must therefore be extended to civil society organisations involved in training new paralegals and building networks for them. Priority will be given to four areas: i) women's and men's rights to land and property ii) land rights in informal urban settings iii) environmental legislation, and iv) legislation relating to the enterprise sector.

Promotion of a democratic culture. The objectives in this area include strengthening democratic culture through civic education, promoting and consolidating political and civic involvement among young people and adults and enhancing awareness of the interdependent roles of government and civil society. Many NGOs have received direct support from Sida and this will continue, suitably adapted to the new Kenyan context. However, the number of contributions must not be increased. The support extended by **Swedish NGOs** is also a significant component of Swedish efforts to promote the democratisation process in Kenya.

Access to human rights in informal urban settlements. The extended slum areas which have proliferated in Nairobi are the direct result of poverty, absence of respect for human rights, inefficient, poorly functioning local authorities and lack of communication with local inhabitants. Security of tenure and the livelihoods of people living in slums and informal settlements must be improved. The same applies to information and knowledge about property ownership and land rights. Access to justice by slum dwellers will be stressed in the dialogue. Consideration must be given to direct support for development programmes that focus on land rights issues. This programme component may be expanded depending on the outcome of the initiative.

6. MODES OF COOPERATION, ADMINISTRATIVE CONSIDERATIONS AND FOLLOW-UP

6.1 Modes and forms of cooperation

Donor coordination in the past was not particularly well developed as most donor activities were focused on civil society. With the advent of the new government, however, cooperation has gathered pace. The CG meeting was a major step in the right direction.

Prospects of bringing government and donor processes into harmony in line with the ERS are good. Swedish development cooperation must be designed to support ERS priorities and the instruments, approaches and procedures used in Swedish bilateral cooperation projects should be harmonised with government planning and budget periods. It is vital in this connection to ensure that the donor community acts in a coordinated manner within a commonly established framework.

The prospect of developing a genuine partnership with Kenya has improved considerably under the new government. Sweden must continue to focus on donor coordination and harmonisation in the light of the government's new ERS and clearer ownership of poverty reduction strategies. The embassy must continue to take part in SPA processes and move forward on initiatives in this area, including HIP Zambia (Harmonisation in Practice) and the development of the necessary know-how and expertise to take part in SWAP processes.

A major proportion of Swedish assistance will continue to be channelled through government structures. Where feasible, sector-based modes of cooperation will be sought. Budget support may also be considered during the strategy period, and, if granted, will be assessed in accordance with the guidelines then in force. Should budget support become a relevant option, Sida must notify the government. This form of support must be linked to proven follow-up systems capable of providing accurate assessments of the effectiveness, use and outcome of planned measures.

Support extended through Swedish, Kenyan and international NGOs will continue to form a vital part of development cooperation with Kenya. Humanitarian assistance may be needed to help cope with the large numbers of refugees from neighbouring countries, possible floods and droughts. Depending on the economic development, concessionary credits or financial guarantees may be relevant.

Future project-linked agreements may run for longer periods than at present and financial commitments should, where possible, be transparent and extend over several years.

Kenyan government procurement capacity is currently inadequate with procedures varying from ministry to ministry. A procurement bill submitted to parliament is still pending, and the new government is now recruiting new procurement officers. Procurement activities must therefore be assessed on a case-by-case

basis. When selecting procedures, Sweden must make every effort to coordinate its activities with other players.

Bilateral trial projects should also be undertaken in conjunction with multilateral support programmes co-financed by Sweden through bodies such as the World Bank and UNDP. Strategic links and points of contact between the two should be identified and turned to account where possible.

6.2 Volume and capacity

As the government implements its reform agenda, Swedish assistance to Kenya can be gradually stepped up until the annual amount available in Sweden over the strategy period for development cooperation in Kenya reaches SEK 300 million, exclusive of budget support (if provided), regional funds, NGO support, the effect of fluctuating international exchange rates, humanitarian assistance and credits/guarantees.

As the Kenya country strategy incorporates the Lake Victoria initiative, resources related to it will be regarded as an integral part of Swedish development cooperation. Kenya will also benefit from the regional appropriation as stipulated in the regional strategy.

Greater aid volumes will require prudent portfolio management and the number of projects should accordingly be maintained at their present level. Other means must also be found to reduce the volume of work and resources required for administration. Enhanced donor coordination and cooperation with other development partners will be sought. The Swedish portfolio must be flexible and adjustable. Another way of keeping to a minimum the additional human resources needed to manage growing volumes is to devise innovative working methods – including teamwork and project groups – able to make full use of embassy capacity. The increasingly close integration of the Lake Victoria initiative into the bilateral programme will generate additional capacity. A regional resource centre for rural development has recently been located at the embassy, a further source of know-how and expertise.

Throughout the first stage of the strategy period, full authority with regard to strategy implementation and management of financial resources will be delegated to the embassy in Kenya.

6.3 Follow-up

Implementation of the present country strategy, which extends over a period of five years, will depend on the character and direction of development in Kenya, not least in the political sphere. Sida is required to provide the Swedish Ministry for Foreign Affairs with advance information on projected annual volumes of assistance and major programmes and projects, and to consult with the ministry before taking decisions involving important matters of principle.

