Kenya Joint Assistance Strategy

2007 - 2012

KJAS
KENYA JOINT ASSISTANCE STRATEGY

Kenya
Joint Assistance Strategy

2007 - 2012

Governments of:
Canada
Denmark
Finland
France
Germany
Italy
Japan
Netherlands
Norway
Spain
Sweden
United Kingdom
United States

African Development Bank
European Commission Delegation to Kenya
United Nations
World Bank Group

In collaboration with the Government of Kenya

Harmonization Alignment and Coordination (HAC) donor working group 2007.
www.hackenya.org

CURRENCY EQUIVALENTS

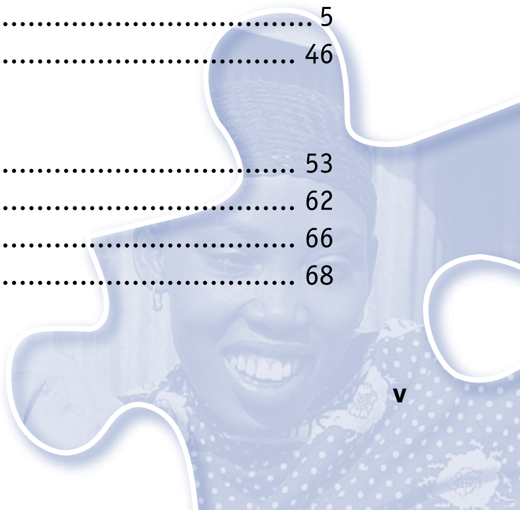
Currency Unit = Kenya shilling (KSh)
US$1 = KSh 68.00 (August 2007)

Government Fiscal Year: July 1–June 30

Cover photograph by: Wendy Ayres

Design and Layout by:
Design Specifications Limited
PO Box 8377 - 00100
Nairobi, Kenya.
info@design-specs.com

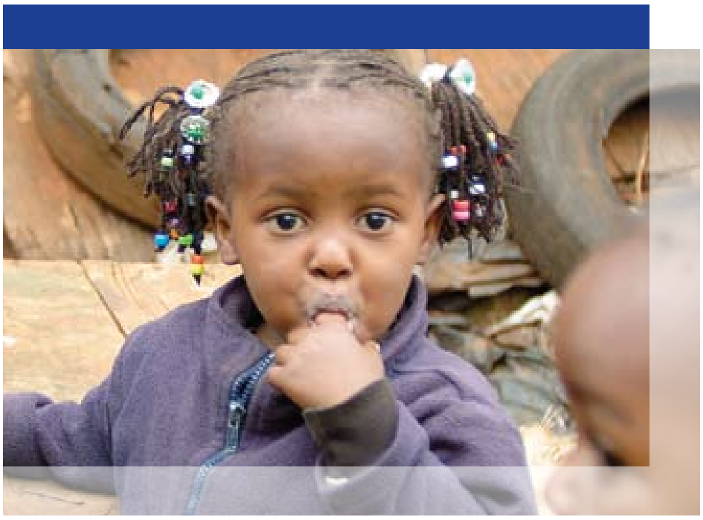
CONTENTS



ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
APRM	African Peer Review Mechanism
DFID	United Kingdom Department for International Development
EC	European Commission
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
GJLOS	Governance, justice, law and order sector
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IP-ERS	Investment Programme for the Economic Recovery Strategy for Wealth and Employment Creation 2003–2007
KFW	Kreditanstalt für Wiederaufbau (German Bank for Reconstruction)
KJAS	Kenya Joint Assistance Strategy
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
OECD/DAC	Organization for Economic Cooperation and Development/ Development Assistance Committee
PEFA	Public expenditure and financial accountability
SWAP	Sectorwide approach program
UNDP	United Nations Development Program
USAID	United States Agency for International Development

This Kenya Joint Assistance Strategy was produced by a team led by Bo Jensen (Ambassador of Denmark), and formerly by Bö Goransson (former Ambassador of Sweden). The core team included Wendy Ayres (World Bank), and Elana Aquino (UNDP). Valuable contributions have been made by Eddie Rich (U.K.), Al Smith (U.S.), Nardos Bekele-Thomas and Gillian Blackman (UNDP), Oscar Damen (IFAD), Ai Imai (Japan), Ibrahima Sakho (Canada), Andre Vermeer (Netherlands), Heiko Warnken (Germany), Annabella Piche (Spain), Leone Comin (Italy), Heikki Haili (Finland), Jan Munkeby (Norway), Johan Cauwenbergh (European Commission), Christophe Barat (France), Kalle Hellman (Sweden), Wambui Gathathi (Denmark), Lamin Barrow (African Development Bank), and Bernard Masiga (Ministry of Finance).



FOREWORD

We are immensely pleased to present this first Kenya Joint Assistance Strategy (KJAS) for 2007 to 2012, which represents the mutual commitment of government and donors to develop a new, more effective way of working together. The KJAS is a major step forward in the partnership between the government and its development partners and will intensify collaboration to significantly improve the prospects for sustained growth and poverty reduction.

The Government of Kenya and the KJAS partners are committed to the principles of the Rome (2003) and Paris (2005) declarations on aid effectiveness. To make the declarations a reality in Kenya and at the request of the government, development partners established in 2004 the Harmonization, Alignment, and Coordination group to improve the effectiveness of development assistance across sectors and agencies. Among other achievements, the group has assisted with streamlining and rationalizing development partner engagement in Kenya and prepared the KJAS. Simultaneously, the government has prepared the draft Kenya External Resources Policy and a set of Partnership Principles to guide its relationship with development partners.

The KJAS presents a shared intention between the Government of Kenya and 17 partners. These include Canada, Denmark, the European Commission, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, the United Kingdom, the United States, African Development Bank, the United Nations, and the World Bank Group.

The KJAS recognizes the government's achievements in stimulating economic growth, reducing poverty, improving the health and education status of Kenyans, and strengthening public sector governance. The document also lays out the main

areas of KJAS partner assistance in support of the government's development agenda: public sector management, infrastructure, delivery of basic services, private sector development, agriculture, and environmental management. It notes the importance of gender equality and good governance in all aspects of development. In addition, the KJAS sets standards for effective management of development assistance through joint programming, use of government administrative and financial systems, joint analytical work, joint dialogue, and joint reviews of progress in implementing programs.

A major characteristic of the development of the KJAS has been its emphasis on partnership—with the government, among development partners, and with nonstate actors. The government and the KJAS partners have consulted widely with many key stakeholders including parliamentarians, private sector, civil society, academia, the media, civil society organizations, and faith-based organizations to ensure that the strategy represents the development vision of all Kenyans. We would like to express our gratitude to all of you who participated in this process and applaud your dedication to creating a better future for Kenya.

The process of preparing the KJAS has already begun to have a positive impact on the aid environment in Kenya. The costs of dealing with multiple development partners have begun to fall, helping to ensure that all available resources are used to help Kenya achieve the Millennium Development Goals and its own development vision. The next steps include monitoring the implementation of the KJAS and its results, further rationalizing partner engagement in sectors, setting targets for improvements in donor behavior, and formulating with the government a program of analytical work aimed at improving development planning and results. We strongly encourage other development partners to join the KJAS and to sign the Partnership Principles to build on progress already made to increase the effectiveness of aid.