General development and trends will be monitored and followed up by means of half-yearly reports on development cooperation, annual consultations with the

Kenyan government and periodic reconciliation with annual country plans. The annual country plans and the activity planning process will provide the basis for a mid-term strategy review. Over time, Swedish reporting and auditing standards should be based as far as possible on Kenya's own follow-up and audit systems.

Monitoring and follow-up activities will include project reporting, project visits, the Sida rating system, sectoral reviews and programme and project evaluations.

As far as possible, follow-up activities will be coordinated with other players and stakeholders. These will be based on the country strategy, specific programme areas and the dialogue strategy.

Systematic follow-up of methods used in connection with the multi-dimensional character of poverty and democratic governance must be undertaken as part of efforts to enhance learning.

AGREEMENT BETWEEN THE GOVERNMENT OF SWEDEN AND THE GOVERNMENT OF KENYA ON DEVELOPMENT COOPERATION

The Government of Sweden (hereinafter referred to as Sweden) and the Government of Kenya (hereinafter referred to as Kenya) have agreed to co-operate in the development of Kenya.

The Swedish International Development Cooperation Agency, Sida, and the Ministry of Finance in Kenya shall be empowered to represent their respective Governments in matters concerning the implementation of this Agreement.

ARTICLE 1 SCOPE AND OBJECTIVES OF THE AGREEMENT

Whereas Kenya and Sweden are desirous to co-operate in order to reduce poverty in Kenya, which shall therefore constitute the overall objective of the development co-operation between the parties during the term of this Agreement.

Whereas to this end, Kenya and Sweden, shall co-operate to create opportunities for poor people's preconditions to improve their lives and in this regard pay particular attention to democratic governance, including Human Rights, equality, good governance, popular participation and democratisation in Kenya.

Whereas the development co-operation shall promote pro-poor growth, social development, sustainable management of natural resources and democratic governance.

Whereas particular attention shall be paid to measures that counteract HIV/AIDS and its social and economic impact.

Whereas the co-operation shall be based on a partnership approach, with shared respect for human rights.

The responsibility for the development of projects/programmes under this Agreement rests with Kenya. The role of Sweden is limited to the contribution of resources to such development co-operation.

ARTICLE 2 THE SWEDISH CONTRIBUTION

Sweden shall keep available financial resources for development co-operation between Sweden and Kenya during the period April 1 2004 – 31 December 2006. As for the contribution of financial resources, Sweden shall, subject to parliamentary appropriation of funds, keep available approx. seven hundred and thirty million Swedish kronor (SEK 730 000 000).

The amount stated above does not include possible budget support, nor does it include regional programs that might benefit Kenya, Sweden's International Training Programs, support through Swedish Non-governmental organisations or humanitarian aid.

The contribution of resources shall be made in accordance with the requirements laid down in specific agreements between the parties on projects/programmes of development co-operation, and shall be made available on a grant basis.

ARTICLE 3 UTILISATION OF THE SWEDISH CONTRIBUTION

3.1 The main areas of co-operation shall be the following:

- Water
- Agriculture
- Roads
- Support to the Civil Society
- Health
- Legal Sector Reforms
- Strengthening of democratic governance and human rights in Urban slum
- Hiv/aids
- Children's rights

In addition, cooperation will take place in the following areas:

- Financial management
- Sustainable management of natural resources
- Personnel and Consultancy Fund

The Parties shall regularly review the allocation of contributed funds to projects/programmes of the development co-operation.

3.2 At these reviews Sweden and Kenya shall follow up on the Swedish contribution and on the progress of the programmes/projects. The following issues shall constitute the key areas for overall policy dialogue between the Parties:

- implementation of the Poverty Reduction Strategy and the Economic Recovery Strategy for Wealth and Employment Creation
- democratic governance
- equality
- sustainable management of natural resources
- the rights of children
- economic growth and diversification,

- HIV/AIDS,
- anti-corruption efforts

ARTICLE 4 REFERENCE TO OTHER AGREEMENTS

The development co-operation between the Parties is also governed by:

- the Agreement on General Terms and Conditions for Development Cooperation between the Government of Sweden and the Government of Kenya, dated 1st of July, 1999; and
- specific agreements for projects/programmes of development co-operation.

ARTICLE 5 ENTRY INTO FORCE AND TERMINATION

This Agreement shall enter into force on April 1 2004 and remain valid until [31 December 2006](#). The Agreement may be terminated prior to the end of the agreement period by either party giving the other party at least six months written notice.

The termination of this Agreement shall not affect the validity of any specific agreements that are in force between the Parties.

Two originals of the text of this Agreement, written in the English language, have been signed.

.....
Place and date

For the Government of Sweden

.....
Place and date

For the Government of Kenya

.....
Signature

.....
Signature

.....
Name and title in block letters

.....
Name and title in block letters



REGERINGSKANSLIET

Ministry for Foreign Affairs

Additional copies of can be ordered from: The Ministry for Foreign Affairs, Information Office, S-103 39 Stockholm

Telephone: Int+46-(0)8-405 10 00, fax: Int+46-(0)8-723 11 76, web site: www.ud.se

Cover: Editorial Office, The Ministry for Foreign Affairs

Printed by XBS Grafisk service, 2004

Article no: UD 04.023