Amos Kimunya
Minister for Finance

Bo Jensen
Ambassador of Denmark
Chairman of the Harmonization, Alignment, and Coordination Group

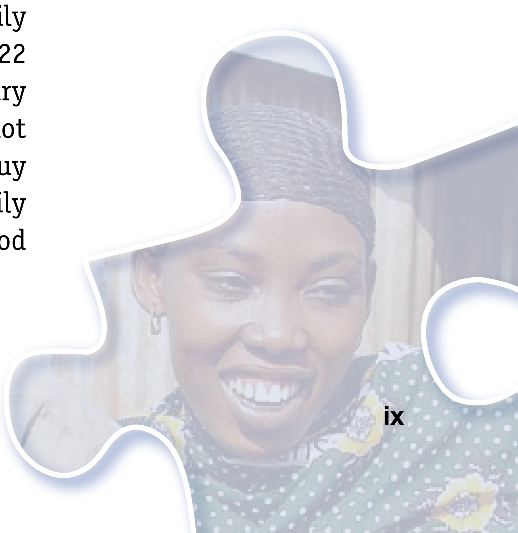
PREFACE

Wanza lives in Kitui in Eastern Province. She is 22 years old and has three children, ages seven, five, and one. She cultivates pigeon peas, maize and beans on a small plot of 50 meters by 50 meters that she leases for 2,000 KSh a year. Her plot is too small to allow her to produce enough to sell. She cannot afford to lease a larger piece of land. She also breaks rocks for sale to construction workers and helps her husband make bricks, although she does not consider this to be a sufficient source of income for her family.

She gets water for her family from a seasonal river, which is about one kilometer away. In the months when the river is not flowing, she must dig into the sand to try to find water below the surface. Often there is no water and she must return home empty handed. The nearest market is one hour's walk from her home and poor roads keep public transportation away. Her husband works as a casual laborer. Depending on where he finds work, he may be away from home for weeks at a time. Neither Wanza nor her husband have a phone, and cannot afford to pay to use public phones, so the family has difficulty staying in touch.

Halake heads a family in Moyale near the Kenyan border with Ethiopia, where guerillas occasionally cross the border, exposing the locals to violence and insecurity. He has five children—three in school and two at home. His family earns its living from the sale of livestock: cattle, goats and camels. He lost 22 head of cattle in the last drought and has only two cows now. During the dry season, the animals lose weight and do not produce milk. Therefore they do not fetch a good price on the market and his family is left with less money to buy food and other basic necessities. He does not rely on farming to feed his family because the area is arid. His biggest concern therefore is providing enough food for his family.

The levels of education in the area are low. This is partly the reason why health standards are low. This is only starting to change now as people begin to take education more seriously.



His family's situation is worsened by the poor condition of the roads and insecurity in the area. They can only sell their livestock in Moyale. They would make a decent living wage if they were able to bring their animals to Nairobi, but they can not afford the transport costs required. It takes three days to get to Nairobi from Moyale because the only tarmac road begins a distance away in Isiolo, and there is a fear of bandits along the entire journey. Even if the family could afford the journey, many of the animals may die on the way from a combination of hunger and fatigue, or may be stolen by bandits.

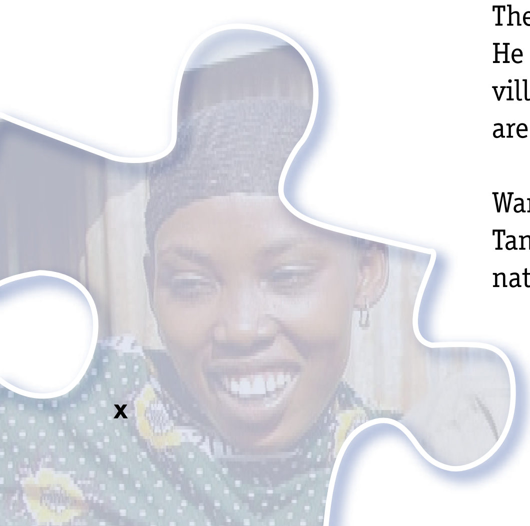
Wanza's and Halake's stories are typical of some of Kenya's poor today. Now, imagine this...

If better policies were put in place, I believe the health of my children would be much better, security would improve, the area would develop much faster, business would thrive to an extent we will be able to support the needy around us.

In 2012, if growth reaches 8 percent or more a year by 2008 and continues at this level, and government uses its resources efficiently to provide water, health, education, agricultural and other basic services to the poor, perhaps Wanza will be selling her produce at local markets and Halake's family will be able to access markets with better prices for their livestock on passable all-weather roads and on reliable railways. Maybe they will be using their mobile phones to find the markets with the best prices and to pay for goods and services. Perhaps some of their children will have completed secondary school and obtained one of the 800,000 new jobs created that year. Government has closed off opportunities for corruption and misuse of public resources, and dismissed and prosecuted officials who have been found to have abused the system.

Halake's family has survived the next drought without becoming destitute, owing to reliable safety nets and functioning regional markets in grain and livestock. The family has moved and lives close to a new northern highway to Ethiopia. He and his wife and children sleep under bednets. The family moves about the village without concern of raids by armed bandits that were once common in this area.

Wanza has invested money in cash crops to sell at the market for export to Tanzania and Uganda. She has even invested some of it in the privatized national telecommunications company. She will use the telebanking services of



a regulated financial institution to deposit her savings. She will no longer have to walk for an hour for water, as a new piped and potable water system will have been built in her village. Although her husband still lives in the city most of the year, the family will speak often on their mobile phones.

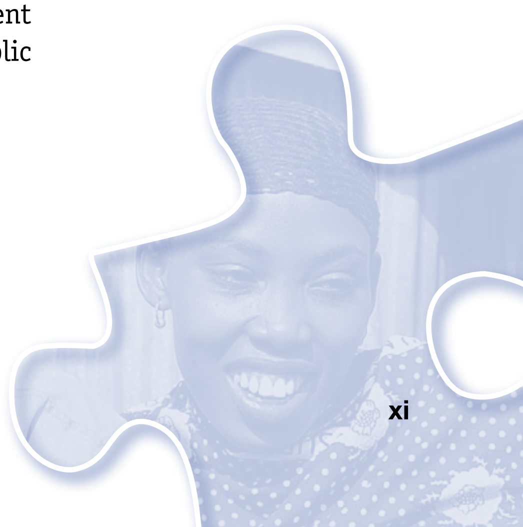
This is not a utopia; it can be achieved. With the much better performance of the past few years, Kenya could reach some of the MDGs by 2015 and the remainder before 2020.

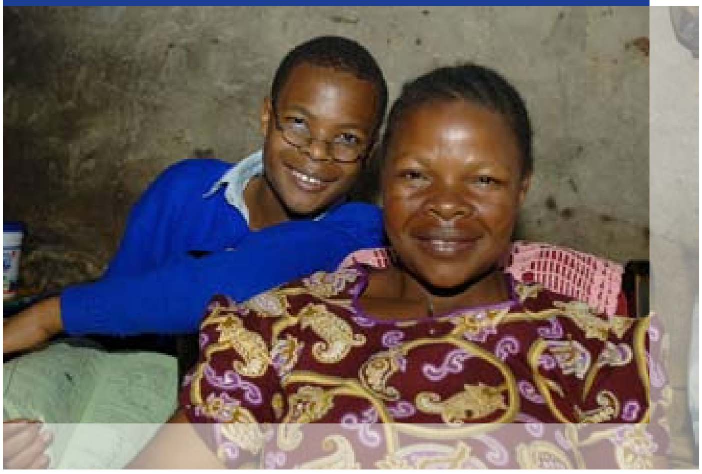
The international community shares the belief that such a future is possible. It will not be easy, however, and we look to the government's new development strategy to state how it can be realized. Some of the steps are clear. The government will need to consolidate and accelerate the economic reforms that are beginning to bear fruit. It have to prepare better for potential shocks from the weather, oil prices, terrorism, and diseases, such as avian flu. It will be required to promote integration into regional and global markets, and ensure that Kenyans benefit fully from the opportunities this offers. It will need to unswervingly tackle corruption and improve its accountability to ordinary Kenyans. It will have to increase its transparency by enhancing access to information. And it will have to deliver reliable, affordable basic services to its entire people wherever they live. In short, it will have to deliver practical results that improve the welfare of all Kenyans, but especially those who have not benefited from the economic recovery.

Such a future also requires that the development partners get their act together. Official development assistance to Kenya may represent only 1 percent of gross domestic product, but that money can make a big difference to the lives of people like Halake and Wanza. This is particularly true if it is aligned behind government priorities, harmonized through coherent spending and procurement systems, coordinated to avoid duplication and to secure synergies, more predictable to enable the government to plan expenditures, and monitored to ensure best practice.

This document is the first attempt to present in one place the collective strategy of most members of the international community to work in partnership with the government of Kenya to help deliver on the development priorities set by the Kenyan people, including achieving the Millennium Development Goals and Vision 2030. In it we recognize the progress that the government has made in many areas. We offer our support to enable Kenya to make faster progress in areas that are important for growth and poverty reduction. As partners with not only the government, but also, and ultimately, with the people of Kenya we recognize that our role is also to support Kenyans to hold their own government to account in the delivery of health, education, justice, security, and other public services.

Before 2002, education was costly. We had to pay school fees so those who could not afford it did not go to school.





EXECUTIVE SUMMARY

Country context. After experiencing two decades of poor economic performance, during which per capita income stagnated, Kenyans in late 2002 elected a government that campaigned for fundamental reform of governance. The government pursued policies during 2003–07 that have stimulated private sector investment, promoted growth, and improved the well being of citizens. By the end of 2006 the economy had experienced three consecutive years of growth in excess of 5 percent. This has led to a decline in poverty and the improvement of some social indicators. The government is attempting to address corruption and poor governance and has enacted several pieces of anti-corruption legislation. It has improved public sector management, including its public procurement and financial management practices, so that funds are now being used more effectively to provide services to citizens. It has pursued cautious, but meaningful, restructuring of parastatals that has led to declines in the costs of some key services. Moreover, relationships with development partners have improved. Major challenges remain, however, which Kenya will have to address if it is to accelerate pro-poor economic growth, reduce glaring inequities in access to assets and opportunities, and make progress toward the Millennium Development Goals (MDGs).

Country priorities and development agenda. Kenya's development strategy is laid out in the Investment Program for the Economic Recovery Strategy for Wealth and Employment Creation (IP-ERS) that was launched in March 2004 and is in its final year of implementation. The strategy contains a results-based framework that lays out how the government's priority programs will help reach specific targets, including the MDGs. Annual progress reports indicate that Kenya has advanced towards its objectives. The government prepared in 2007 its draft Vision 2030 document. It is expected to prepare in late 2007 or early 2008 a poverty reduction strategy paper as a successor to the IP-ERS.

Principles of the Kenya Joint Assistance Strategy. This Kenya Joint Assistance Strategy (KJAS) of 17 development partners—Canada, Denmark, the European Commission (EC), Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, the United Kingdom, the United States, the African Development Bank, the United Nations, and the World Bank Group—is centered on three principles, which are consistent with those articulated in the Paris Declaration on Aid Effectiveness. These are:

- Supporting the country-led strategy to improve social well-being and achieve the MDGs.
- Collaborating more effectively, both among development partners and with the government.
- Focusing on outcomes (including managing resources and improving decision-making for results, and strengthening monitoring and evaluation systems).

All KJAS partners are planning to fully adopt the KJAS framework by the end of 2008. Each KJAS partner will operate in accordance with the KJAS as soon as its ongoing individual country assistance strategy expires. The majority will prepare a business plan that contains the details of the nature and level of assistance to Kenya to supplement the KJAS.

Progress with harmonization, alignment, and coordination. Development partners' lack of confidence in the transparency, accountability, and effectiveness of government institutions and systems hampered progress on aid coordination during the 1990s. However, KJAS partners since 2003 have increasingly harmonized their activities. They are more and more coordinating and sharing analytical and advisory work, developing sectorwide support programs, and adopting partnership principles that guide their relationship with the government. KJAS partners have also made progress in deciding on a division of labor in accordance with the comparative advantage of each agency. Some have adopted delegated cooperation, in which one partner formally represents another in policy and sector dialogue. These measures are expected to significantly reduce transactions costs for both development partners and the government. The KJAS partners are committed to continue working to fully align their activities with the government's development strategy.

KJAS objectives and program focus. The objective of the KJAS is to support the government's efforts to achieve the MDGs and the targets that the government has set for itself in its national and sector development strategies. The KJAS focuses partners' efforts on the greatest challenges facing Kenya today:

- Significantly reducing corruption, improving public financial management, and reforming the public administration.
- Enhancing security and access to justice.
- Creating infrastructure, including information, communications, and technological networks, to serve as a platform for growth in Kenya and throughout the East African region.
- Upgrading informal settlements.
- Substantially improving the delivery of basic services to the poor, especially

health, education, water and sanitation, and social protection.
- Greatly narrowing the income gap between Kenya's richest and poorest citizens
- Improving the investment climate.
- Raising the productivity of agriculture.
- Promoting sound management of land, soils, forests, pastures, wildlife, water resources, and fisheries.

The strategy emphasizes results, gender equality, and good governance in all aspects of development.

KJAS pillars and nature of support. The KJAS is organized around three pillars in support of the government's strategy. These are (1) encouraging economic growth, (2) investing in people and reducing poverty and vulnerability, and (3) strengthening institutions and improving governance—the pillars of the Vision 2030 document. KJAS partners will channel most of their support through projects and programs. Some will consider providing general or sector budget support if governance, fiduciary, and monitoring and evaluation systems can offer sufficient assurance that funds are used for their intended purpose. KJAS partners will continue to work closely with nonstate actors —including faith-based organizations, the media, and trade and professional bodies—both to implement activities and to encourage their oversight of governance performance. KJAS partners will work to ensure that the programs they implement through nonstate actors are complementary with each other and support implementation of the government's strategy. They will also encourage the nonstate actors to coordinate their work with that of others in line with the goals of the Paris declaration and to operate in a fully transparent and accountable manner. In addition to financial support, KJAS partners will undertake analytical and advisory work jointly with the government that will help inform and prepare the ground for new programs and projects.

Risks. This KJAS recognizes that there are risks in a situation such as Kenya's. These include risks relating to political factors, to weak capacity, to poor governance, to unpredictability of donor funding and unwillingness of development partners to adhere to the KJAS and its principles, and to external shocks. The KJAS proposes a number of measures to mitigate the risks.

KJAS monitoring and evaluation. In the spirit of harmonizing and aligning behind the government development program, KJAS partners will to a large extent rely on the government's own monitoring of the results of its strategy in judging the development effectiveness of the KJAS. The government is establishing an annual government strategy review mechanism, which will draw on existing reporting and review arrangements for sector-specific support, for the government strategy as a whole, and for the budget process. The government is also developing a robust national monitoring and evaluation system that allows for regular reporting of strategy implementation and results.

KJAS partners will also assess the contributions of their specific interventions to outcomes, using the KJAS results matrix as the framework. Annual reviews linked to the government strategy reviews will provide early feedback

on both implementation progress and impact. An independent midterm review will provide detailed information on what is working well and what needs to be strengthened or modified to better achieve expected outcomes. A final self-evaluation of the strategy and its implementation and impact will be carried out at the end of the KJAS period. Kenya Coordination Group meetings will discuss the findings of the various reviews. Development partners' forums to be held every 18–24 months or so will more deeply investigate implementation issues and propose measures to overcome obstacles.

KJAS partners will assess their own progress toward becoming more effective partners. Before the end of 2007, KJAS partners and the government will establish a firm baseline of current practices (including in areas such as technical cooperation and the use of country systems), which will form the basis for setting targets of aid effectiveness as set out in the Paris declaration. They will assess progress towards the targets every two years, based on the responses to the OECD/DAC survey on aid effectiveness.